

Cherokee County, North Carolina
Financial Statements
June 30, 2015

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

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

Cherokee County, North Carolina

County Officials

June 30, 2015

COMMISSIONERS

C.B. McKinnon - Chairman

Cal Stiles- Vice-Chairman

Gary Westmoreland - Member

Dan Eichenbaum- Member

Roy Dickey - Member

SHERIFF

Derrick Palmer

REGISTER OF DEEDS

Daphne Dockery

CLERK OF COURT

Roger Gibson

APPOINTED OFFICIALS

Randy Wiggins - County Manager

Candy R. Anderson, CPA - Finance Director

Eddie Allen - Tax Administrator

Donna Crawford - Director of Social Services

Towanna Roberts -Health Director

R. Scott Lindsay - County Attorney

Cherokee County, North Carolina

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FINANCIAL SECTION

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

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

Independent Auditors' Report

Board of County Commissioners
Cherokee County
Murphy, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Cherokee County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Debt Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note IX to the financial statements, in 2015 the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 9 through 15, and the Law Enforcement Officers' Special Separation Allowance, and the Other Post Employment Benefit Schedules of Funding Progress and Employer Contributions on pages 58 through 59, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 60 through 61, respectively, and the Register of Deeds' Supplemental Pension Fund Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Contributions on pages 62 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cherokee County's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and 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, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015 on our consideration of Cherokee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cherokee County's internal control over financial reporting and compliance.

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

TURNER & COMPANY CPAs P.A.
Murphy, North Carolina

November 24, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cherokee County, North Carolina
Management's Discussion and Analysis

June 30, 2015

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, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follows this narrative.

Financial Highlights

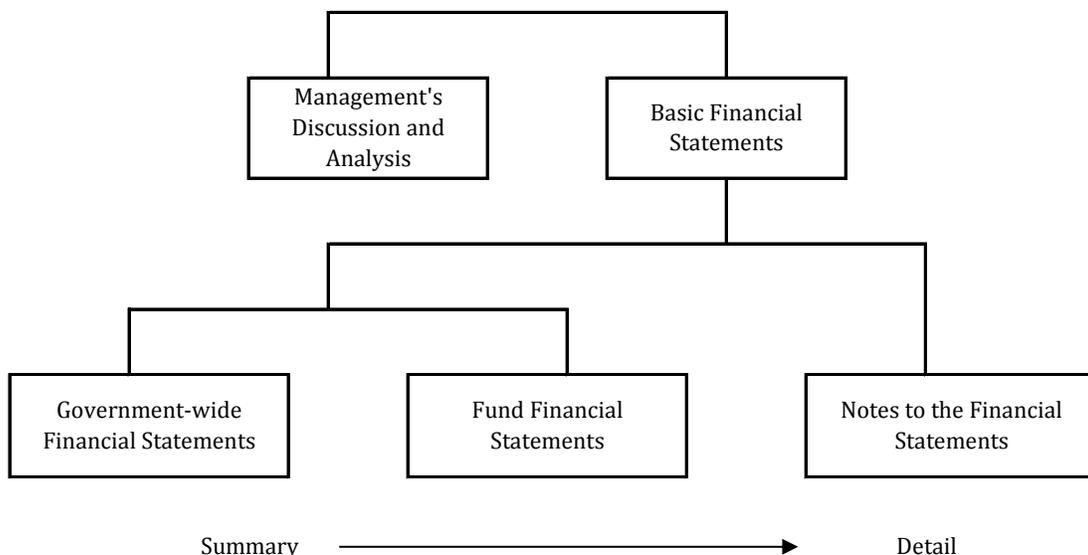
- The assets and deferred outflows of resources of Cherokee County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$37,985,461 (*net position*).
- The government's total net position increased by \$4,067,542, primarily due to management's focus on monitoring spending and maximizing revenue collection.
- As of the close of the current fiscal year, Cherokee County's governmental funds reported combined ending fund balances of \$24,413,858, after a net increase in fund balance of \$3,210,813. Approximately 45.15% of this total amount, or \$11,022,486, is restricted, committed, or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13,391,372, or 38.59% of total general fund expenditures for the fiscal year.
- The County's total new debt increased by \$646,888 during the past fiscal year, due to the \$60,368 installment purchase for the acquisition of four stretchers for EMS Services and the \$586,520 in capital lease financing issued for the lease purchase of four ambulances. The \$2,003,817 decrease was due the principal payments on all debt. The net change in the County's total debt decreased by \$1,356,929 (6.06% percent) during the current fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements of Cherokee County: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the fiduciary fund statements.

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

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

Government-wide Financial Statements

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

The two government-wide statements report the County's net position and how they have changed. Net position is the difference between the County's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. Governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. This includes the Pool and Wellness Center. The final category is the component unit. The Cherokee County Tourism Development Authority, which was created to promote activities and programs, which encourage travel and tourism in the area, is a public authority under North Carolina Statutes and is governed by a 7-member appointed board of directors.

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

Fund Financial Statements

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

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

Cherokee County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted.

The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 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 obligations to provide pension benefits to its employees. Supplementary information can be found beginning on page 57 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Cherokee County exceeded liabilities by \$37,985,461 as of June 30, 2015. The County's net position increased by \$4,067,542 for the fiscal year ended June 30, 2015. One of the largest portions \$29,817,889 (78.50%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Cherokee County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Cherokee County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Cherokee County's net position \$9,171,104 (24.14%) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets in the amount of (\$1,003,532) are negative primarily because under North Carolina law, the County is responsible for providing capital funding for the school system. The County has chosen to meet its legal obligation to provide the school system capital funding by using debt financings. The assets, funded by the County, are titled to and utilized by the school system. Since the County, as the issuing government, acquires no assets, the County has incurred a liability without a corresponding increase in assets.

Cherokee County, North Carolina's Net Position

Figure 2

	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 29,344,401	\$ 24,977,572	\$ 38,122	\$ 97,916	\$ 29,382,523	\$ 25,075,488
Internal balances	-	70,000	-	(70,000)	-	-
Capital assets	37,673,803	38,153,172	2,685,705	2,785,974	40,359,508	40,939,146
Total assets	67,018,204	63,200,744	2,723,827	2,813,890	69,742,031	66,014,634
Deferred outflows of resources	718,870	-	5,291	-	724,161	-
Long-term liabilities outstanding	26,475,701	27,612,296	522	522	26,476,223	27,612,818
Other liabilities	3,124,056	2,782,885	33,070	45,105	3,157,126	2,827,990
Total liabilities	29,599,757	30,395,181	33,592	45,627	29,633,349	30,440,808
Deferred inflows of resources	2,828,122	185,923	19,260	-	2,847,382	185,923
Net position:						
Net investment in capital assets	27,132,184	26,118,251	2,685,705	2,785,974	29,817,889	28,904,225
Restricted	9,171,104	8,783,447	-	-	9,171,104	8,783,447
Unrestricted	(994,093)	(2,282,058)	(9,439)	(17,711)	(1,003,532)	(2,299,769)
Total net position	\$ 35,309,195	\$ 32,619,640	\$ 2,676,266	\$ 2,768,263	\$ 37,985,461	\$ 35,387,903

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 97.16% (ad valorem), lower than the statewide average of 97.97%, and slightly higher than the county average of 96.73% for counties with populations from 25,000 to 49,999. The percentage collection rate increased slightly due to increased vigilance on the part of the Tax Collector to collect taxes in a timely manner.
- The County has maintained stricter policies on spending and implemented cost savings measures.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.

Cherokee County, North Carolina's Changes in Net Position

Figure 3

	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 4,285,393	\$ 4,750,439	\$ 320,147	\$ 330,894	\$ 4,605,540	\$ 5,081,333
Operating grants and contributions	8,005,612	8,262,002	49,000	-	8,054,612	8,262,002
Capital grants and contributions	574,678	511,802	-	-	574,678	511,802
General revenues:						
Property taxes	17,886,391	17,846,101	-	-	17,886,391	17,846,101
Other taxes	6,187,749	5,585,433	-	-	6,187,749	5,585,433
Grants and contributions not restricted to specific programs	1,316,343	1,304,401	-	-	1,316,343	1,304,401
Other	684,863	985,919	-	4	684,863	985,923
Total revenues	38,941,029	39,246,097	369,147	330,898	39,310,176	39,576,995
Expenses:						
General government	3,590,340	3,425,846	-	-	3,590,340	3,425,846
Public safety	10,757,107	10,777,589	-	-	10,757,107	10,777,589
Transportation	1,275,693	1,476,824	-	-	1,275,693	1,476,824
Economic and physical development	672,112	1,089,109	-	-	672,112	1,089,109
Environmental protection	1,541,021	1,483,585	-	-	1,541,021	1,483,585
Human services	8,742,898	9,337,468	-	-	8,742,898	9,337,468
Cultural recreation	490,901	747,134	449,751	498,318	940,652	1,245,452
Education	7,374,900	7,586,597	-	-	7,374,900	7,586,597
Interest on long-term debt	347,911	383,758	-	-	347,911	383,758
Total expenses	34,792,883	36,307,910	449,751	498,318	35,242,634	36,806,228
Increase (decrease) in net position before transfers	4,148,146	2,938,187	(80,604)	(167,420)	4,067,542	2,770,767
Transfers	-	(1,005,049)	-	1,005,049	-	-
Increase in net position	4,148,146	1,933,138	(80,604)	837,629	4,067,542	2,770,767
Net position, beginning, restated	31,161,049	30,686,502	2,756,870	1,930,634	33,917,919	32,617,136
Net position, ending	\$ 35,309,195	\$ 32,619,640	\$ 2,676,266	\$ 2,768,263	\$ 37,985,461	\$ 35,387,903

Governmental activities. Governmental activities increased the County's net position by \$4,148,146 thereby accounting for 101.98% of the total growth in the net position of Cherokee County. Key elements of this increase are as follows:

- Maintenance of the County's high tax collection rate of 97.16%
- Solicitation of additional capital grants and contributions.
- Motor Vehicle Property tax revenues have continued to increase under the new "Tag and Tax Together" program that began in late 2013.
- Increase in consumer spending contributed to the increase in sales tax revenues.

Business-type Activities. Business-type activities decreased the County's net position by \$80,604. There was a \$129,604 decrease in net position before contributions and transfers. Although the revenue generated by the Pool and Wellness Center was not sufficient to cover operating expenses, the current year operating loss was less than that of the prior year due to a \$48,567 reduction in operating expenses. The Hiwassee Valley Recreation Foundation, Inc. presented the Board with a check for \$49,000 for the continued operations of the Pool and Wellness Center.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Cherokee County. At the end of the current fiscal year, Cherokee County's fund balance available in the General Fund was \$15,582,375 while total fund balance reached \$18,999,303. The Governing Body of Cherokee County has determined that the County should maintain an available fund balance of 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 44.37% of general fund expenditures, while total fund balance represents 53.82% of the same amount.

At June 30, 2015, the governmental funds of Cherokee County reported a combined fund balance of \$24,413,858, a 15.14% increase over last year. The primary reason for this increase is the increase in fund balance in the General Fund.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased all revenues by \$1,301,990. Budget amendments were made concurrently as facts and circumstances became known with revenue and expenditure streams.

Proprietary Funds. Cherokee County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Pool and Wellness Center at the end of the fiscal year amounted to a deficit of (\$9,439). The total decrease in net position for the Pool and Wellness Center was \$80,604. Other factors concerning the finances of these funds have already been addressed in the discussion of Cherokee County's business-type activities.

Capital Asset and Debt Administration

Capital Assets. Cherokee County, North Carolina's capital assets for its governmental and business-type activities as of June 30, 2015, totals \$40,359,508 (net of accumulated depreciation). These assets include land, construction in progress, buildings, equipment, and vehicles.

Major capital asset transactions during the year include the following:

Governmental Activities.

- Completed and capitalized improvements to the Airport Improvement Project.
- Purchased vehicles for the Sheriff's Department, Emergency Medical Services Department, Building Inspector Department, Health Department, Sanitation Department and the Transit Department.
- Purchased four power Stryker stretchers, 32 channel communications recording system and a Zoll 12 lead monitor for the Emergency Medical Services Department.
- Purchased a zero turn mower and had office improvements at the Andrews Recreation Department.
- Upgraded existing locking control workstations, purchased grounds equipment and new quarry tile for the kitchen at the Detention Center.
- Purchased a 2008 Volvo Hydraulic Excavator for the Landfill.
- Purchased computer equipment for the Information Technology Department and a heat pump for the Tri-County Community College Building in Marble, NC.
- Purchased two trained dogs for the Sheriff's Department.

Business-Type Activities.

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

Construction commitments

The County has the following active construction commitments with contractors at June 30, 2015:

Project	Spent-to-date	Remaining Commitment
Waucheesi Communication Tower	\$ 10,500	\$ 4,010
Total	<u>\$ 10,500</u>	<u>\$ 4,010</u>

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

Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Capital Assets:						
Land	\$ 6,756,632	\$ 6,756,632	\$ -	\$ -	\$ 6,756,632	\$ 6,756,632
Construction in progress	4,010	760,883	-	-	4,010	760,883
Land Improvements	54,354	-	-	-	54,354	-
Buildings	20,639,749	21,147,374	2,590,429	2,652,169	23,230,178	23,799,543
Other improvements	8,345,514	8,095,104	73,663	100,230	8,419,177	8,195,334
Equipment	737,197	680,331	21,613	33,575	758,810	713,906
Software	-	24,754	-	-	-	24,754
Computers & electronic equipment	127,431	154,800	-	-	127,431	154,800
Vehicles & motorized equipment	1,008,916	475,917	-	-	1,008,916	475,917
Total capital assets	<u>\$ 37,673,803</u>	<u>\$ 38,095,795</u>	<u>\$ 2,685,705</u>	<u>\$ 2,785,974</u>	<u>\$ 40,359,508</u>	<u>\$ 40,881,769</u>

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

Cherokee County, North Carolina's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Installment purchases	\$ 20,464,936	\$ 22,408,385	\$ -	\$ -	\$ 20,464,936	\$ 22,408,385
Capitalized leases	586,520	-	-	-	586,520	-
Total	<u>\$ 21,051,456</u>	<u>\$ 22,408,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,051,456</u>	<u>\$ 22,408,385</u>

The County's total new debt increased by \$646,888 during the past fiscal year, due to the \$60,368 installment purchase for the acquisition of four stretchers for EMS Services and the \$586,520 in capital lease financing issued for the lease purchase of four ambulances. The \$2,003,817 decrease was due the principal payments on all debt. The net change in the County's total debt decreased by \$1,356,929 (6.06% percent) during the current fiscal year.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Cherokee County is about \$224,452,482.

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

Economic Factors and Next Year's Budgets and Rates

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

- At June 30, 2015, the County had an unemployment rate of 7.0%, higher than the statewide rate (not seasonally adjusted) of 6.1%.
- At June 30, 2015, forty-one counties had unemployment rates at or below the State's 6.1% percent rate.
- Even with a struggling economy and high unemployment, the County's unemployment rate decreased 1.2% from the prior year.
- The County has maintained stricter policies on spending and implemented cost savings measures.
- The growth of the County has been stagnant. However, with the opening of the Harrah's Casino we anticipate a positive economic impact for the County.

Budget Highlights for the Fiscal Year Ending June 30, 2016

Governmental Activities: The property tax rate was maintained at 52 cents per \$100 of valuation to maintain current tax revenue streams. As the property tax remains the only revenue source controlled locally, a high collection rate remains imperative to provide an equitable distribution of taxes. Sales tax revenues account for the second largest, unrestricted, revenue source. Consumer spending is increasing. The growth in sales tax revenue is expected by the State to be an additional 14%. Other revenue sources that provide funding for operating expenditures have for the most part remained flat for the coming fiscal year. The County will continue to fund current programs, and continue to look for ways to offer these services at a lower cost to the County. Budgeted expenditures in the General Fund for 2016 are \$36,672,977. This is a small increase from the prior year budget. Due to the great work of the employees, the rebound in the economy as reflected in sales tax distributions, and all projections of future sales tax increases consistently reflecting continued growth, the fiscal year 2016 budget reflects a 4% cost of living adjustment.

