

Cherokee County, North Carolina
Financial Statements
June 30, 2016

Turner & Company CPAs P.A.

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

Cherokee County, North Carolina

County Officials

June 30, 2016

COMMISSIONERS

C.B. McKinnon - Chairman

Dan Eichenbaum - Vice-Chairman

Gary Westmoreland - Member

Cal Stiles - 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, CGMA - Finance Director

Eddie Allen - Tax Administrator

Cindy Palmer - Director of Social Services

David Badger - Health Director

R. Scott Lindsay - County Attorney

Cherokee County, North Carolina

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FINANCIAL SECTION

Turner & Company CPAs P.A.

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

Independent Auditors' Report

Board of County Commissioners
Cherokee County
Murphy, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Cherokee County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 8 through 15, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress on page 58, the Other Post Employment Benefit Schedules of Funding Progress and Employer Contributions on page 59, the Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System and for the Register of Deeds' Supplemental Pension Fund on pages 60 and 62, respectively, and the Schedule of Contributions to Local Government Employees' Retirement System and to the Register of Deeds' Supplemental Pension Fund on pages 61 and 63, respectively. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board

who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cherokee County's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules as well as the accompanying schedule of expenditures of federal and state awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2017 on our consideration of Cherokee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cherokee County's internal control over financial reporting and compliance.



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

February 10, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cherokee County, North Carolina
Management's Discussion and Analysis

June 30, 2016

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, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

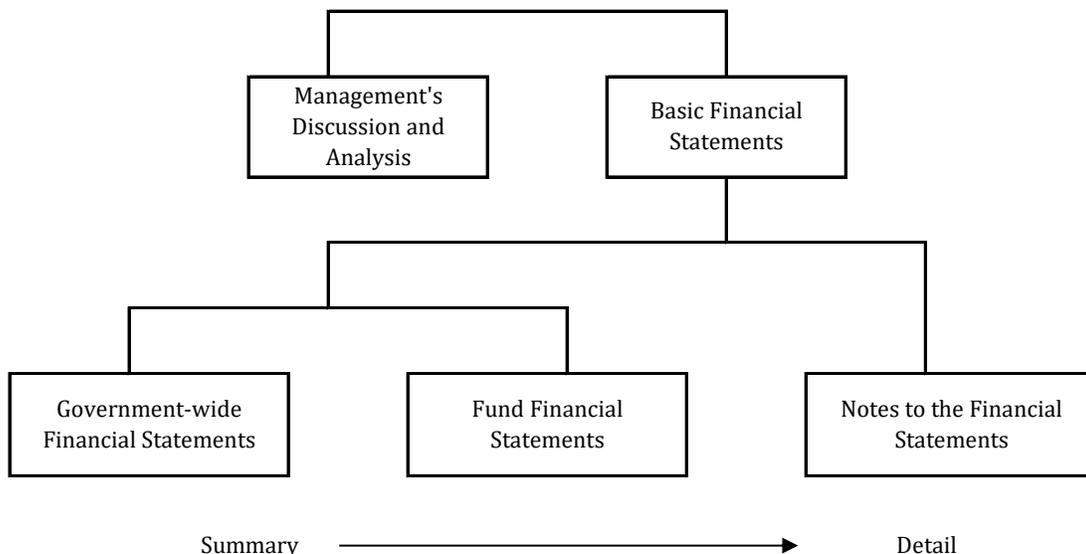
- The assets and deferred outflows of resources of Cherokee County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$42,108,980 (*net position*).
- The government's total net position increased by \$4,341,936, primarily due to management's focus on monitoring 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 \$25,899,238, after a net increase in fund balance of \$1,599,908. Approximately 47.57% of this total amount, or \$12,319,120, is restricted, committed, or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13,615,145, or 37.60% of total general fund expenditures for the fiscal year.
- The County's total new debt increased by \$15,807 during the past fiscal year, due to the capital lease financing issued for the acquisition of one stretcher for EMS Services. The \$2,592,968 decrease was due the principal payments on all debt and the total payoff of the four ambulances with United Financial. The net change in the County's total debt decreased by \$2,577,161 (12.24% 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 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements of Cherokee County: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 29 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Cherokee County's progress in funding its obligation to provide pension benefits to its employees. 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 \$42,108,980 as of June 30, 2016. The County's net position increased by \$4,238,047 for the fiscal year ended June 30, 2016. One of the largest portions \$30,883,071 (73.34%) 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 \$10,213,883 (24.26%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,012,026 (2.40%) is unrestricted.