The County has chosen not to appropriate fund balance in the fiscal year 2016 budget. Management believes that increased revenues and continued restrictions on spending will maintain the County's financial position. As the County considers future revenue sources, it will weigh the benefit of increasing the property tax rate against the cost. Though management believes current growth will generate enough revenue to support County operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-Type Activities: The budgeted expenditures for the Pool and Wellness Center are \$369,300, which represents a .07% increase from the prior year. This increase is primarily due to cover operating costs.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Cherokee County, North Carolina

Statement of Net Position

June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Cherokee County Tourism Development Authority
ASSETS				
Cash and cash equivalents	\$ 18,468,757	\$ 4,634	\$ 18,473,391	\$ 158,182
Restricted cash	408,587	17,930	426,517	-
Investments	5,437,387	-	5,437,387	-
Receivables (net)	3,767,484	7,973	3,775,457	-
Due from other governments	111,237	-	111,237	60,513
Inventories	38,935	-	38,935	-
Prepaid items	6,809	-	6,809	-
Net pension asset	1,105,205	7,585	1,112,790	-
Capital assets:				
Land, improvements, construction in progress	6,760,642	-	6,760,642	-
Other capital assets, net of depreciation	30,913,161	2,685,705	33,598,866	-
Total capital assets	37,673,803	2,685,705	40,359,508	-
Total assets	67,018,204	2,723,827	69,742,031	218,695
DEFERRED OUTFLOWS OF RESOURCES	718,870	5,291	724,161	-
LIABILITIES				
Accounts payable and accrued expenses	2,983,684	15,140	2,998,824	3,614
Accrued interest payable	140,372	-	140,372	-
Liabilities to be paid from restricted assets	-	17,930	17,930	-
Long-term liabilities:				
Due within one year	2,490,879	-	2,490,879	-
Due in more than one year	23,984,822	522	23,985,344	-
Total liabilities	29,599,757	33,592	29,633,349	3,614
DEFERRED INFLOWS OF RESOURCES	2,828,122	19,260	2,847,382	-
NET POSITION				
Net investment in capital assets	27,132,184	2,685,705	29,817,889	-
Restricted for:				
Debt service	5,114,434	-	5,114,434	-
Public safety	379,700	-	379,700	-
Economic development	(12,276)	-	(12,276)	-
Education	385,365	-	385,365	-
Stabilization by State Statute	3,286,691	-	3,286,691	60,513
Human Services	17,190	-	17,190	-
Unrestricted (deficit)	(994,093)	(9,439)	(1,003,532)	154,568
Total net position	\$ 35,309,195	\$ 2,676,266	\$ 37,985,461	\$ 215,081

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

Cherokee County, North Carolina
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business -type Activities	Total	Cherokee County Tourism Development Authority
Primary government:								
Governmental Activities:								
General government	\$ 3,590,340	\$ 407,333	\$ -	\$ -	\$ (3,183,007)	\$ -	\$ (3,183,007)	
Public safety	10,757,107	2,466,646	405,526	-	(7,884,935)	-	(7,884,935)	
Transportation	1,275,693	395,293	378,238	33,089	(469,073)	-	(469,073)	
Economic and physical development	672,112	1,937	14,837	12,384	(642,954)	-	(642,954)	
Environmental Protection	1,541,021	379,091	1,362,903	-	200,973	-	200,973	
Human services	8,742,898	634,153	5,668,871	-	(2,439,874)	-	(2,439,874)	
Cultural and recreation	490,901	940	-	-	(489,961)	-	(489,961)	
Education	7,374,900	-	175,237	529,205	(6,670,458)	-	(6,670,458)	
Interest on long-term debt	347,911	-	-	-	(347,911)	-	(347,911)	
Total governmental activities	34,792,883	4,285,393	8,005,612	574,678	(21,927,200)	-	(21,927,200)	
Business-type activities:								
Pool and Wellness Center	449,751	320,147	49,000	-	-	(80,604)	(80,604)	-
Total primary government	\$ 35,242,634	\$ 4,605,540	\$ 8,054,612	\$ 574,678	(21,927,200)	(80,604)	(22,007,804)	
Component unit:								
Tourism Development Authority	\$ 210,706	\$ -	\$ -	\$ -				\$ (210,706)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					17,886,391	-	17,886,391	-
Local option sales tax					5,615,064	-	5,615,064	-
Other taxes and licenses					572,685	-	572,685	262,918
Grants and contributions not restricted to specific programs					1,316,343	-	1,316,343	-
Investment earnings, unrestricted					191,273	-	191,273	-
Miscellaneous, unrestricted					493,590	-	493,590	-
Total general revenues and transfers					26,075,346	-	26,075,346	262,918
Change in net position					4,148,146	(80,604)	4,067,542	52,212
Net position, beginning as previously reported					32,619,640	2,768,263	35,387,903	-
Restatement					(1,458,591)	(11,393)	(1,469,984)	-
Net position, beginning as restated					31,161,049	2,756,870	33,917,919	-
Net position, ending	\$ 35,309,195	\$ 2,676,266	\$ 37,985,461	\$ 52,212				

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

Cherokee County, North Carolina

Balance Sheet

Governmental Funds

June 30, 2015

	Major		Non-Major	
	General Fund	Debt Service	Total Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 18,061,420	\$ -	\$ 407,337	\$ 18,468,757
Restricted Cash	390,155	1,134	17,298	408,587
Investments	324,087	5,113,300	-	5,437,387
Receivables, net				
Taxes	452,447	-	97,644	550,091
Accounts	3,136,899	-	12,384	3,149,283
Due from other governments	111,237	-	-	111,237
Due from other funds	11,884	-	-	11,884
Inventories	38,935	-	-	38,935
Prepaid items	6,809	-	-	6,809
Total assets	<u>\$ 22,533,873</u>	<u>\$ 5,114,434</u>	<u>\$ 534,663</u>	<u>\$ 28,182,970</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,955,547	\$ -	\$ 28,137	\$ 2,983,684
Due to other funds	-	-	11,884	11,884
Total liabilities	<u>2,955,547</u>	<u>-</u>	<u>40,021</u>	<u>2,995,568</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	452,447	-	94,521	546,968
Unearned revenue	226,576	-	-	226,576
Total deferred inflows of resources	<u>679,023</u>	<u>-</u>	<u>94,521</u>	<u>773,544</u>
Fund balances:				
Nonspendable:				
Inventories	38,935	-	-	38,935
Prepaid items	6,809	-	-	6,809
Restricted:				
Stabilization by State Statute	3,271,184	-	15,507	3,286,691
Public safety	-	-	379,700	379,700
Economic and physical development	-	-	(12,276)	(12,276)
Human services	-	-	17,190	17,190
School Capital	385,365	-	-	385,365
Debt service	-	5,114,434	-	5,114,434
Committed:				
Tax revaluation	390,155	-	-	390,155
School capital outlay	1,324,966	-	-	1,324,966
Law enforcement	90,517	-	-	90,517
Unassigned:				
Total fund balances	<u>18,899,303</u>	<u>5,114,434</u>	<u>400,121</u>	<u>24,413,858</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,533,873</u>	<u>\$ 5,114,434</u>	<u>\$ 534,663</u>	<u>\$ 28,182,970</u>

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

Cherokee County, North Carolina

Balance Sheet

Governmental Funds

June 30, 2015

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

Total Fund Balances for Governmental Funds	\$ 24,413,858
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	37,673,803
Net pension asset	1,105,205
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	718,870
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	68,110
Deferred inflows of resources for taxes and special assessments receivable	546,968
Pension related deferrals	(2,601,546)
Some liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and therefore are not reported in the funds.	<u>(26,616,073)</u>
Net position of governmental activities	<u><u>\$ 35,309,195</u></u>

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

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major		Non-Major	Total Governmental Funds
	General Fund	Debt Service	Total Non-Major Funds	
REVENUES				
Ad valorem taxes	\$ 16,453,758	\$ -	\$ 1,841,850	\$ 18,295,608
Local option sales tax	5,615,064	-	-	5,615,064
Other taxes and licenses	572,685	-	-	572,685
Unrestricted intergovernmental	1,316,343	-	-	1,316,343
Restricted intergovernmental	7,026,023	-	238,069	7,264,092
Permits and fees	1,897,111	-	-	1,897,111
Sales and services	3,704,480	-	-	3,704,480
Investment earnings	18,524	168,644	385	187,553
Miscellaneous	493,590	-	-	493,590
Total revenues	37,097,578	168,644	2,080,304	39,346,526
EXPENDITURES				
Current:				
General government	3,149,513	-	291,123	3,440,636
Public safety	9,624,040	-	1,755,440	11,379,480
Transportation	846,040	-	14,506	860,546
Environmental protection	1,364,953	-	-	1,364,953
Economic and physical development	655,973	-	23,428	679,401
Human services	8,850,342	-	-	8,850,342
Cultural and recreational	476,132	-	-	476,132
Intergovernmental:				
Education	7,374,900	-	-	7,374,900
Debt service:				
Principal	2,003,817	-	-	2,003,817
Interest	352,394	-	-	352,394
Total expenditures	34,698,104	-	2,084,497	36,782,601
Revenues over (under) expenditures	2,399,474	168,644	(4,193)	2,563,925
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	383,561	34,291	417,852
Transfers to other funds	(417,852)	-	-	(417,852)
Capital lease obligations issued	586,520	-	-	586,520
Proceeds from long-term debt	60,368	-	-	60,368
Total other financing sources (uses)	229,036	383,561	34,291	646,888
Net change in fund balance	2,628,510	552,205	30,098	3,210,813
Fund balance, beginning	16,270,793	4,562,229	370,023	21,203,045
Fund balances, ending	\$ 18,899,303	\$ 5,114,434	\$ 400,121	\$ 24,413,858

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, 2015

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

Net changes in fund balances - total governmental funds	\$ 3,210,813
Change in fund balance due to change in reserve for inventory	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	
Capital outlay	1,206,502
Depreciation	(1,685,871)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	717,448
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(405,497)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,356,929
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.	(252,178)
Total changes in net position of governmental activities	\$ 4,148,146

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

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Fund
For the Fiscal Year Ended June 30, 2015

	General Fund				Debt Service Fund			
	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES								
Ad valorem taxes	\$ 16,070,339	\$ 16,070,339	\$ 16,453,758	\$ 383,419	\$ -	\$ -	\$ -	\$ -
Local option sales tax	5,039,900	5,039,900	5,615,064	575,164	-	-	-	-
Other taxes and licenses	472,200	622,200	572,685	(49,515)	-	-	-	-
Unrestricted intergovernmental	1,283,000	1,283,000	1,316,343	33,343	-	-	-	-
Restricted intergovernmental	6,577,408	7,615,386	7,026,023	(589,363)	-	-	-	-
Permits and fees	1,762,450	1,762,450	1,897,111	134,661	-	-	-	-
Sales and services	3,608,352	3,714,364	3,704,480	(9,884)	-	-	-	-
Investment earnings	15,000	15,000	18,175	3,175	140,000	140,000	168,644	28,644
Miscellaneous	398,956	406,956	493,590	86,634	-	-	-	-
Total revenues	35,227,605	36,529,595	37,097,229	567,634	140,000	140,000	168,644	28,644
EXPENDITURES								
Current:								
General government	3,464,804	3,591,656	3,146,645	445,011	-	-	-	-
Public safety	9,114,535	10,797,083	9,624,040	1,173,043	-	-	-	-
Transportation	1,089,485	1,097,461	846,040	251,421	-	-	-	-
Environmental protection	1,567,051	1,589,051	1,364,953	224,098	-	-	-	-
Economic and physical development	593,412	807,478	655,973	151,505	-	-	-	-
Human services	9,135,501	9,800,511	8,850,342	950,169	-	-	-	-
Cultural and recreational	514,852	532,252	476,132	56,120	-	-	-	-
Education	6,776,368	8,235,444	7,374,900	860,544	-	-	-	-
Debt service:								
Principal retirement	2,111,535	2,111,535	2,003,817	107,718	-	-	-	-
Interest and fees	365,730	365,730	352,394	13,336	-	-	-	-
Total expenditures	34,733,273	38,928,201	34,695,236	4,232,965	-	-	-	-
Revenues over (under) expenditures	494,332	(2,398,606)	2,401,993	4,800,599	140,000	140,000	168,644	28,644

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

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund and Annually Budgeted Major Special Revenue Fund
For the Fiscal Year Ended June 30, 2015

	General Fund				Debt Service Fund			
	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
OTHER FINANCING SOURCES (USES)								
Transfers from other funds	-	-	-	-	383,562	383,562	383,561	(1)
Transfers to other funds	(458,562)	(527,146)	(492,852)	34,294	-	-	-	-
Capital lease obligations issued	-	1,112,040	586,520	(525,520)	-	-	-	-
Proceeds from long-term debt issued	-	61,000	60,368	(632)	-	-	-	-
Total other financing sources (uses)	<u>(458,562)</u>	<u>645,894</u>	<u>154,036</u>	<u>(491,858)</u>	<u>383,562</u>	<u>383,562</u>	<u>383,561</u>	<u>(1)</u>
Fund balance appropriated / (additions)	(35,770)	1,752,712	-	(1,752,712)	(523,562)	(523,562)	-	523,562
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,556,029	<u>\$ 2,556,029</u>	<u>\$ -</u>	<u>\$ -</u>	552,205	<u>\$ 552,205</u>
Fund balance, beginning			15,953,119				4,562,229	
Fund balance, ending			<u>\$ 18,509,148</u>				<u>\$ 5,114,434</u>	
A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes:								
Investment earnings			349					
Transfer in from General Fund			75,000					
Expenditures			(2,868)					
Fund Balance, Beginning			317,674					
Fund Balance, Ending (Exhibit 4)			<u>\$ 18,899,303</u>					

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

Cherokee County, North Carolina
Statement of Net Position - Proprietary Fund
Pool and Wellness Center
June 30, 2015

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,634
Restricted cash	17,930
Receivables, net	7,973
Total current assets	30,537
Noncurrent assets:	
Net pension asset	7,585
Capital assets:	
Other capital assets, net of depreciation	2,685,705
Total noncurrent assets	2,693,290
Total assets	2,723,827
DEFERRED OUTFLOWS OF RESOURCES	
	5,291
LIABILITIES	
Current liabilities:	
Accounts payable	7,287
Accrued wages	7,853
Liabilities to be paid from restricted assets	17,930
Total current liabilities	33,070
Noncurrent liabilities:	
Compensated absences	522
Total noncurrent liabilities	522
Total liabilities	33,592
DEFERRED INFLOWS OF RESOURCES	
	19,260
NET POSITION	
Net investment in capital assets	2,685,705
Unrestricted	(9,439)
Total net position	\$ 2,676,266

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

Cherokee County, North Carolina

Statement of Revenues, Expenditures, and Changes in Fund Net Position - Proprietary Fund

Pool and Wellness Center

For the Year Ended June 30, 2015

OPERATING REVENUES	
Membership & fees	\$ 320,147
Total operating revenues	<u>320,147</u>
OPERATING EXPENSES	
Salaries & employee benefits	190,953
Supplies	20,045
Travel	1,264
Utilities	91,161
Advertising	1,286
Maintenance	7,418
Other	37,355
Depreciation	100,269
Total operating expenses	<u>449,751</u>
Operating income (loss)	<u>(129,604)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	<u>-</u>
Total nonoperating expenses	<u>-</u>
Income (loss) before contributions and transfers	(129,604)
Capital contributions	<u>49,000</u>
Change in net position	(80,604)
Total net position, beginning	2,768,263
Restatement	(11,393)
Total net assets, beginning as restated	<u>2,756,870</u>
Total net position, ending	<u>\$ 2,676,266</u>

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

Cherokee County, North Carolina
Statement of Cash Flows - Proprietary Fund
Pool and Wellness Center
For The Fiscal Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 320,147
Cash paid for goods and services	(160,101)
Cash paid to employees for services	(200,320)
Customer deposits returned	(6,970)
Net cash used by operating activities	<u>(47,244)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Decrease in amount due to General Fund	(70,000)
Net cash provided (used) by noncapital financing activities	<u>(70,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital contributions	49,000
Net cash provided (used) by capital and related financing activities	<u>49,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and dividends received	-
Purchase of investments	-
Proceeds from the sale or maturity of investments	-
Net cash provided (used) by investing activities	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	(68,244)
Cash and cash equivalents, beginning	90,808
Cash and cash equivalents, ending	<u>\$ 22,564</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	<u>\$ (129,604)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	100,269
Pension expense	282
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(865)
Increase (decrease) in accounts payable and accrued liabilities	(707)
Increase (decrease) in customer deposits	(6,970)
Increase (decrease) in compensated absences payable	(4,358)
(Increase) decrease in deferred outflows of resources for pensions	(5,291)
Total adjustments	<u>82,360</u>
Net cash provided (used) by operating activities	<u>\$ (47,244)</u>

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

Cherokee County, North Carolina
Statement of Fiduciary Net Position
For The Fiscal Year Ended June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 139,990</u>
LIABILITIES AND NET POSITION	
Liabilities:	
Miscellaneous liabilities	129,504
Intergovernmental payables - State of North Carolina	<u>10,486</u>
Total liabilities	<u>139,990</u>
Net position:	<u>\$ -</u>

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

Cherokee County, North Carolina

Notes to the Financial Statements

For the Year Ended June 30, 2015

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Cherokee County, North Carolina

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Cherokee County, North Carolina

Notes to the Financial Statements

For the Year Ended June 30, 2015

I. Summary of Significant Accounting Policies

The accounting policies of Cherokee County and its component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

Discretely Presented Component Unit

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

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

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – governmental, enterprise, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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

The County reports the following major governmental funds:

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

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

The County reports the following major enterprise fund:

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

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

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

Sheriff’s Trust Fund - which accounts for funds collected by the sheriff as an agent and for funds held for prisoners of the county detention facility.

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

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

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

Motor Vehicle Tax Fund - which accounts for registered motor vehicle property taxes that are billed and collected by the County for the two municipalities in the County.

The County reports the following non-major governmental funds:

Special Revenue Funds:

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

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

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

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

Capital Project Funds:

School Improvement Fund – This fund is used to account for the construction of new school facilities. For the fiscal year ended June 30, 2015, the fund had no financial transactions or account balances to report.

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

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

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

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

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

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

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

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

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

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

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

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

C. Budgetary Data

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

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

D. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity**1. Deposits and Investments**

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

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

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Cherokee County Restricted Cash

Governmental Activities			
General Fund	Tax revaluation	\$	390,155
Debt Service Fund	Unexpended funds for QZAB		1,134
Housing Preservation Grant Fund	Unexpended grant proceeds		108
Health Department Renovation and Expansion Capital Project	Unexpended grant proceeds		17,190
Total Governmental Activities		\$	<u>408,587</u>
Business-Type Activities			
Pool and Wellness Center	Unearned membership fees	\$	17,930
Total Business-Type Activities		\$	<u>17,930</u>
Total Restricted Cash		\$	<u><u>426,517</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2014.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

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

7. Capital Assets

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

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

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

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

8. Deferred Outflows/Inflows of Resources

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

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

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

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

Restricted for Transportation - portion of fund balance that is restricted by revenue source to pay for the purchase and maintenance of transportation vehicles and for the construction of major capital outlay projects for the Andrews-Murphy Airport.

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

Restricted for Human Services - portion of fund balance that is restricted by revenue source for the purchase of the DSS Building.

Restricted for Fire Protection - portion of fund balance that is restricted by revenue source for fire protection expenditures.

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

Restricted for Register of Deeds - portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds office.

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

Restricted for General Government / Capital Outlay - portion of fund balance that is restricted for the renovation of the County Courthouse.

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

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

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

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

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

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

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

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

12. Defined Benefit Pension Plans

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

13. Estimates

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

E. Reconciliation of Government-wide and Fund Financial Statements**1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The net adjustment of \$10,895,337 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 56,040,578
Less accumulated depreciation	<u>(18,366,775)</u>
Net capital assets	37,673,803
Net pension asset	1,105,205
Contributions to the pension plan in the current fiscal year	718,870
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	68,110
Liabilities for deferred inflows of resources reported in the fund statements but not the government-wide	546,968
Pension related deferrals	(2,601,546)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(21,051,456)
Compensated absences	(576,874)
Other postemployment benefits	(1,117,425)
Landfill closure costs	(3,495,271)
Pension benefit obligation	(234,675)
Accrued interest payable	<u>(140,372)</u>
Total adjustment	<u>\$ 10,895,337</u>

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$937,333 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,206,502
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the statement of activities, but not in the fund statements	(1,685,871)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(646,888)
Principal payments on debt owed are recorded as a use of funds on the fund statements, but again affect only the statement of net position in the government-wide statements	2,003,817
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	4,483
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	717,448
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	34,118
Other postemployment benefits	(118,712)
County's portion of collective pension expense	(36,327)
Pension benefits	(18,700)
Landfill closure cost	(117,040)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements	3,720
Increase in deferred inflows of resources - taxes receivable - at end of year	(403,146)
Increase in accrued taxes receivable at end of year	<u>(6,071)</u>
Total adjustment	<u>\$ 937,333</u>

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None Noted.

2. Contractual Violations

None Noted.

B. Deficit Fund Balance or Net Position of Individual Funds

None Noted.

C. Excess of Expenditures over Appropriations

None Noted.

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

The deposits of the County and the Cherokee County Tourism Development Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's and the Authority's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and the Authority, these deposits are considered to be held by their agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, the Authority or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County and the Authority have no policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County and the Authority complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2015, the County's deposits had a carrying amount of \$19,036,973 and a bank balance of \$19,557,379. Of the \$19,557,379 combined bank balance, \$302,334 was covered by federal depository insurance, and \$19,255,045 in deposits was covered by collateral held under the Pooling Method.

At June 30, 2015, Cherokee County had \$2,925 cash on hand.

Also, at June 30, 2015, the deposits of the Tourism Development Authority, a component unit of the County, had a carrying value of \$158,182 and a bank balance of \$163,429, all of which was covered by federal depository insurance.

2. Investments

At June 30, 2015, the County's investment balances were as follows:

Investment Type	Cost	Less Than 6 Months
Commercial Paper	\$ 2,717,924	\$ 2,717,924
FHLB Discount Note	2,394,672	2,394,672
NC Capital Management Trust:		
Cash Portfolio	324,791	N/A
Total:	\$ 5,437,387	\$ 5,112,596

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

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2015, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2015. The County's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the US government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended. The County's investments in US Agencies (Federal Home Loan Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's \$2,717,924 investment in commercial paper and \$2,394,672 investment in FHLB are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the County's name. The County had no policy on custodial credit risk.

Concentration of Credit Risk. The County places no limit on the amount that the County may invest in any one issuer. More than 95 percent of the County's investments are in IFLLC Finance commercial paper and a FHLB discount note. These investments are 50% and 44% respectively of the County's total investments.

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

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

Year Levied	Tax	Interest	Total
2011	\$ 1,274,288	\$ 312,200	\$ 1,586,488
2012	835,685	129,531	965,216
2013	873,241	56,761	930,002
2014	887,270	-	887,270
Total	\$ 3,870,484	\$ 498,492	\$ 4,368,976

4. Receivables

Receivables at the government-wide level at June 30, 2015, were as follows:

	Accounts Receivable	Taxes Receivable	Interest Receivable	Special Assessments	Total
Governmental Activities:					
General	\$ 3,191,073	\$ 1,037,750	\$ 68,110	\$ -	\$ 4,296,933
Other governmental	12,384	97,644	-	-	110,028
Total receivables	3,203,457	1,135,394	68,110	-	4,406,961
Allowance for doubtful accounts	(54,174)	(585,303)	-	-	(639,477)
Total-governmental activities	<u>\$ 3,149,283</u>	<u>\$ 550,091</u>	<u>\$ 68,110</u>	<u>\$ -</u>	<u>\$ 3,767,484</u>
Business-type Activities:					
Pool and Wellness Center	\$ 7,973	\$ -	\$ -	\$ -	\$ 7,973
Total-business-type activities	<u>\$ 7,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,973</u>

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

Local government sales and use taxes	\$ 111,237
Total	<u>\$ 111,237</u>

5. Capital Assets**Primary Government**

Capital assets activity for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Governmental Activities:					
Capital assets not being depreciated					
Land	\$ 6,756,632	\$ -	\$ -	\$ -	\$ 6,756,632
Construction in progress	760,883	5,210	(762,083)	-	4,010
Total capital assets not being depreciated	7,517,515	5,210	(762,083)	-	6,760,642
Capital assets being depreciated					
Land improvements	60,453	-	-	-	60,453
Buildings	26,069,477	-	-	-	26,069,477
Other improvements	13,978,623	22,879	762,083	-	14,763,585
Equipment	1,698,136	195,438	-	-	1,893,574
Software	528,474	-	-	-	528,474
Computers & electronic equipment	1,398,425	79,546	-	83,227	1,394,744
Vehicles & motorized equipment	3,727,694	903,429	-	61,494	4,569,629
Total capital assets being depreciated	47,461,282	1,201,292	762,083	144,721	49,279,936
Less accumulated depreciation for:					
Land Improvements	3,076	3,023	-	-	6,099
Buildings	4,922,103	507,625	-	-	5,429,728
Other improvements	5,883,519	534,552	-	-	6,418,071
Equipment	1,017,805	138,572	-	-	1,156,377
Software	503,720	24,754	-	-	528,474
Computers & other electronic equipment	1,243,625	106,915	-	83,227	1,267,313
Vehicles & motorized equipment	3,251,777	370,430	-	61,494	3,560,713
Total accumulated depreciation	16,825,625	1,685,871	-	144,721	18,366,775
Total capital assets being depreciated, net	30,635,657				30,913,161
Governmental activities capital assets, net	<u>\$ 38,153,172</u>				<u>\$ 37,673,803</u>

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

General government	\$	263,065
Public safety		593,795
Transportation		477,509
Economic and physical development		26,373
Human services		99,344
Environmental protection		193,098
Cultural and recreational		32,687
Total depreciation expense	\$	<u>1,685,871</u>

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Business-type activities:					
Capital assets being depreciated					
Buildings	\$ 3,087,019	\$ -	\$ -	\$ -	\$ 3,087,019
Other improvements	270,231	-	-	-	270,231
Equipment	119,618	-	-	-	119,618
Computers & other electronic equipment	7,613	-	-	7,613	-
Total capital assets being depreciated	<u>3,484,481</u>	-	-	7,613	<u>3,476,868</u>
Less accumulated depreciation for:					
Buildings	434,850	61,740	-	-	496,590
Other improvements	170,001	26,567	-	-	196,568
Equipment	86,043	11,962	-	-	98,005
Computers & other electronic equipment	7,613	-	-	7,613	-
Total accumulated depreciation	<u>698,507</u>	<u>100,269</u>	-	7,613	<u>791,163</u>
Total capital assets being depreciated, net	<u>2,785,974</u>				<u>2,685,705</u>
Business type capital assets, net	<u>\$ 2,785,974</u>				<u>\$ 2,685,705</u>

Construction commitments

The County has the following active construction commitments with contractors at June 30, 2015:

Project	Spent-to-date	Remaining Commitment
Waucheesi Communication Tower	\$ 10,500	\$ 4,010
Total	<u>\$ 10,500</u>	<u>\$ 4,010</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2015, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 549,894	\$ 2,405,653	\$ 2,955,547
Other governmental	28,137	-	28,137
Total governmental activities	<u>\$ 578,031</u>	<u>\$ 2,405,653</u>	<u>\$ 2,983,684</u>
Business-type Activities:			
Pool and Wellness Center	\$ 7,109	\$ 8,031	\$ 15,140
Total business-type activities	<u>\$ 7,109</u>	<u>\$ 8,031</u>	<u>\$ 15,140</u>

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$719,701 for the year ended June 30, 2015.

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

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

At June 30, 2015, the County reported an asset of \$1,031,997 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the County's proportion was .1750%, which was an decrease of .0128% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$38,350. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	\$ 112,764
Net difference between projected and actual earnings on pension plan investments	-	2,402,466
Changes in proportion and differences between County contributions and proportionate share of contributions	-	105,141
County contributions subsequent to the measurement date	719,701	-
Total	<u>\$ 719,701</u>	<u>\$ 2,620,371</u>

\$719,701 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ 655,229
2017	655,229
2018	655,229
2019	654,684
2020	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
County's proportionate share of the net pension liability (asset)	\$ 3,503,044	\$ (1,031,997)	\$ (4,850,355)

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

b. Law Enforcement Officers' Special Separation Allowance

Plan Description. Cherokee County administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. For reporting purposes, the Separation Allowance is presented as a pension trust fund; however, it does not meet the criteria for trust funds outlined in GASB Statement 68.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2014, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>30</u>
Total	<u><u>31</u></u>

A separate report was not issued for the plan.

Summary of Significant Accounting Policies: Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

Method Used to Value Investments. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions by employees.

The annual required contribution for the fiscal year ended June 30, 2016 was determined as part of the December 31, 2014 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.0%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2014 was 18 years.

Employer annual required contribution	\$ 32,445
Interest on net pension obligation	10,638
Adjustment to annual required contribution	<u>(17,973)</u>
Annual pension cost	25,110
Employer contributions made for fiscal year ending June 30, 2015	<u>(6,410)</u>
Increase in net pension obligation	18,700
Net pension obligation at beginning of year	<u>215,975</u>
Pension obligation at end of fiscal year	<u><u>\$ 234,675</u></u>

Funded Status and Funding Progress.

For Year Ended June 30	3 Year Trend Information		
	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
06/30/2013	\$ 28,739	27.01%	\$ 192,339
06/30/2014	\$ 26,392	22.62%	\$ 212,760
06/30/2015	\$ 25,110	12.72%	\$ 234,675

As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$217,805 as of December 31, 2014. The covered payroll (annual payroll of active employees covered by the plan) was \$1,139,170, and the ratio of the UAAL to the covered payroll was 19.12 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplement Retirement Income Plan for Law Enforcement Officers

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

The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$70,632, which consisted of \$57,340 from the County and \$13,292 from the law enforcement officers.

d. Registers of Deeds' Supplemental Pension Fund

Plan Description. Cherokee County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$3,038 for the year ended June 30, 2015.

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

At June 30, 2015, the County reported an asset of \$80,793 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2014, the County's proportion was .36%, which was an increase of .0046% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$(1,174). At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 741	\$ -
Net difference between projected and actual earnings on pension plan investments	-	435
Changes in proportion and differences between County contributions and proportionate share of contributions	681	-
County contributions subsequent to the measurement date	3,038	
Total	<u>\$ 4,460</u>	<u>\$ 435</u>

\$3,038 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ 538
2017	538
2018	21
2019	(110)
2020	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.5%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 5.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	<u>1% Decrease (4.75%)</u>	<u>Discount Rate (5.75%)</u>	<u>1% Increase (6.75%)</u>
County's proportionate share of the net pension liability (asset)	\$ (72,548)	\$ (80,793)	\$ 100

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

e. Other Postemployment Benefit

According to a County resolution, the County provides health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least thirty years of creditable service with the County. The County pays the cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the County's group rates. Currently six retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2015, the County paid \$41,400 for postretirement health benefit premiums. The County self funds health care coverage, and provides stop loss protection through private insurers.