Cherokee County, North Carolina's Net Position

Figure 2

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 29,549,357	\$ 29,344,401	\$ 76,805	\$ 38,122	\$ 29,626,162	\$ 29,382,523
Internal balances	46,259	-	(46,259)	-	-	-
Capital assets	37,286,002	37,673,803	2,585,436	2,685,705	39,871,438	40,359,508
Total assets	66,881,618	67,018,204	2,615,982	2,723,827	69,497,600	69,742,031
Deferred outflows of resources	770,804	718,870	5,645	5,291	776,449	724,161
Long-term liabilities outstanding	23,414,518	26,475,701	1,218	522	23,415,736	26,476,223
Other liabilities	3,978,473	3,124,056	44,447	33,070	4,022,920	3,157,126
Total liabilities	27,392,991	29,599,757	45,665	33,592	27,438,656	29,633,349
Deferred inflows of resources	722,828	2,828,122	3,585	19,260	726,413	2,847,382
Net position:						
Net investment in capital assets	28,297,635	27,132,184	2,585,436	2,685,705	30,883,071	29,817,889
Restricted	10,213,883	9,171,104	-	-	10,213,883	9,171,104
Unrestricted	1,025,085	(994,093)	(13,059)	(9,439)	1,012,026	(1,003,532)
Total net position	\$ 39,536,603	\$ 35,309,195	\$ 2,572,377	\$ 2,676,266	\$ 42,108,980	\$ 37,985,461

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 97.28% (ad valorem), lower than the statewide average of 98.60%, and slightly lower than the county average of 97.47% 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.
- Continued pay down of debt balances positively influenced net position.

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

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 6,335,112	\$ 5,601,591	\$ 291,914	\$ 320,147	\$ 6,627,026	\$ 5,921,738
Operating grants and contributions	6,486,779	6,689,414	44,114	49,000	6,530,893	6,738,414
Capital grants and contributions	316,073	574,678	-	-	316,073	574,678
General revenues:						
Property taxes	18,288,796	17,886,391	-	-	18,288,796	17,886,391
Other taxes	6,651,298	6,187,749	-	-	6,651,298	6,187,749
Grants and contributions not restricted to specific programs	1,373,871	1,316,343	-	-	1,373,871	1,316,343
Other	396,771	684,863	11	-	396,782	684,863
Total revenues	39,848,700	38,941,029	336,039	369,147	40,184,739	39,310,176
Expenses:						
General government	3,961,292	3,590,340	-	-	3,961,292	3,590,340
Public safety	11,451,065	10,757,107	-	-	11,451,065	10,757,107
Transportation	1,213,242	1,275,693	-	-	1,213,242	1,275,693
Economic and physical development	741,839	672,112	-	-	741,839	672,112
Environmental protection	1,027,778	1,541,021	-	-	1,027,778	1,541,021
Human services	8,744,925	8,742,898	-	-	8,744,925	8,742,898
Cultural recreation	499,483	490,901	439,928	449,751	939,411	940,652
Education	7,577,375	7,374,900	-	-	7,577,375	7,374,900
Interest on long-term debt	289,765	347,911	-	-	289,765	347,911
Total expenses	35,506,764	34,792,883	439,928	449,751	35,946,692	35,242,634
Increase (decrease) in net position before transfers	4,341,936	4,148,146	(103,889)	(80,604)	4,238,047	4,067,542
Transfers	-	-	-	-	-	-
Increase in net position	4,341,936	4,148,146	(103,889)	(80,604)	4,238,047	4,067,542
Net position, beginning, restated	35,194,667	31,161,049	2,676,266	2,756,870	37,870,933	33,917,919
Net position, ending	\$ 39,536,603	\$ 35,309,195	\$ 2,572,377	\$ 2,676,266	\$ 42,108,980	\$ 37,985,461

Governmental activities. Governmental activities increased the County's net position by \$4,341,936 thereby accounting for 102.45% 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 97.28%.
- The increase in charges for services had a significant impact on the positive change in net position.
- Public School Building Capital Fund - Lottery Proceeds decreased in the current fiscal year which contributed to the decrease in capital grants and contributions.
- 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 \$148,003. There was a \$103,889 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 more than that of the prior year despite the \$8,582 reduction in operating expenses.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Cherokee County. At the end of the current fiscal year, Cherokee County's fund balance available in the General Fund was \$16,362,511 while total fund balance reached \$19,797,161. 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 44.71% of general fund expenditures, while total fund balance represents 54.10% of the same amount.