Plan Description. Under a County resolution, as of December 4, 2006, Cherokee County provides healthcare benefits through the Healthcare Benefits Plan (HCB Plan) as a single-employer defined benefit plan to cover retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least thirty years of creditable service with the County. The HCB Plan is available to qualified retirees at 100% until the age of 65 or until Medicare eligible, whichever is sooner. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2014, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	6	-
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	217	26
Total	<u>223</u>	<u>26</u>

Funding Policy. The County pays the full cost of coverage for healthcare benefits paid to qualified retirees under a County resolution that can be amended by the Board of Commissioners. The County's members pay \$530 per month for dependent coverage. The County has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 1.72% of annual covered payroll. For the current year, the County contributed \$41,400 or 0.48% of annual covered payroll. The County provides healthcare coverage through a self funded plan. The County's required contributions, under a Board resolution, for employees not engaged in law enforcement and for law enforcement officers represented 6% and 0.0% of covered payroll, respectively. There were no contributions made by employees. The County's obligation to contribute to HCB Plan is established and may be amended by the Board of Commissioners.

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

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

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

Annual required contribution	\$ 171,482
Interest on net OPEB obligation	39,949
Adjustment to annual required contribution	<u>(38,163)</u>
Annual OPEB cost (expense)	173,268
Contributions made	<u>(54,556)</u>
Increase (decrease) in net OPEB obligation	118,712
Net OPEB obligation, beginning of year	<u>998,713</u>
Net OPEB obligation, end of year	<u>\$ 1,117,425</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2015 were as follows:

3 Year Trend Information			
For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 206,051	13.30%	\$ 858,045
2014	\$ 168,021	16.28%	\$ 998,713
2015	\$ 173,268	31.50%	\$ 1,117,425

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and thus the unfunded actuarial accrued liability (UAAL) was \$1,625,571. The covered payroll (annual payroll of active employees covered by the plan) was \$8,685,031, and the ratio of UAAL to the covered payroll was 18.7 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumption about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to the continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual pre-Medicare medical cost trend decrease of 7.50% to 5.00% annually. The investment rate included a 3% inflation assumption.

The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014, was 30 years.

f. Other Employment Benefits

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

The County also provides a \$15,000 death benefit to full time employees. For the fiscal year ended June 30, 2015, the County made contributions for death benefits of \$8,025.

g. Deferred Compensation Plan

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

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

State and federal laws and regulations require the County to place a final cover on its Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,495,271 reported as landfill closure and postclosure care liability at June 30, 2015 represents a cumulative amount reported to-date based on the use of 101.42 percent of the total estimated capacity of the landfill. It was noted during the fiscal year ended June 30, 2015, that the total air space used exceeded the estimated air space by approximately 7,000 cubic yards. This situation should be rectified with the permit amendment that was submitted in early July 2015 requesting additional space. These amounts are based on what it would cost to perform all closure and post closure care in 2015. The County expects to close the landfill facility in approximately 2030. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

4. Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions - difference between expected and actual experience		
LGERS	\$ -	\$ 112,764
Register of Deeds	741	-
Pensions - difference between projected and actual investment earnings	-	2,402,901
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	681	105,141
Contributions to pension plan in 2014-15 fiscal year	722,739	-
Prepaid taxes not yet earned (General)	-	226,576
Taxes receivable, net (General), less penalties	-	452,447
Taxes receivable, net (Special Revenue)	-	94,521
Total	<u>\$ 724,161</u>	<u>\$ 3,394,350</u>

5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners Risk Management Agency. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a blanket limit of \$51,973,770, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence; auto physical damage coverage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; workers' compensation coverage up to the statutory limits. All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County. The pools are audited annually by certified public accountants, and audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000, up to a \$2 million limit for liability coverage, and \$1,750,000 of each loss in excess of \$250,000 per occurrence retention for property, and auto physical damage. For workers' compensation there is a per occurrence retention of \$750,00.

For medical and dental insurance, the County is reinsured through a commercial carrier for individual losses in excess of \$60,000 and aggregate annual losses in excess of \$2,124,529.

In accordance with G.S. 159-29, County's employees who have access to \$100 or more of the County's funds at any given time are performance bonded through commercial crime coverage with a \$250,000 occurrence limit. The Director of Finance and the Tax Collector are individually bonded for \$100,000. The Register of Deeds is bonded for \$10,000. The Sheriff is bonded for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000. Individuals holding positions requiring statutory bonds are covered elsewhere.

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

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

6. Contingent Liabilities

At June 30, 2015, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

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

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

At June 30, 2015, the County leased equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles - four Chevrolet ambulances	\$ 605,160	\$ 75,645	\$ 529,515

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, are as follows:

Year ending June 30,	
2016	\$ 106,483
2017	106,483
2018	106,483
2019	106,483
2020	106,483
2021	106,481
Total minimum lease payments	638,896
Less: amount representing interest	52,376
Present value of the minimum lease payments	\$ 586,520

b. Installment Purchases

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

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

Governmental ActivitiesServiced by the County's General Fund

On June 21, 2001, the County entered into a \$278,000 installment purchase with Branch Banking Trust Company for an office building. The installment purchase requires 60 quarterly payments of \$6,663, including interest at 5.07%. The installment purchase matures in June 21, 2016.	\$ 25,830
On December 17, 2002, the County entered into a \$1,750,000 installment purchase with Bank of America, N.A. for school improvements. The installment purchase requires 32 semi-annual principal payments of \$58,333, plus interest at 4.31%. The installment purchase matures in December 17, 2017.	291,666
On December 18, 2002, the County entered into a \$3,250,000 QZAB installment purchase with Bank of America through US Bank National Association for school improvements. The installment purchase requires 1 payment of \$3,250,000 on December 18, 2016, including interest at 0%.	3,250,000
On July 16, 2004, the County entered into a \$3,500,000 QZAB installment purchase with Bank of America through US Bank National Association for school improvements. The installment purchase requires 1 payment of \$3,500,000, on July 16, 2018, including interest at 0%.	3,500,000
On November 30, 2005, the County entered into a \$565,507 installment purchase with NC DENR for water improvements. The installment purchase requires 30 annual principal payments of \$28,275, plus interest at 2.205%. The installment purchase matures in May 1, 2026.	311,029
On March 10, 2006, the County entered a \$450,000 installment purchase with Branch Banking Trust Company for school improvements. The installment purchase requires 15 annual principal payments of \$30,000, plus interest at 4.03%. The installment purchase matures in March 10, 2021.	180,000
On September 19, 2008, the County entered into a \$1,800,000 installment purchase with Regions Bank for school improvements. The installment purchase requires 30 semi-annual payments of \$60,000, plus interest at 3.79%. The installment purchase matures in September 19, 2023.	1,020,000
On August 14, 2008, the County entered into a \$1,371,355 QZAB installment purchase with Rocky Mountain Bank through Heartland Financial USA, Inc. for school improvements. The installment purchase requires 14 annual payments of \$97,954, including interest at 0%. The installment purchase matures in August 14, 2022.	783,631
On December 28, 2010, the County entered into a \$8,158,780 installment purchase with Branch Banking & Trust Company for renovations and additions to the Courthouse. The installment purchase requires 11 annual payments of \$761,486, plus interest at 2.39%. The installment purchase matures in December 28, 2021.	5,330,403
On December 28, 2010, the County entered into a \$1,216,000 installment purchase with Branch Banking & Trust Company for the acquisition of the Department of Social Services Building. The installment purchase requires 15 annual principal payments of \$81,066, plus interest at 5.50%. The installment purchase matures in December 28, 2025.	891,736

On December 28, 2010, the County entered into a \$184,000 installment purchase with Branch Banking & Trust Company for the acquisition of the Department of Social Services Building. The installment purchase requires 15 annual principal payments of \$12,266, plus interest at 5.50%. The installment purchase matures in December 28, 2025.	134,936
On December 21, 2010, the County entered into a \$1,282,886 installment purchase with Bank of America, N.A. for the Andrews High School Renovation. The installment purchase requires 30 semi-annual payments of \$42,763, plus interest at 5.67%. The installment purchase matures in December 21, 2025. This is a Qualified School Construction Bond and interest paid is refundable.	898,020
On April 10, 2012, the County entered into an installment purchase with PNC Bank, National Association for \$5,700,000 to refinance the purchase of the Detention Center and Sheriff's Office. The installment purchase requires 18 semi-annual principal payments of \$316,667, plus interest at 1.99%. The installment purchase matures on April 10, 2021.	3,800,000
On July 1, 2015, the County entered into a \$60,368 installment purchase with Stryker Flex Financial for the acquisition of five stretchers for EMS Services. The installment purchase requires five annual payments of \$13,850, including interest at 5.423%. The installment purchase matures August 2, 2018.	47,685
	<u>\$ 20,464,936</u>

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 2,003,396	\$ 369,533
2017	5,228,163	316,422
2018	1,920,458	264,100
2019	5,362,788	215,516
2020	1,849,906	168,152
2021-2025	3,935,835	290,928
2026-2029	164,390	6,939
Total	<u>\$ 20,464,936</u>	<u>\$ 1,631,590</u>

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$10,541,619 relates to assets the County holds title. There is no unspent restricted cash related to this debt at June 30, 2015.

c. Long-term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Government Activities:					
Installment purchases	\$ 22,408,385	\$ 60,368	\$ 2,003,817	\$ 20,464,936	\$ 2,003,396
Capital leases	-	586,520	-	586,520	106,483
Landfill closure costs	3,378,231	117,040	-	3,495,271	-
Other post employment benefits	998,713	173,268	54,556	1,117,425	-
Compensated absences	610,992	347,761	381,879	576,874	381,000
Net pension liability (LGRS)	2,247,073	-	2,247,073	-	-
Pension benefit obligation	215,975	25,110	6,410	234,675	-
Total Government activities	<u>\$ 29,859,369</u>	<u>\$ 1,310,067</u>	<u>\$ 4,693,735</u>	<u>\$ 26,475,701</u>	<u>\$ 2,490,879</u>
Business-type activities:					
Compensated absences	\$ 522	\$ 731	\$ 731	\$ 522	\$ -
Net pension liability (LGRS)	16,638	-	16,638	-	-
Total business-type activities	<u>\$ 17,160</u>	<u>\$ 731</u>	<u>\$ 17,369</u>	<u>\$ 522</u>	<u>\$ -</u>

The LGRS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

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

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2015, consist of the following:

Due to the General Fund from:

Snap-On Tools Water Infrastructure Improvements and Fiber Optic Expansion Project	\$ 11,884
Total	<u>11,884</u>

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

Transfers to/from other funds at June 30, 2015, consist of the following:

From the General Fund to the Debt Service fund to accumulate to retire QZAB debt	\$ 383,561
From the General fund to the Airport improvement Fund to accumulate resources for the construction of airport improvements	23,247
From the General Fund to the Revaluation Fund to provide resources for the next property revaluation	75,000
From the General Fund to the Snap-On Tools Water Infrastructure Improvements and Fiber Optic Expansion Project for the County match contribution per grant agreement	11,044
Total	<u>\$ 492,852</u>

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

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 37,673,803	\$ 2,685,705
Less: gross long-term debt	(20,464,936)	-
Add: school debt for assets to which the county does not hold title	9,923,317	-
Net investment in capital assets	<u>\$ 27,132,184</u>	<u>\$ 2,685,705</u>

E. Fund Balance

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

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

Total Fund Balance - General Fund	\$ 18,899,303
Less:	
Inventories	38,935
Prepaid items	6,809
Stabilization by State Statute	3,271,184
School Capital	385,365
Tax Revaluation	390,155
School Capital Outlay	1,324,966
Law Enforcement	90,517
Working Capital/ Fund Balance Policy	13,391,372
Remaining Fund Balance	<u>\$ -</u>

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

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

<i>Encumbrances</i>	<i>General Fund</i>
CDW-Government Inc	\$ 3,100
Theraqcom	1,575
Tri State Kife Safety	1,489
Hoffman Mechanical Solutions	5,000
Total	<u>\$ 11,164</u>

IV. Joint Ventures

1. Nantahala Regional Library - The County participates in a joint venture to operate the Nantahala Regional Library with six other local governments. The three participating counties may each appoint three board members to the nine-member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating government's continued funding. None of the participating governments has any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2015. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$183,045 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's office at 11 Blumenthal Street, Murphy, NC 28906.

2. Smoky Mountain Center for Mental Health Developmental Disability and Substance Abuse Service - The County participates in a joint venture to operate the Smoky Mountain Center for Mental Health Developmental Disability and Substance Abuse Services with six other local governments. The County appoints one member to the board of the Center. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating government's continued funding. None of the participating governments has any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2015. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$75,000 to the Center to supplement its activities. Complete financial statements for the Center can be obtained from the Center's offices at P. O. Box 280, Dillsboro, NC 28725.

V. Jointly Governed Organizations

The County, in conjunction with seven other counties and sixteen municipalities, established the Southwestern Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$18,027 to the Commission during the fiscal year ended June 30, 2015. The County was the sub recipient of a grant for \$315,479 from the Division of Aging of the North Carolina Department of Human Resources, which was passed through the Commission.

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

VI. Benefit Payments Issued by the State

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

	<u>Federal</u>	<u>State</u>
Temporary assistance for needy families	\$ -	\$ -
Medicaid	31,310,143	17,034,565
WIC	577,353	-
Food stamp program	6,282,954	-
Payments to elderly and disabled	-	241,365
Adoption assistance	277,539	72,162
Energy assistance	155,461	-
Title IV-E, foster care	230,335	62,315
Total	<u>\$ 38,833,785</u>	<u>\$ 17,410,407</u>

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

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

VIII. Significant Effects of Subsequent Events

Cherokee County has evaluated events and transactions that occurred between June 30, 2015 and November 24, 2015, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

On July 17, 2015, the County paid in full the installment agreement for the purchase of four new ambulances in the amount of \$598,291. The payoff of this loan will save the County \$40,605 in interest expense.

On July 27, 2015, the County purchased a new ambulance in the amount of \$150,450.

On October 13, 2015, the County entered into an agreement with the Eastern Band of Cherokee Indians to provide Emergency Medical Services (EMS) for two years at an annual fee of \$75,000 for sixty (60) EMS calls. Service calls in excess of sixty (60) will be billed at \$1,250 per call.