At June 30, 2016, the governmental funds of Cherokee County reported a combined fund balance of \$25,899,238, a 6.58% 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 \$628,793. 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 (\$13,059). The total decrease in net position for the Pool and Wellness Center was \$103,889. 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, 2016, totals \$39,871,438 (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.

- Capitalized improvements to two Cherokee County Rescue Squad buildings, the Tax Office, the Ranger Community Center, the annex building, and an EMS station.
- Purchased vehicles for the Sheriff's Department, Emergency Medical Services Department, Health Department, Social Services Department, Sanitation Department and the Transit Department.
- Purchased one power Stryker stretcher for the Emergency Medical Services Department.
- Purchased a zero turn mower for the Jail.
- Purchased computer equipment for the Information Technology Department.
- Purchased a 2016 Mack Garbage Front Load Refuse Body for the Landfill.
- Purchased a forensic recovery of evidence device and a Crossmatch Guardian fingerprint machine for the Sheriff's Department.
- Purchased a new server for the Emergency Medical Services Department.
- Capitalized electrical upgrades and other improvements for the Cooperative Extension Department.
- Resurfaced tennis courts for the Parks and Recreation Department.
- Purchased a plotter for the Code Enforcement 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, 2016:

Project	Spent-to-date	Remaining Commitment
Water Line & Fiber Optic Extension	\$ 42,948	\$ 423,300
Total	\$ 42,948	\$ 423,300

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Capital Assets:						
Land	\$ 6,756,632	\$ 6,756,632	\$ -	\$ -	\$ 6,756,632	\$ 6,756,632
Construction in progress	4,010	4,010	-	-	4,010	4,010
Land Improvements	51,332	54,354	-	-	51,332	54,354
Buildings	20,396,937	20,639,749	2,528,689	2,590,429	22,925,626	23,230,178
Other improvements	7,967,424	8,345,514	47,096	73,663	8,014,520	8,419,177
Equipment	692,500	737,197	9,651	21,613	702,151	758,810
Software	-	-	-	-	-	-
Computers & electronic equipment	114,936	127,431	-	-	114,936	127,431
Vehicles & motorized equipment	1,302,231	1,008,916	-	-	1,302,231	1,008,916
Total capital assets	<u>\$ 37,286,002</u>	<u>\$ 37,673,803</u>	<u>\$ 2,585,436</u>	<u>\$ 2,685,705</u>	<u>\$ 39,871,438</u>	<u>\$ 40,359,508</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	
	2016	2015	2016	2015	2016	2015
Installment purchases	\$ 18,461,538	\$ 20,464,936	\$ -	\$ -	\$ 18,461,538	\$ 20,464,936
Capitalized leases	12,757	586,520	-	-	12,757	586,520
Total	<u>\$ 18,474,295</u>	<u>\$ 21,051,456</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,474,295</u>	<u>\$ 21,051,456</u>

The County's total new debt increased by \$15,807 during the past fiscal year, due to the capital lease financing issued for the acquisition of one stretcher for EMS Services. The \$2,592,968 decrease was due the principal payments on all debt and the total payoff of the four ambulances with United Financial. The net change in the County's total debt decreased by \$2,577,161 (12.24 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 \$231,154,925.

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, 2016, the County had an unemployment rate of 5.8%, higher than the statewide rate (not seasonally adjusted) of 5.2%.
- At June 30, 2016, forty counties had unemployment rates at or below the State's 5.2% percent rate.
- Even with a struggling economy and high unemployment, the County's unemployment rate decreased 1.2% from the prior year.
- The County has maintained stricter policies on spending and implemented cost savings measures.
- The growth of the County has been slight.