IX. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27), in the fiscal year ending June 30, 2015. The implementation of the statement required the County to record beginning net pension liability and the effects on net position of contributions made by the County during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$1,458,591 and \$11,393, respectively.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Law Enforcement Officers' Special Separation Allowance
 - Schedule of Funding Progress
 - Schedule of Employer Contributions
- Other Postemployment Benefits
 - Schedule of Funding Progress
 - Schedule of Employer Contributions
- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Liability (Asset) for Register of Deeds' Supplemental Pension Fund
- Schedule of Contributions to Register of Deeds' Supplemental Pension Fund

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2009	\$ -	\$ 214,398	\$ 214,398	-	\$ 1,217,682	17.61%
12/31/2010	-	184,290	184,290	-	1,174,227	15.69%
12/31/2011	-	184,290	184,290	-	1,174,227	15.69%
12/31/2012	-	190,594	190,594	-	1,135,755	16.78%
12/31/2013	-	190,594	190,594	-	1,135,755	16.78%
12/31/2014	-	217,805	217,805	-	1,139,170	19.12%

Schedule of Employer Contributions

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2010	22,309	34.79%
2011	35,541	21.84%
2012	31,811	24.40%
2013	28,739	27.01%
2014	26,392	22.62%
2015	25,110	12.72%

Notes to the Required Schedules:

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

Valuation date	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
*Includes inflation at	3.00%
Cost-of living adjustments	N/A

Cherokee County, North Carolina
Other Postemployment Benefits
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2012	-	1,675,909	1,675,909	0.00%	8,842,895	19.00%
12/31/2013	-	1,675,909	1,675,909	0.00%	8,842,895	19.00%
12/31/2014	-	1,625,571	1,625,571	0.00%	8,685,031	18.70%

Schedule of Employer Contributions

Year Ending June 30	Annual Required Contributions	Percentage Contributed
2013	206,051	13.30%
2014	168,021	16.28%
2015	173,268	31.50%

Notes to the Required Schedules:

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

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Medical cost trend rate	8.5% - 5.00%
Year of ultimate trend rate	2020
*Includes inflation at	3.00%

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

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.1750%	0.1878%
County's proportionate share of the net pension liability (asset) \$	\$ (1,031,997)	\$ 2,263,711
County's covered-employee payroll	10,061,351	10,179,686
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(10.26%)	22.24%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

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

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

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 719,701	\$ 713,599
Contributions in relation to the contractually required contribution	<u>719,701</u>	<u>713,599</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	10,145,989	10,061,351
Contributions as a percentage of covered-employee payroll	7.09%	7.09%

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

	2015	2014
County's proportion of the net pension liability (asset) %	0.3565%	0.3611%
County's proportionate share of the net pension liability (asset) \$	\$ (80,793)	\$ (77,129)
County's covered-employee payroll	\$ 44,033	\$ 44,000
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(183.48%)	(175.29%)
Plan fiduciary net position as a percentage of the total pension liability	193.88%	190.50%

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

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

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

Combining and Individual Fund Statements and Schedules

GENERAL FUND AND REVALUATION FUND

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

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

Cherokee County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Current year taxes		\$ 16,197,755	
Penalties and interest		256,003	
Total	<u>\$ 16,070,339</u>	<u>16,453,758</u>	<u>\$ 383,419</u>
Local option sales taxes:			
Article 39 one percent		2,691,216	
Article 40 one-half of one percent		1,554,252	
Article 42 one-half of one percent		1,369,848	
Article 44 one-half of one percent		(252)	
Total	<u>5,039,900</u>	<u>5,615,064</u>	<u>575,164</u>
Other taxes and licenses:			
Register of deeds - excise tax		211,296	
Car rental tax		5,866	
Local occupancy tax		269,350	
Solid Waste Disposal Tax		21,181	
Franchise Tax		51,620	
State and Federal Drug Tax		11,429	
Civil licenses		1,943	
Total	<u>622,200</u>	<u>572,685</u>	<u>(49,515)</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes		1,316,343	
Total	<u>1,283,000</u>	<u>1,316,343</u>	<u>33,343</u>
Restricted intergovernmental:			
ABC bottle fees		10,520	
Court facility fees		35,906	
Health Department grants		59,024	
Health Department state revenues		753,368	
Juvenile Crime Prevention		83,628	
Lottery proceeds		529,205	
Other grants		66,402	
Transportation ROAP		111,885	
Senior Center		178,433	
Social Services		4,667,526	
Tire Disposal Tax Grant		46,705	
Transportation		308,184	
US Forest Service Timber		175,237	
Total	<u>7,615,386</u>	<u>7,026,023</u>	<u>(589,363)</u>

Cherokee County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES (continued)			
Permits and fees:			
Building permits		202,823	
Fire arm permits		29,360	
Fire inspections		3,825	
Landfill user fees		1,316,198	
Precious metal permits		712	
Register of deeds		202,593	
Water and septic permits		141,600	
Total	<u>1,762,450</u>	<u>1,897,111</u>	<u>134,661</u>
Sales and services:			
Ambulance fees		1,303,605	
Aviation gas sales		69,804	
Health Department fees		600,181	
Landfill tipping fees		237,491	
Jet fuel sales		57,473	
Other sales		97,224	
Personnel fees		76,252	
Rents, concessions, and fees		75,956	
Sheriff & jail fees		927,033	
Transportation fees		259,321	
Vehicle tax collection fees		140	
Total	<u>3,714,364</u>	<u>3,704,480</u>	<u>(9,884)</u>
Investment earnings	<u>15,000</u>	<u>18,175</u>	<u>3,175</u>
Miscellaneous:			
ABC Store Distributions		46,500	
Insurance proceeds		33,601	
Other		413,489	
Miscellaneous	<u>406,956</u>	<u>493,590</u>	<u>86,634</u>
Total revenues	<u>36,529,595</u>	<u>37,097,229</u>	<u>567,634</u>
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits		270,915	
Operating expenditures		50,485	
Total	<u>356,937</u>	<u>321,400</u>	<u>35,537</u>
Administration:			
Salaries and employee benefits		159,052	
Operating expenditures		9,698	
Total	<u>170,541</u>	<u>168,750</u>	<u>1,791</u>

Cherokee County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General government (continued):			
Board of Elections:			
Salaries and employee benefits		154,176	
Operating expenditures		45,024	
Total	<u>235,261</u>	<u>199,200</u>	<u>36,061</u>
Information Technology:			
Salaries and employee benefits		151,651	
Operating expenditures		131,523	
Capital outlay		13,047	
Total	<u>325,575</u>	<u>296,221</u>	<u>29,354</u>
Finance:			
Salaries and employee benefits		270,031	
Operating expenditures		100,646	
Total	<u>379,509</u>	<u>370,677</u>	<u>8,832</u>
Tax assessor:			
Salaries and employee benefits		299,245	
Operating expenditures		71,940	
Total	<u>391,738</u>	<u>371,185</u>	<u>20,553</u>
Tax collector:			
Salaries and employee benefits		171,386	
Operating expenditures		115,330	
Total	<u>331,737</u>	<u>286,716</u>	<u>45,021</u>
Land records:			
Salaries and employee benefits		123,466	
Operating expenditures		25,251	
Total	<u>151,089</u>	<u>148,717</u>	<u>2,372</u>
Register of deeds:			
Salaries and employee benefits		153,679	
Operating expenditures		199,150	
Total	<u>367,101</u>	<u>352,829</u>	<u>14,272</u>
Public buildings:			
Salaries and employee benefits		245,375	
Operating expenditures		119,640	
Capital outlay		6,550	
Total	<u>392,456</u>	<u>371,565</u>	<u>20,891</u>
Court facilities:			
Operating expenditures		36,270	
Total	<u>41,150</u>	<u>36,270</u>	<u>4,880</u>

Cherokee County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General government (continued):			
Central services:			
Salaries and employee benefits		14,096	
Operating expenditures		209,019	
Total	<u>294,160</u>	<u>223,115</u>	<u>71,045</u>
Contingency	<u>154,402</u>	<u>-</u>	<u>154,402</u>
Total general government	<u>3,591,656</u>	<u>3,146,645</u>	<u>445,011</u>
Public safety:			
Sheriff department:			
Salaries and employee benefits		1,904,605	
Operating expenditures		364,086	
Capital outlay		181,920	
Total	<u>2,553,084</u>	<u>2,450,611</u>	<u>102,473</u>
Jail:			
Salaries and employee benefits		1,597,351	
Operating expenditures		1,004,548	
Capital outlay		71,164	
Total	<u>2,849,332</u>	<u>2,673,063</u>	<u>176,269</u>
Ambulance service:			
Salaries and employee benefits		2,086,818	
Operating expenditures		400,173	
Capital outlay		665,133	
Total	<u>3,781,384</u>	<u>3,152,124</u>	<u>629,260</u>
911 addressing:			
Salaries and employee benefits		27,235	
Operating expenditures		16,412	
Total	<u>130,413</u>	<u>43,647</u>	<u>86,766</u>
Emergency communications:			
Salaries and employee benefits		493,517	
Operating expenditures		13,621	
Total	<u>557,315</u>	<u>507,138</u>	<u>50,177</u>
Emergency management:			
Salaries and employee benefits		83,443	
Operating expenditures		20,632	
Total	<u>140,185</u>	<u>104,075</u>	<u>36,110</u>
Building inspector:			
Salaries and employee benefits		211,243	
Operating expenditures		14,482	
Capital outlay		24,338	
Total	<u>260,113</u>	<u>250,063</u>	<u>10,050</u>

Cherokee County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety (continued):			
Fire inspections:			
Salaries and employee benefits		109,573	
Operating expenditures		42,448	
Capital outlay		4,010	
Total	<u>192,112</u>	<u>156,031</u>	<u>36,081</u>
Medical examiner:			
Operating expenditures		24,050	
Total	<u>45,000</u>	<u>24,050</u>	<u>20,950</u>
Animal control:			
Operating expenditures		69,176	
Total	<u>80,000</u>	<u>69,176</u>	<u>10,824</u>
Special appropriations:			
NC Forest Service-Fire protection		54,062	
Valley River Rescue Squad		70,000	
Cherokee County Rescue Squad		70,000	
Total	<u>208,145</u>	<u>194,062</u>	<u>14,083</u>
Total public safety	<u>10,797,083</u>	<u>9,624,040</u>	<u>1,173,043</u>
Transportation:			
Airport:			
Salaries and employee benefits		56,537	
Operating expenditures		174,870	
Total	<u>267,921</u>	<u>231,407</u>	<u>36,514</u>
Public transportation:			
Salaries and employee benefits		423,046	
Operating expenditures		143,704	
Capital outlay		47,883	
Total	<u>829,540</u>	<u>614,633</u>	<u>214,907</u>
Total transportation	<u>1,097,461</u>	<u>846,040</u>	<u>251,421</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		727,608	
Operating expenditures		507,243	
Capital outlay		130,102	
Total	<u>1,589,051</u>	<u>1,364,953</u>	<u>224,098</u>
Total environmental protection	<u>1,589,051</u>	<u>1,364,953</u>	<u>224,098</u>

Cherokee County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Economic and physical development:			
Economic development:			
Salaries and employee benefits		61,876	
Operating expenditures		19,924	
Total	<u>85,711</u>	<u>81,800</u>	<u>3,911</u>
Cooperative extension:			
Salaries and employee benefits		119,893	
Operating expenditures		39,614	
Total	<u>212,874</u>	<u>159,507</u>	<u>53,367</u>
Soil and water conservation:			
Salaries and employee benefits		75,566	
Total	<u>88,428</u>	<u>75,566</u>	<u>12,862</u>
Special appropriations:			
Cherokee County Board of Tourism		262,875	
Soil and water conservation district		76,225	
Total	<u>420,465</u>	<u>339,100</u>	<u>81,365</u>
Total economic and physical development	<u>807,478</u>	<u>655,973</u>	<u>151,505</u>
Human services:			
Health department:			
Administration:			
Salaries and employee benefits		413,387	
Operating expenditures		210,929	
Capital outlay		19,694	
Total		<u>644,010</u>	
Women, infants, and children:			
WIC - Breastfeeding		9,780	
WIC - Administration		13,249	
WIC - Client services		81,164	
WIC - Nutritional Education		28,073	
Total		<u>132,266</u>	
Environmental health:			
Salaries and employee benefits		175,941	
Operating expenditures		14,030	
Total		<u>189,971</u>	
Food and lodging:			
Salaries and employee benefits		139,455	
Operating expenditures		3,220	
Total		<u>142,675</u>	

Cherokee County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Human Services, Health department (continued):			
Health programs:			
Health promotion		51,855	
Bio Terrorism		34,694	
Immunization		181,931	
Communicable disease		62,456	
Andrews clinic		122,087	
Pregnancy care management (OBCM)		50,969	
Maternal health		48,365	
Breast and cervical cancer		43,868	
Breast feeding peer counseling		7,059	
Family planning		148,109	
Child health		36,049	
Child service coordinator		37,859	
School based clinic		103,845	
School nurse initiative		100,000	
Medication management		27,895	
Smart start		44,655	
Total		<u>1,101,696</u>	
Total Health Department	<u>2,744,845</u>	<u>2,210,618</u>	<u>534,227</u>
Social services:			
Administration:			
Salaries and employee benefits		2,886,046	
Operating expenses		198,089	
Capital outlay		10,560	
Total		<u>3,094,696</u>	
Programs:			
Operating expenses		2,928,200	
Total		<u>2,928,200</u>	
Total	<u>6,415,163</u>	<u>6,022,896</u>	<u>392,267</u>
Senior citizens program:			
Salaries and employee benefits		195,320	
Operating expenses		152,784	
Total	<u>366,175</u>	<u>348,104</u>	<u>18,071</u>
Mental health:			
Operating expenses		75,000	
Total	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Veterans service officer:			
Salaries and employee benefits		17,957	
Operating expenses		1,794	
Total	<u>25,338</u>	<u>19,751</u>	<u>5,587</u>

Cherokee County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Human services (continued):			
Special appropriations:			
Industrial Opportunities, Inc.		50,000	
State of Franklin Health Council		14,000	
Haven Child Advocacy		10,000	
Juvenile Crime Prevention Programs		99,973	
Total	<u>173,990</u>	<u>173,973</u>	<u>17</u>
Total human services	<u>9,800,511</u>	<u>8,850,342</u>	<u>950,169</u>
Cultural and recreational:			
Library:			
Operating expenditures		183,045	
Total	<u>183,045</u>	<u>183,045</u>	<u>-</u>
Parks and recreation:			
Salaries and employee benefits		183,575	
Operating expenditures		60,881	
Capital outlay		7,700	
Total	<u>307,927</u>	<u>252,156</u>	<u>55,771</u>
Museum:			
Salaries and employee benefits		40,875	
Operating expenditures		56	
Total	<u>41,280</u>	<u>40,931</u>	<u>349</u>
Total cultural and recreation	<u>532,252</u>	<u>476,132</u>	<u>56,120</u>
Education:			
Public schools:			
Public schools - current		5,900,836	
Public schools - capital outlay		670,884	
Total	<u>7,432,264</u>	<u>6,571,720</u>	<u>860,544</u>
Community college:			
Community college - current		803,180	
Total	<u>803,180</u>	<u>803,180</u>	<u>-</u>
Total education	<u>8,235,444</u>	<u>7,374,900</u>	<u>860,544</u>
Debt service:			
Principal retirements		2,003,817	
Interest and fees		352,394	
Total debt service	<u>2,477,265</u>	<u>2,356,211</u>	<u>121,054</u>
Total expenditures	<u>38,928,201</u>	<u>34,695,236</u>	<u>4,232,965</u>
Revenues over (under) expenditures	<u>(2,398,606)</u>	<u>2,401,993</u>	<u>4,800,599</u>

Cherokee County, North Carolina

General Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)			
Transfers to other funds:			
Debt Service Fund	(383,562)	(383,561)	1
Revaluation Fund	(75,000)	(75,000)	-
Airport Improvement Fund	(46,496)	(23,247)	23,249
Snap-On Tools Water Infrastructure Improvements and Fiber Optic Expansion Project	<u>(22,088)</u>	<u>(11,044)</u>	11,044
Total net transfers	(527,146)	(492,852)	34,294
Capital lease obligations issued	1,112,040	586,520	(525,520)
Proceeds from long-term debt issued	<u>61,000</u>	<u>60,368</u>	<u>(632)</u>
Total other financing sources (uses)	645,894	154,036	(491,858)
Revenues and other sources over (under) expenditures	<u>(1,752,712)</u>	<u>2,556,029</u>	<u>4,308,741</u>
Appropriated fund balance	<u>1,752,712</u>	<u>-</u>	<u>(1,752,712)</u>
Net change in fund balance	<u>\$ -</u>	2,556,029	<u>\$ 2,556,029</u>
Fund balance, beginning		<u>15,953,119</u>	
Fund balance, ending		<u>\$ 18,509,148</u>	

Cherokee County, North Carolina

Revaluation Fund

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment earnings	\$ 400	\$ 349	\$ (51)
Total revenues	<u>400</u>	<u>349</u>	<u>(51)</u>
EXPENDITURES			
Current:			
General government:			
Salaries and employee benefits		-	
Total expenditures	<u>10,600</u>	<u>2,868</u>	<u>7,732</u>
Revenues over (under) expenditures	<u>(10,200)</u>	<u>(2,519)</u>	<u>7,681</u>
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund	<u>75,000</u>	<u>75,000</u>	-
Total other financing sources (uses)	<u>75,000</u>	<u>75,000</u>	-
Contingency	(64,800)	-	64,800
Net change in fund balance	<u>\$ -</u>	72,481	<u>\$ 72,481</u>
Fund balance, beginning		<u>317,674</u>	
Fund balances, ending		<u>\$ 390,155</u>	

MAJOR GOVERNMENTAL FUND

The County has one major governmental fund.

Special Revenue Fund:

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

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

Cherokee County, North Carolina

Debt Service Fund

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

For the Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Investment earnings	\$ 140,000	\$ 168,644	\$ 28,644
Total revenues	<u>140,000</u>	<u>168,644</u>	<u>28,644</u>
 OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund		383,561	
Total other financing sources (uses)	<u>383,562</u>	<u>383,561</u>	<u>1</u>
Contingency	(523,562)	-	523,562
Net change in fund balance	<u>\$ -</u>	552,205	<u>\$ 552,207</u>
Fund balance, beginning		<u>4,562,229</u>	
Fund balance, ending		<u>\$ 5,114,434</u>	

Non-major Governmental Funds

The County has the following non-major governmental funds:

Special Revenue Funds:

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

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

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

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

Housing Preservation Grant Fund - This fund is established to account for the Grant to repair or rehabilitate low- and very low-income housing. For the fiscal year ended June 30, 2015, the fund had no financial transactions to report.

Capital Project Funds:

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

School Improvement Fund – This fund is used to account for the construction of the new school facilities. For the fiscal year ended June 30, 2015, the fund had no financial transactions or account balances to report.

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

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

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

Cherokee County, North Carolina

Combining Balance Sheet

Non-major Governmental Funds

June 30, 2015

	<u>Total Non-major Special Revenue Funds</u>	<u>Total Non-major Capital Projects Fund</u>	<u>Total Non-major Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 407,337	\$ -	\$ 407,337
Restricted cash	108	17,190	17,298
Investments	-	-	-
Taxes receivable (net)	97,644	-	97,644
Accounts receivable	-	12,384	12,384
Due from other funds	-	-	-
Due from other governments	-	-	-
Deposits and prepaid	-	-	-
Total assets	<u>\$ 505,089</u>	<u>\$ 29,574</u>	<u>\$ 534,663</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 27,637	\$ 500	\$ 28,137
Due to other funds	-	11,884	11,884
Total liabilities	<u>27,637</u>	<u>12,384</u>	<u>40,021</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes receivable	94,521	-	94,521
Unearned revenues	-	-	-
Total deferred inflows of resources	<u>94,521</u>	<u>-</u>	<u>94,521</u>
Fund balances:			
Restricted:			
Stabilization by state statute	3,123	12,384	15,507
Public safety	379,700	-	379,700
Transportation	-	-	-
Economic and physical development	108	(12,384)	(12,276)
Human services	-	17,190	17,190
Fire protection	-	-	-
School capital	-	-	-
Unassigned	-	-	-
Total fund balances	<u>382,931</u>	<u>17,190</u>	<u>400,121</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 505,089</u>	<u>\$ 29,574</u>	<u>\$ 534,663</u>

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds
For the Fiscal Year Ended June 30, 2015

	Total Non-major Special Revenue Funds	Total Non-major Capital Projects Fund	Total Non-major Governmental Funds
REVENUES			
Ad valorem taxes	\$ 1,841,850	\$ -	\$ 1,841,850
Other taxes and licenses	-	-	-
Restricted intergovernmental	234,426	3,643	238,069
Restricted other	-	-	-
Investment earnings	385	-	385
Total revenues	<u>2,076,661</u>	<u>3,643</u>	<u>2,080,304</u>
EXPENDITURES			
Current:			
General government	291,123	-	291,123
Public safety	1,755,440	-	1,755,440
Transportation	-	14,506	14,506
Education	-	-	-
Economic development	-	23,428	23,428
Human services	-	-	-
Total expenditures	<u>2,046,563</u>	<u>37,934</u>	<u>2,084,497</u>
Revenues over (under) expenditures	30,098	(34,291)	(4,193)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	34,291	34,291
Total other financing sources (uses)	<u>-</u>	<u>34,291</u>	<u>34,291</u>
Net change in fund balances	30,098	-	30,098
Fund balances, beginning as restated	<u>352,833</u>	<u>17,190</u>	<u>370,023</u>
Fund balances, ending	<u>\$ 382,931</u>	<u>\$ 17,190</u>	<u>\$ 400,121</u>

Cherokee County, North Carolina

Combining Balance Sheet

Non-major Governmental Funds - Special Revenue Funds

June 30, 2015

	Emergency Telephone System Fund	Fire District Fund	Bear Paw Service District	Housing Preservation Grant Fund	Total Non- major Special Revenue Funds
ASSETS					
Cash and cash equivalents	\$ 383,029	\$ 20,589	\$ 3,719	\$ -	\$ 407,337
Restricted cash	-	-	-	108	108
Investments	-	-	-	-	-
Taxes receivable (net)	-	92,817	4,827	-	97,644
Accounts receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 383,029	\$ 113,406	\$ 8,546	\$ 108	\$ 505,089
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 206	\$ 23,712	\$ 3,719	\$ -	\$ 27,637
Due to other funds	-	-	-	-	-
Total liabilities	206	23,712	3,719	-	27,637
DEFERRED INFLOWS OF RESOURCES					
Taxes receivable	-	89,694	4,827	-	94,521
Unearned Revenues	-	-	-	-	-
Total deferred inflows of resources	-	89,694	4,827	-	94,521
Fund balances:					
Restricted:					
Stabilization by State Statute	-	3,123	-	-	3,123
Public Safety	382,823	(3,123)	-	-	379,700
Transportation	-	-	-	-	-
Economic and Physical Development	-	-	-	108	108
Human Services	-	-	-	-	-
Fire Protection	-	-	-	-	-
School	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	382,823	-	-	108	382,931
Total liabilities, deferred inflows of resources, and fund balances	\$ 383,029	\$ 113,406	\$ 8,546	\$ 108	\$ 505,089

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds - Special Revenue Funds
For the Fiscal Year Ended June 30, 2015

	Emergency Telephone System Fund	Fire District Fund	Bear Paw Service District	Housing Preservation Grant Fund	Total Non- major Special Revenue Funds
REVENUES					
Ad valorem taxes	\$ -	\$ 1,550,727	\$ 291,123	\$ -	\$ 1,841,850
Other taxes and licenses	-	-	-	-	-
Restricted intergovernmental	234,426	-	-	-	234,426
Restricted other	-	-	-	-	-
Investment earnings	385	-	-	-	385
Total revenues	<u>234,811</u>	<u>1,550,727</u>	<u>291,123</u>	<u>-</u>	<u>2,076,661</u>
EXPENDITURES					
Current:					
General government	-	-	291,123	-	291,123
Public safety	204,713	1,550,727	-	-	1,755,440
Transportation	-	-	-	-	-
Education	-	-	-	-	-
Economic Development	-	-	-	-	-
Total expenditures	<u>204,713</u>	<u>1,550,727</u>	<u>291,123</u>	<u>-</u>	<u>2,046,563</u>
Revenues over (under) expenditures	30,098	-	-	-	30,098
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	30,098	-	-	-	30,098
Fund balances, beginning as restated	<u>352,725</u>	<u>-</u>	<u>-</u>	<u>108</u>	<u>352,833</u>
Fund balances, ending	<u>\$ 382,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108</u>	<u>\$ 382,931</u>

Cherokee County, North Carolina

Emergency Telephone System Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2015**

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental	\$ 234,426	\$ 234,426	\$ -
Investment earnings	300	385	85
Total revenues	<u>234,726</u>	<u>234,811</u>	<u>85</u>
EXPENDITURES			
Public safety			
Operating expenditures		204,713	
Total expenditures	<u>358,040</u>	<u>204,713</u>	<u>153,327</u>
Revenues over (under) expenditures	<u>(123,314)</u>	<u>30,098</u>	<u>153,412</u>
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:		-	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Increase in fund balance for subsequent expenditures	123,314	-	(123,314)
Revenues and other sources over (under) expenditures	<u>\$ -</u>	30,098	<u>\$ 30,098</u>
Fund balance, beginning as previously reported		352,725	
Prior period adjustment		-	
Fund balance, beginning as restated		<u>352,725</u>	
Fund balance, ending		<u>\$ 382,823</u>	

Cherokee County, North Carolina

Fire District Fund

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Ad valorem taxes	\$ 1,844,200	\$ 1,550,727	\$ (293,473)
Total revenues	<u>1,844,200</u>	<u>1,550,727</u>	<u>(293,473)</u>
EXPENDITURES			
Public safety:			
Collection Fees		5,874	
Bellview Fire District		92,109	
Brasstown Fire District		14,785	
Culberson Fire District		89,767	
Grape Creek Fire District		29,216	
Hanging Dog Fire District		49,907	
Hiwassee Fire District		186,044	
Wolf Creek Fire District		65,356	
Martins Creek Fire District		79,245	
Peachtree Fire District		172,801	
Murphy Rural Fire District		295,610	
Ranger Fire District		126,243	
Tipton Fire District		2,668	
Unaka Fire District		33,785	
Valleytown Fire District		293,596	
Violet Fire District		13,721	
Total expenditures	<u>1,844,200</u>	<u>1,550,727</u>	<u>293,473</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Appropriated fund balance	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

Cherokee County, North Carolina

Bear Paw Service District

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

For the Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Ad valorem taxes	\$ 295,610	\$ 291,123	\$ (4,487)
Total revenues	<u>295,610</u>	<u>291,123</u>	<u>(4,487)</u>
EXPENDITURES			
General government:			
Bear Paw Service District	<u>295,610</u>	<u>291,123</u>	<u>4,487</u>
Total expenditures	<u>295,610</u>	<u>291,123</u>	<u>4,487</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Appropriated fund balance	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

Cherokee County, North Carolina

Housing Preservation Grant Fund

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

From Inception and for the Fiscal Year Ended June 30, 2015

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
REVENUES					
Restricted intergovernmental:					
Grants	\$ 90,000	\$ 89,973	\$ -	\$ 89,973	\$ (27)
Total revenues	90,000	89,973	-	89,973	(27)
EXPENDITURES					
Economic and physical development:					
Administration		9,000	-	9,000	
Construction		80,865	-	80,865	
Total expenditures	90,000	89,865	-	89,865	135
Revenues over (under) expenditures	-	108	-	108	(108)
OTHER FINANCING SOURCES (USES)					
Transfer to General Fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Appropriated fund balance	-	-	-		-
Revenues and other sources over (under) expenditures	\$ -	\$ 108	-	\$ 108	\$ (108)
Fund balance, beginning			108		
Fund balance, ending			\$ 108		

Cherokee County, North Carolina
Combining Balance Sheet
Non-major Governmental Funds - Capital Project Funds
June 30, 2015

	Snap-On Tools Water Infrastructure Improvements and Fiber Optic Expansion Project	Health Department Renovation and Expansion Capital Project	Airport Improvements	Total Non-major Capital Projects Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Restricted cash	-	17,190	-	17,190
Investments	-	-	-	-
Taxes receivable (net)	-	-	-	-
Accounts receivable	12,384	-	-	12,384
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Deposits and Prepaid	-	-	-	-
Total assets	\$ 12,384	\$ 17,190	\$ -	\$ 29,574
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 500	\$ -	\$ -	\$ 500
Due to other funds	11,884	-	-	11,884
Total liabilities	12,384	-	-	12,384
DEFERRED INFLOWS OF RESOURCES				
Taxes receivable	-	-	-	-
Unearned revenues	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted:				
Stabilization by state statute	12,384	-	-	12,384
Public Safety	-	-	-	-
Transportation	-	-	-	-
Economic and physical development	(12,384)	-	-	(12,384)
Human services	-	17,190	-	17,190
Fire protection	-	-	-	-
School capital	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	-	17,190	-	17,190
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,384	\$ 17,190	\$ -	\$ 29,574

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds - Capital Project Funds
June 30, 2015

	Snap-On Tools Water Infrastructure Improvements and Fiber Optic Expansion Project	Health Department Renovation and Expansion Capital Project	Airport Improvements	Total Non-major Capital Projects Fund
REVENUES				
Restricted intergovernmental	\$ 12,384	\$ -	\$ (8,741)	\$ 3,643
Total revenues	<u>12,384</u>	<u>-</u>	<u>(8,741)</u>	<u>3,643</u>
EXPENDITURES				
Current:				
Transportation	-	-	14,506	14,506
Economic development	23,428	-	-	23,428
Total expenditures	<u>23,428</u>	<u>-</u>	<u>14,506</u>	<u>37,934</u>
Revenues over (under) expenditures	(11,044)	-	(23,247)	(34,291)
OTHER FINANCING SOURCES (USES)				
Installment purchase proceeds	-	-	-	-
Transfer to General Fund	-	-	-	-
Transfer from General Fund	11,044	-	23,247	34,291
Total other financing sources (uses)	<u>11,044</u>	<u>-</u>	<u>23,247</u>	<u>34,291</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning	-	17,190	-	17,190
Fund balances, ending	<u>\$ -</u>	<u>\$ 17,190</u>	<u>\$ -</u>	<u>\$ 17,190</u>

Cherokee County, North Carolina

**Snap-On Tools Water Infrastructure Improvements and Fiber Optic Expansion Project
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2015**

	Actual			Variance Favorable (Unfavorable)	
	Project Authorization	Prior Years	Current Year		Total to Date
REVENUES					
Restricted intergovernmental:					
NC Rural Center Grant	\$ 209,820	\$ -	\$ -	\$ -	\$ (209,820)
Appalachian Regional Commission	220,864	-	12,384	12,384	(208,480)
Total revenues	<u>430,684</u>	<u>-</u>	<u>12,384</u>	<u>12,384</u>	<u>(418,300)</u>
EXPENDITURES					
Economic and physical development:					
Capital outlay:					
Construction	342,300	-	18,428	18,428	323,872
Administrative & legal	17,000	-	-	-	17,000
Architectural & engineering	19,500	-	5,000	5,000	14,500
Miscellaneous	28,928	-	-	-	28,928
Contingencies	34,000	-	-	-	34,000
Total expenditures	<u>441,728</u>	<u>-</u>	<u>23,428</u>	<u>23,428</u>	<u>418,300</u>
Revenues over (under) expenditures	<u>(11,044)</u>	<u>-</u>	<u>(11,044)</u>	<u>(11,044)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfer from other funds					
General Fund	11,044	-	11,044	11,044	-
Total other financing sources (uses)	<u>11,044</u>	<u>-</u>	<u>11,044</u>	<u>11,044</u>	<u>-</u>
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

Cherokee County, North Carolina

Health Department Renovation and Expansion Capital Project

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2015**

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental					
Grants	\$ 704,842	\$ 699,131	\$ -	\$ 699,131	\$ (5,711)
Total revenues	<u>704,842</u>	<u>699,131</u>	<u>-</u>	<u>699,131</u>	<u>(5,711)</u>
EXPENDITURES					
Human services					
Operating expenditures		97,566	-	97,566	
Capital outlay		648,929	-	648,929	
Total expenditures	<u>752,842</u>	<u>746,495</u>	<u>-</u>	<u>746,495</u>	<u>6,347</u>
Revenues over (under) expenditures	<u>(48,000)</u>	<u>(47,364)</u>	<u>-</u>	<u>(47,364)</u>	<u>636</u>
OTHER FINANCING SOURCES (USES)					
Transfer from other funds					
General Fund	48,000	64,554	-	64,554	16,554
Total other financing sources (uses)	<u>48,000</u>	<u>64,554</u>	<u>-</u>	<u>64,554</u>	<u>16,554</u>
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 17,190</u>	<u>-</u>	<u>\$ 17,190</u>	<u>\$ 17,190</u>
Fund balance, beginning			<u>17,190</u>		
Fund balance, ending			<u>\$ 17,190</u>		

Cherokee County, North Carolina

Airport Improvement Project

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

From Inception and for the Fiscal Year Ended June 30, 2015

	Project Authorization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
REVENUES					
Restricted intergovernmental:					
Grant-36237.41.10.3	\$ 958,200	\$ 911,401	\$ -	\$ 911,401	\$ (46,799)
Grant-36237.41.11.1	241,648	211,747	-	211,747	(29,901)
Grant-36237.41.11.2	666,782	666,781	-	666,781	(1)
Grant-36237.41.11.3	355,628	210,493	-	210,493	(145,135)
Grant-36237.41.11.5	64,136	64,136	-	64,136	-
Grant-36237.41.12.1	35,215	57,111	(21,895)	35,216	1
Grant-36237.41.12.2	19,095	17,916	1,178	19,094	(1)
Grant-36237.41.12.3	11,976	-	11,976	11,976	-
Total revenues	<u>2,352,680</u>	<u>2,139,585</u>	<u>(8,741)</u>	<u>2,130,844</u>	<u>(221,836)</u>
EXPENDITURES					
Transportation:					
Runway approach I 41.10.3	1,064,667	1,012,668	-	1,012,668	51,999
Taxi ways extension phase 41.11.1	268,498	235,428	-	235,428	33,070
Parallel taxi way project 41.11.2	741,869	740,868	-	740,868	1,001
Improve runway 8 safety area 41.11.3	384,350	233,881	-	233,881	150,469
Airport AWOS upgrade project 41.11.5	71,262	71,262	-	71,262	-
Aviation access driveway 41.12.1	74,781	74,782	(1)	74,781	-
Airport obstruction removal 41.12.2	21,217	20,016	1,200	21,216	1
Approach survey and obstruction evaluation 41.12.3	13,307	-	13,307	13,307	-
Total expenditures	<u>2,639,951</u>	<u>2,388,905</u>	<u>14,506</u>	<u>2,403,411</u>	<u>236,540</u>
Revenues over (under) expenditures	<u>(287,271)</u>	<u>(249,320)</u>	<u>(23,247)</u>	<u>(272,567)</u>	<u>(14,704)</u>
OTHER FINANCING SOURCES (USES)					
Installment purchase proceeds					
Transfer to General Fund	-	(26,877)	-	(26,877)	26,877
Transfer from General Fund	287,271	258,526	23,247	281,773	5,498
Total other financing sources (uses)	<u>287,271</u>	<u>231,649</u>	<u>23,247</u>	<u>254,896</u>	<u>32,375</u>
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ (17,671)</u>	<u>-</u>	<u>\$ (17,671)</u>	<u>\$ 17,671</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

Enterprise Fund

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

Cherokee County, North Carolina
Pool and Wellness Center
Statement of Revenues, Expenditures - Budget and Actual (non-GAAP)
For the Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Charges for services:			
Membership & fees		\$ 320,147	
Total operating revenues	<u>\$ 346,157</u>	<u>320,147</u>	<u>\$ (26,010)</u>
Nonoperating revenues:			
Contributions		49,000	
Total nonoperating revenues	<u>98,000</u>	<u>49,000</u>	<u>(49,000)</u>
Total revenues	<u>444,157</u>	<u>369,147</u>	<u>(75,010)</u>
EXPENDITURES			
Operations:			
Salaries & employee benefits		200,320	
Supplies		20,045	
Travel		1,264	
Utilities		91,161	
Maintenance		7,418	
Other		37,355	
Advertising		1,286	
Total operating expenses	<u>444,157</u>	<u>358,849</u>	<u>85,308</u>
Total expenditures:	<u>444,157</u>	<u>358,849</u>	<u>85,308</u>
Revenues over (under) expenditures	<u>-</u>	<u>10,298</u>	<u>10,298</u>
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ 10,298</u>	<u>\$ 10,298</u>
Reconciliation from Budgetary Basis (modified accrual) to Full accrual:			
Revenues and other financing sources over (under) expenditures		\$ 10,298	
Reconciling items:			
Depreciation		(100,269)	
Contributions made to the pension plan in the current fiscal year		5,291	
Decrease in accrued vacation pay		4,358	
Pension expense		(282)	
Total reconciling items		<u>(90,902)</u>	
Change in net position		<u>\$ (80,604)</u>	

AGENCY FUNDS

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

- **Sheriff's Fund** – This fund accounts for moneys held by the Sheriff for the benefit of inmates while they are incarcerated and for funds held for the Clerk of the Court.
- **Social Services Fund** - This fund accounts for monies held by the Social Services Department for the benefit of certain individuals in the County.
- **Deed of Trust Fee Fund** – This fund accounts for five dollars of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.
- **Fines and Forfeitures Fund** – This fund accounts for fines and forfeitures collected by the County that are required to be remitted to the Cherokee County Board of Education.
- **Motor Vehicle Tax Fund** – This fund accounts for the proceeds of the motor vehicle taxes that are collected by the County on behalf of the municipalities within the County.

Cherokee County, North Carolina
Combining Statement of Fiduciary Assets and Liabilities
For the Fiscal Year Ended June 30, 2015

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Sheriff's Trust Fund</u>				
Assets:				
Cash and cash equivalents	\$ 118,494	\$ 222,512	\$ 248,557	\$ 92,449
Liabilities:				
Miscellaneous liabilities	\$ 118,494	\$ 222,512	\$ 248,557	\$ 92,449
<u>Social Services Fund</u>				
Assets:				
Cash and cash equivalents	\$ 32,882	\$ 405,706	\$ 401,533	\$ 37,055
Liabilities:				
Miscellaneous liabilities	\$ 32,882	\$ 405,706	\$ 401,533	\$ 37,055
<u>Deed of Trust Fund</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Liabilities:				
Intergovernmental payable State of NC	\$ -	\$ -	\$ -	\$ -
<u>Fines and Forfeitures Fund</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Liabilities:				
Intergovernmental payable - Cherokee County Board of Education	\$ -	\$ -	\$ -	\$ -
<u>Motor Vehicle Tax Fund</u>				
Assets:				
Cash and cash equivalents	\$ 8,854	\$ 94,451	\$ 92,819	\$ 10,486
Liabilities:				
Intergovernmental payable	\$ 8,854	\$ 94,451	\$ 92,819	\$ 10,486
Total	\$ 8,854	\$ 94,451	\$ 92,819	\$ 10,486
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 160,230	\$ 722,669	\$ 742,909	\$ 139,990
Liabilities:				
Miscellaneous liabilities	\$ 151,376	\$ 628,218	\$ 650,090	\$ 129,504
Intergovernmental payable	8,854	94,451	92,819	10,486
Total liabilities	\$ 160,230	\$ 722,669	\$ 742,909	\$ 139,990

OTHER SCHEDULES

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

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy – County-Wide Levy

Emergency Telephone System Unspent Balance - PSAP Reconciliation

Schedule of Transfers

Cherokee County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2015

Fiscal Year	Uncollected Beginning Balance	Additions	Collections And Credits	Uncollected Ending Balance
2014-2015	\$ -	\$ 15,979,842	\$ 15,526,354	\$ 453,488
2013-2014	622,639	-	444,751	177,888
2012-2013	244,416	-	143,455	100,961
2011-2012	135,855	-	66,788	69,067
2010-2011	91,391	-	40,027	51,364
2009-2010	66,641	-	24,083	42,558
2008-2009	51,214	-	12,381	38,833
2007-2008	50,945	-	11,592	39,353
2006-2007	39,163	-	5,145	34,018
2005-2006	33,559	-	3,339	30,220
2004-2005	28,946	-	28,946	-
	<u>\$ 1,364,769</u>	<u>\$ 15,979,842</u>	<u>\$ 16,306,861</u>	1,037,750

Less: allowance for uncollectible accounts:

General fund

(585,303)

Ad valorem taxes receivable - net:

General fund

\$ 452,447

Reconciliation with revenues:

Ad valorem taxes - General fund

\$ 16,453,758

Reconciling items:

Interest collected

(256,003)

Release and adjustments

80,161

Taxes written off

28,945

Total reconciling items

(146,897)

Total collections and credits

\$ 16,306,861

Cherokee County, North Carolina
Analysis of Current Tax Levy
County - Wide Levy
For the Fiscal Year Ended June 30, 2015

	County - Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 3,010,645,769	0.520	\$ 15,655,358	\$ 14,572,398	\$ 1,082,960
Penalties	-		9,671	9,671	-
Total	3,010,645,769		15,665,029	14,582,069	1,082,960
Discoveries:					
Current year taxes	60,540,962	0.520	314,813	311,221	3,592
Abatements					
Penalties			(1,881)	(1,881)	-
Taxes	(3,885,577)	0.520	(20,205)	(20,175)	(30)
Total property valuation	3,067,301,154				
Net levy			15,957,756	14,871,234	1,086,522
Uncollected taxes at June 30, 2014			453,488	452,783	705
Current year's taxes collected			\$ 15,504,268	\$ 14,418,451	\$ 1,085,817
Current levy collection percentage			97.16%	96.96%	99.94%

Cherokee County, North Carolina
Emergency Telephone System Unspent Balance
PSAP Reconciliation
For the Fiscal Year Ended June 30, 2015

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

Net Change in Fund Balance, reported on Budget to Actual	\$	30,098
<ul style="list-style-type: none"> A portion of 911 Revenue received not reported on budget to actual Interest reported in Northwest Capital Projects Fund Eligible 911 expenditures for Radio Network Switching Equipment for Dispatch Consoles reported in Northwest Capital Projects Fund Ineligible 911 expenditures reported in Emergency Telephone System Fund 		
Beginning Balance, PSAP Revenue-Expenditure Report		352,725
Ending Balance, PSAP Revenue-Expenditure Report	\$	382,823

Cherokee County, North Carolina
Schedule of Transfers
For the Fiscal Year Ended June 30, 2015

Operating Transfers From/To Other Funds	Transfers	
	From	To
General Fund	383,561	
Debt Service Fund		383,561
General Fund	75,000	
Revaluation Fund		75,000
General Fund	23,247	
Airport Improvement Fund		23,247
General Fund	11,044	
Snap-On Tools Water Infrastructure Improvements and Fiber Optic Expansion Project		11,044
	492,852	492,852

COMPLIANCE SECTION

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

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

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

Board of County Commissioners
Cherokee County
Murphy, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises Cherokee County's basic financial statements, and have issued our report thereon dated November 24, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

TURNER & COMPANY CPAs P.A.
Murphy, North Carolina
November 24, 2015

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

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

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

Board of County Commissioners
Cherokee County
Murphy, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Cherokee County, North Carolina, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Cherokee County's major federal programs for the year ended June 30, 2015. Cherokee County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Cherokee County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A 133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cherokee County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Cherokee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 through 2015-003. Our opinion on each major federal program is not modified with respect to these matters.

Cherokee County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Cherokee County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Cherokee County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cherokee County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 through 2015-003 that we consider to be significant deficiencies.

Cherokee County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Cherokee County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

TURNER & COMPANY CPAs P.A.
Murphy, North Carolina
November 24, 2015

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

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

Board of County Commissioners
Cherokee County
Murphy, North Carolina

Report on Compliance for Each Major State Program

We have audited Cherokee County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Cherokee County's major state programs for the year ended June 30, 2015. Cherokee County's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Cherokee County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A 133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Cherokee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, Cherokee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of section OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-003. Our opinion on each major state program is not modified with respect to these matters.

Cherokee County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Cherokee County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Cherokee County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cherokee County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002 and 2015-003 that we consider to be significant deficiencies.

Cherokee County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Cherokee County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

TURNER & COMPANY CPAs P.A.
Murphy, North Carolina
November 24, 2015

Cherokee County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major Federal Programs:

Name of Federal Program or Cluster	CFDA#
Medical Assistance Program (Title XIX Medicaid)	93.778
Children's Health Insurance Program (CHIP)	93.767
Subsidized Child Care Cluster	93.558, 95.575, 93.596, 93.658

Federal programs that did not meet the criteria for a major program using the criteria discussed in OMB Circular No. A-133 Section .520 but were tested as a major program because the State awards met the threshold for a major State program are included in the list of major federal programs (Subsidized Childcare Cluster). In addition, the Children's Health Insurance Program (CHIP) did not meet the criteria for a major program using the criteria discussed in OMB Circular No. A-133 Section .520, but was tested as a major program upon the request of the North Carolina Office of the State Auditor.

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,102,805

Auditee qualified as low-risk auditee _____ yes X no

State Awards

Internal control over major State programs:

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

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

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

Identification of major State Programs (Dollar threshold over \$300,000):

<u>Program Name</u>
Public School Building Capital Fund - Lottery Proceeds

Cherokee County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

U.S. Department of Health & Human Services

Passed-through the N.C. Dept. of Health and Human Services

Program Name: Children's Health Insurance Program (CHIP)

CFDA #: 93.767

Grant Number: XXXX

Finding: 2015-001

SIGNIFICANT DEFICIENCY

Eligibility

Criteria: Required verification of citizenship / alien status should be in the case record and labeled as "Citizenship / Identity Documentation".

The case record should contain two acceptable verifications of State Residence as determined by the county or the applicant's declaration that he is unable to obtain two sources of verification. This requirement is for applications only and does not have to be verified again at redetermination. This requirement also does not apply to institutionalized individuals.

If automated income and resources are applicable, the case record should contain verification that automated matches were completed. These include matches for Unemployment Benefits, Social Security, SSI, and DOT. If income or resources are listed in the matches, the case record should reflect that they were addressed. The case file should contain income verification such as pay stubs, wage verification form, award letters for benefits, etc.

If the individual stated that he had health insurance, the information regarding the policy (Company name, policy holder, individuals covered, policy numbers and group/numbers and coverage begin dates) should be documented in the case record. Health insurance information is entered in EIS via form DMA-2041, Third Party Health and Accident Resources Information. If the case had health insurance and was approved for North Carolina Health Choice, the record should contain verification that health insurance was terminated prior to approval of benefits, or, that the policy does not provide comprehensive coverage or does not provide coverage in the area in which the recipient lives.

The case file should contain income verification such as pay stubs, wage verification form, award letters for benefits, etc. Earned income is converted to a monthly amount. For Aged, Blind, and Disabled applicants, the record should contain the DMA-5008A, Adult Budget Sheet, or similar document showing how the budget was computed. For Medicaid for Infants and Children (MIC) or NC Health Choice applicants, the record should contain the DMA 5064, MIC/NCHC Budget Sheet, or similar documents. Medicaid for Families (M-AF) cases should contain the DMA-5065. MAF application, (Supplement 2) or similar document. Each applicant is evaluated for Medicaid (Title XIX) eligibility first. Based on the applicant's income and family size, the MAGI Medicaid Income Limits chart is used to determine eligibility - Medicaid (Title XIX) or Health Choice Benefits differ based on program eligibility.

Condition: Of the sixty case files examined the following deficiencies were noted: two case files did not contain verification of citizenship/alien status, four case files did not contain two acceptable verifications of State Residence, three case files in which income verification was not completed and/or documented, three case files did not contain documentation of whether or not the individual had health insurance, four case files in which budgets were calculated incorrectly.

Questioned Costs: Unable to determine.

Effect: Applicants could receive assistance for which they were not eligible.

Cause: There is a lack of sufficient training of the Income Maintenance workers in the application intake process due to turnover in the Department of Social Services (DSS).

Recommendation: It is recommended that the Board provide more extensive training in the application intake process.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will adhere to the corrective action plan on page 111 in this audit report.

Cherokee County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

U.S. Department of Health & Human Services

Passed-through the N.C. Dept. of Health and Human Services

Program Name: Medical Assistance Program (Title XIX Medicaid)

CFDA #: 93.778

Grant Number: XXXX

Finding: 2015-002

SIGNIFICANT DEFICIENCY

Crosscutting Requirements - Reporting

Criteria: Workers must certify the completeness and accuracy of all entries on each day sheet. The day sheets are then turned over to the supervisors. Should the supervisors detect any errors, they must return the day sheet to the worker for correction. Supervisors should not instruct workers to use or avoid using any codes in order to affect the outcome of the time report data. The supervisor approves the final day sheet for submission.

Condition: Workers must certify the completeness and accuracy of all entries on each day sheet and only they can make corrections. We found that supervisors, instead of workers, were performing the certification function.

Questioned Costs: Unable to determine.

Effect: Supervisors may change original data submitted by the worker without the worker's knowledge. This may affect the outcome of the time report data.

Cause: The protocol of day sheet certification and approval was not being followed.

Recommendation: Management should reiterate the protocol of day sheet certification and approval with all applicable employees.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will adhere to the corrective action plan on page 111 in this audit report.

Cherokee County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2015

U.S. Department of Health & Human Services

Passed-through the N.C. Dept. of Health and Human Services

Program Name: Medical Assistance Program (Title XIX Medicaid)

CFDA #: 93.778

Grant Number: XXXX

Finding: 2015-003

SIGNIFICANT DEFICIENCY

Eligibility

Criteria: The case record should contain two acceptable verifications of State Residence as determined by the county or the applicant's declaration that he is unable to obtain two sources of verification. This requirement is for applications only and does not have to be verified again at redetermination. This requirement also does not apply to institutionalized individuals.

The case file should contain income verification such as pay stubs, wage verification form, award letters for benefits, etc. Earned income is converted to a monthly amount. For Aged, Blind, and Disabled applicants, the record should contain the DMA-5008A, Adult Budget Sheet, or similar document showing how the budget was computed. For Medicaid for Infants and Children (MIC) or NC Health Choice applicants, the record should contain the DMA 5064, MIC/NCHC Budget Sheet, or similar documents. Medicaid for Families (M-AF) cases should contain the DMA-5065. MAF application, (Supplement 2) or similar document. Each applicant is evaluated for Medicaid (Title XIX) eligibility first. Based on the applicant's income and family size, the MAGI Medicaid Income Limits chart is used to determine eligibility - Medicaid (Title XIX) or Health Choice Benefits differ based on program eligibility.

Condition: Of the sixty case files examined the following deficiencies were noted: one case file did not contain two acceptable verifications of State Residence and one case file in which budgets were calculated incorrectly.

Questioned Costs: Unable to determine.

Effect: Applicants could receive assistance for which they were not eligible.

Cause: There is a lack of sufficient training of the Income Maintenance workers in the application intake process due to turnover in the Department of Social Services (DSS).

Recommendation: It is recommended that the Board provide more extensive training in the application intake process.

Views of responsible officials and planned corrective actions: The County agrees with this finding and will adhere to the corrective action plan on page 111 in this audit report.

Section IV – State Award Findings and Questioned Costs

See Findings 2015-002 through 2015-003

Cherokee County, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2015

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

Finding: 2015-001

Name of contact person: Donna Crawford, Director - Cherokee County Department of Social Services

Corrective Action: More extensive training will be done in the application intake process.

Proposed Completion Date: Ongoing

Finding: 2015-002

Name of contact person: Donna Crawford, Director - Cherokee County Department of Social Services

Corrective Action: Management will reiterate the protocol of day sheet certification and approval with all applicable employees.

Proposed Completion Date: Ongoing

Finding: 2015-003

Name of contact person: Donna Crawford, Director - Cherokee County Department of Social Services

Corrective Action: More extensive training will be done in the application intake process.

Proposed Completion Date: Ongoing

Section IV - State Award Findings and Questioned Costs

None reported.

Cherokee County, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2015

Finding: 2014-001

Status: Corrected.

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2015

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	Federal CFDA Number	State/Pass through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Grants Cash Programs:					
<u>U.S. Department of Agriculture</u>					
<u>Food and Nutrition Service</u>					
Passed-through the N.C. Department of Health and Human Services:					
Division of Social Services:					
Administration:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	XXXX	316,731	-	316,731
Passed-through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	136,812	-	-
Summer Food Service Program for Children	10.559	XXXX	222	-	-
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	577,353	-	-
Administration					
WIC Grants to States (WGS)	10.578	XXXX	1,664	-	-
Total U.S. Department of Agriculture			1,032,782	-	316,731
<u>U. S. Department of Justice</u>					
<u>Bureau of Justice Assistance</u>					
Bulletproof Vest Partnership Program	16.607	XXXX	1,405	-	1,405
Total U.S. Department of Justice			1,405	-	1,405
<u>U.S. Department of Transportation</u>					
<u>Federal Aviation Administration</u>					
Passed-through N.C. Department of Transportation:					
State Block Grant Program - Airport Improvement Plan					
Project 36237.41.12.2	20.106	XXXX	1,080	-	120
Project 36237.41.12.3	20.106	XXXX	11,976	-	1,331
<u>Federal Transit Administration</u>					
Passed-through N.C. Department of Transportation:					
Formula Grants for Other than Urbanized Areas					
Project 36233.22.16.1	20.509	XXXX	126,220	7,888	23,669
Project 36233.22.16.3	20.509	XXXX	37,182	4,648	4,648
Project 51001.30.3.3	20.513	XXXX	66,988	-	66,989
Project 51002.29.2.2	20.516	XXXX	9,741	-	9,742
Total U.S. Department of Transportation			253,187	12,536	106,499
<u>U.S. Department of Homeland Security</u>					
Passed-through N.C. Department of Public Safety					
Division of Emergency Management					
Emergency Management Performance Grants	97.042	XXXX	37,336	-	38,220
Total U.S. Department of Homeland Security			37,336	-	38,220
<u>Administration on Aging Division of Aging and Adult Services</u>					
Passed-through the N.C. Department of Health and Human Services:					
Division of Aging and Adult Services					
Passed-through Red Bird Council of Governments:					

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Aging Cluster:</u>					
Special Programs for the Aging Title III - Part B					
Grants for Supportive Services and Senior Centers	93.044	XXXX	139,270	8,192	16,385
Special Programs for the Aging Title III - Part C					
Nutrition Services	93.045	XXXX	158,683	9,334	18,669
Total Aging Cluster			297,953	17,526	35,054
Social Service Block Grant (SSBG) - In Home Services	93.667	XXXX	141,978	11,453	36,602
Division of Social Services					
Promoting Safe and Stable Families	93.556	XXXX	16,373	-	-
<u>Temporary Assistance for Needy Families Cluster</u>					
Temporary Assistance for Needy Families (TANF)/Work First	93.558	XXXX	370,719	-	125,126
TANF / Work First - Direct Benefit Payments	93.558	XXXX	110,672	36,000	-
Total TANF Cluster			481,391	36,000	125,126
<u>Foster Care and Adoption Cluster:</u>					
Foster Care - Title IV-E	93.658	XXXX	84,637	23,522	74,689
Adoption Assistance	93.659	XXXX	3,286	-	3,287
Foster Care - Title IV-E - Direct Benefit Payments	93.658	XXXX	230,335	62,315	62,908
Adoption Assistance - Direct Benefit Payments	93.659	XXXX	277,539	72,162	72,162
Total Foster Care and Adoption Cluster			595,797	157,999	213,046
Family Support Payments to States - Assistance Program	93.560	XXXX	(74)	(20)	(20)
Child Support Enforcement	93.563	XXXX	217,520	-	112,055
Low Income Home Energy Assistance:					
Administration	93.568	XXXX	275,768	-	-
Stephanie Tubbs Jones Child Welfare Services Program:					
- Adoption Subsidy - Direct Benefit Payments	93.645	XXXX	8,149	-	2,716
Chafee Foster Care Independence Program					
Administration	93.674	XXXX	9,925	2,481	-
Public Assistance	93.674	XXXX	49,649	-	-
Division of Child Development:					
Subsidized Child Care (Note 3)					
<u>Child Care Development Fund Cluster:</u>					
Division of Social Services:					
Child Care Development Fund Administration	93.596	XXXX	73,376	-	-
Division of Child Development:					
Child Care and Development Block Grant	93.575	XXXX	339,053	-	-
Child Care and Development Fund - Mandatory	93.596	XXXX	106,942	-	-
Child Care and Development Fund - Match	93.596	XXXX	94,310	32,008	-
Total Child Care Development Fund Cluster			613,681	32,008	-
TANF	93.558	XXXX	90,725	-	-
Foster Care - Title IV-E	93.658	XXXX	5,331	2,761	-
Smart Start		XXXX	-	441,954	-
State Appropriations		XXXX	-	164,152	-
Total Subsidized Child Care (Note 3)			709,737	640,875	-

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Centers for Medicare and Medicaid Services</u>					
Passed-through N.C. Department of Health and Human Services:					
Division of Medical Assistance:					
Direct Benefit Payments:					
Medical Assistance Program	93.778	XXXX	31,310,143	17,034,565	181,960
Division of Social Services:					
Administration:					
Medical Assistance Program	93.778	XXXX	842,017	2,000	301,128
Total Medical Assistance Program			32,152,160	17,036,565	483,088
Division of Social Services:					
Administration:					
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	331,483	100,350	3,921
Total State Children's Insurance Program - N.C. Health Choice			331,483	100,350	3,921
Division of Insurance					
Senior Health Insurance Information Program	93.558	XXXX	2,112	-	-
<u>Centers for Disease Control and Prevention</u>					
Passed-through N.C. Department of Health and Human Services:					
Division of Public Health:					
Hospital Preparedness Program (HPP) and Public Health Emergency					
Preparedness (PHEP) Aligned Cooperative Agreements	93.074	XXXX	29,076	-	-
Project Grants and Cooperative Agreements for Tuberculosis					
Control Program	93.116	XXXX	28	-	-
Injury Prevention/Control Research/State/Community Based Programs					
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	XXXX	18,283	-	-
Cooperative Agreements for State-Based Comprehensive					
Breast and Cervical Cancer Early Detection Programs	93.919	XXXX	19,882	-	-
HIV Prevention Activities-Health Department Based					
Preventive Health Services STD Control Grants	93.940	XXXX	1,000	-	-
Preventive Health Services STD Control Grants					
Preventive Health and Health Services Block Grant	93.977	XXXX	50	-	-
Preventive Health and Health Services Block Grant					
Preventive Health and Health Services Block Grant	93.991	XXXX	2,263	-	-
<u>Immunization Cluster</u>					
Immunization Grants	93.268	XXXX	8,915	-	-
Total Immunization Cluster			8,915	-	-
<u>Administration for Children and Families</u>					
Passed-through N.C. Department of Health and Human Services:					
Division of Public Health:					
Temporary Assistance for Needy Families	93.558	XXXX	1,331	-	-
<u>Health Resources and Services Administration</u>					
Passed-through N.C. Department of Health and Human Services:					
Division of Public Health:					
Maternal & Child Health Services Block Grant:					
Maternal Health	93.994	XXXX	2,880	2,160	-
Family Planning	93.994	XXXX	18,526	13,896	-
Child Care Coordination	93.994	XXXX	921	691	-
Child Health	93.994	XXXX	15,751	11,815	-
Total Health Resources and Services Administration			38,078	28,562	-

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Office of the Population Affairs</u>					
Passed-through N.C. Department of Health and Human Services:					
Division of Public Health:					
Family Planning Services Title X	93.217	XXXX	24,139	-	-
Total U.S. Department of Health and Human Services			35,435,466	18,031,791	1,011,588
Total federal awards			36,760,176	18,044,327	1,474,443
State Awards:					
<u>N.C. Department of Environment and Natural Resources</u>					
Division of Waste Management					
Scrap Tire Program		XXXX	-	11,990	-
Total N.C. Department of Environment and Natural Resources			-	11,990	-
<u>N.C. Department of Health and Human Services</u>					
Division of Aging and Adult Services					
Senior Center - General Purpose		XXXX	-	3,593	1,198
Total Division of Aging and Adult Services			-	3,593	1,198
Division of Social Services:					
Administration:					
AFDC Incentive		XXXX	-	48	-
State Child Welfare/CPS/CS LD		XXXX	-	53,035	-
Public Assistance:					
Domiciliary Care		XXXX	-	241,365	241,365
State Foster Home		XXXX	-	82,251	82,250
Foster Care HF Maximization		XXXX	-	66,838	66,838
Foster Care at Risk Maximization		XXXX	-	2,008	1,042
CWS Adoption Subsidy		XXXX	-	226,857	73,083
Total Division of Social Service			-	672,402	464,578
Division of Public Health:					
Food and Lodging Fees		XXXX	-	5,219	-
General Aid to Counties		XXXX	-	89,782	-
Public Health Nursing		XXXX	-	800	-
General Communicable Disease Control		XXXX	-	11,066	-
Risk Reduction Health Promotion		XXXX	-	6,285	-
Environmental Health		XXXX	-	4,000	-
Breast and Cervical Cancer Control Program		XXXX	-	12,750	-
Child Health		XXXX	-	1,638	-
Family Planning		XXXX	-	2,145	-
Maternal Health		XXXX	-	547	-
Women's Health Service Fund		XXXX	-	5,400	-
HIV/STD State		XXXX	-	400	-
HIV/STD SSBG Aid		XXXX	-	100	-
Sexually Transmitted Diseases		XXXX	-	89	-
School Health Centers		XXXX	-	87,680	-
School Nurse Funding Initiative		XXXX	-	83,700	-
Tuberculosis		XXXX	-	1,140	-
Tuberculosis Medical Service		XXXX	-	540	-
Total Division of Public Health			-	313,281	-
Total N.C. Department of Health and Human Services			-	989,276	465,776

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2015

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>N. C. Department of Insurance</u>					
SHIIP Grant		XXXX	-	2,113	-
<u>N. C. Department of Public Instruction</u>					
Public School Building Capital Fund - Lottery Proceeds		XXXX	-	399,451	-
Total N. C. Department of Public Instruction			-	399,451	-
<u>N.C. Department of Public Safety</u>					
30th District Multi-County Budget		XXXX	-	83,628	16,345
<u>N.C. Department of Transportation</u>					
Rural Operating Assistance Program (ROAP) Cluster					
ROAP Elderly and Disabled Transportation Assistance Program					
Work project #36220.10.5.1 ROAP EDTAP		XXXX	-	53,610	-
ROAP Rural General Public Program					
Work project #36228.22.5.1 ROAP RGP		XXXX	-	50,562	-
ROAP Work First Transitional - Employment					
Work project #36236.11.3.1 ROAP WORK FIRST		XXXX	-	7,713	-
Total ROAP Cluster			-	111,885	-
Total State awards			-	1,598,343	482,121
Total federal and State awards			\$ 36,760,176	\$ 19,642,670	\$ 1,956,564

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Cherokee County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the general purpose financial statements. Benefit payments are paid directly to recipients and are not included in the County's basic financial statements. However, Due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments or cost principles contained in the Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements. Pass-through entity identifying numbers are presented where available.

3. Subrecipients

Of the federal and State expenditures presented in the schedule, Cherokee County provided federal and State awards to subrecipients as follows:

<u>Program Title</u>	CFDA Number	Pass-through Grantor's Number	Federal Expenditures	State Expenditures
Child Care and Development Block Grant	93.575		339,053	-
Public School Building Capital Fund - Lottery Proceeds		XXXX	-	399,451
Juvenile Crime Prevention Programs		XXXX	-	83,628

4. Cluster of Programs

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