Budget Highlights for the Fiscal Year Ending June 30, 2017

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 was expected to remain at its current level based on the original budget. Therefore, no additional increase in sales tax revenue was projected. However, with the passing of the Article 46 sales tax referendum sales tax is expected to increase. Other revenue sources that provide funding for operating expenditures have for the most part remained flat for the coming fiscal year, however, the County is experiencing an approximate 12% increase in sales and service fees. 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 2017 are \$37,712,248. This is a small increase from the prior year budget. Based on the desire to maintain the current millage rate it is not possible with other demands on the budget to make provisions for a cost of living adjustment.

The County has chosen to appropriate fund balance in the amount of \$130,700 in the fiscal year 2017 budget to address some capital needs. Management believes that increased revenues and continued restrictions on spending will maintain the County's financial position. As the County considers future revenue sources, it will weigh the benefit of increasing the property tax rate against the cost. Though management believes current growth will generate enough revenue to support County operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-Type Activities: The budgeted expenditures for the Pool and Wellness Center are \$356,941, which represents a 2% increase from the prior year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Cherokee County, North Carolina

Statement of Net Position

June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Cherokee County Tourism Development Authority
ASSETS				
Cash and cash equivalents	\$ 18,995,439	\$ 46,116	\$ 19,041,555	\$ 103,996
Restricted cash	439,629	25,059	464,688	-
Investments	6,058,372	-	6,058,372	-
Receivables (net)	3,716,123	5,630	3,721,753	-
Due from other governments	213,617	-	213,617	58,013
Inventories	31,411	-	31,411	-
Internal balances	46,259	(46,259)	-	-
Prepaid items	6,781	-	6,781	-
Net pension asset	87,985	-	87,985	-
Capital assets:				
Land, improvements, construction in progress	6,760,642	-	6,760,642	161,467
Other capital assets, net of depreciation	30,525,360	2,585,436	33,110,796	-
Total capital assets	37,286,002	2,585,436	39,871,438	161,467
Total assets	66,881,618	2,615,982	69,497,600	323,476
DEFERRED OUTFLOWS OF RESOURCES	770,804	5,645	776,449	-
LIABILITIES				
Accounts payable and accrued expenses	2,817,900	13,605	2,831,505	10,170
Accrued interest payable	111,304	-	111,304	-
Liabilities to be paid from restricted assets	-	25,059	25,059	-
Long-term liabilities:				
Net pension liability - LGERS	780,998	5,783	786,781	-
Net pension obligation - LEOSSA	268,271	-	268,271	-
Due within one year	5,588,812	-	5,588,812	-
Due in more than one year	17,825,706	1,218	17,826,924	-
Total liabilities	27,392,991	45,665	27,438,656	10,170
DEFERRED INFLOWS OF RESOURCES	722,828	3,585	726,413	-
NET POSITION				
Net investment in capital assets	28,297,635	2,585,436	30,883,071	161,467
Restricted for:				
Debt service	5,709,008	-	5,709,008	-
Public safety	392,961	-	392,961	-
Economic development	108	-	108	-
Education	680,321	-	680,321	-
Stabilization by State Statute	3,431,485	-	3,431,485	58,013
Human Services	-	-	-	-
Unrestricted (deficit)	1,025,085	(13,059)	1,012,026	93,826
Total net position	\$ 39,536,603	\$ 2,572,377	\$ 42,108,980	\$ 313,306

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, 2016

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	\$ 3,961,292	\$ 408,996	\$ 510	\$ -	\$ (3,551,786)	\$ -	\$ (3,551,786)	
Public safety	11,451,065	3,101,750	413,259	-	(7,936,056)	-	(7,936,056)	
Transportation	1,213,242	340,434	390,217	70,849	(411,742)	-	(411,742)	
Economic and physical development	741,839	55,876	32,480	-	(653,483)	-	(653,483)	
Environmental Protection	1,027,778	1,829,544	46,735	-	848,501	-	848,501	
Human services	8,744,925	598,372	5,436,187	-	(2,710,366)	-	(2,710,366)	
Cultural and recreation	499,483	140	-	-	(499,343)	-	(499,343)	
Education	7,577,375	-	167,391	245,224	(7,164,760)	-	(7,164,760)	
Interest on long-term debt	289,765	-	-	-	(289,765)	-	(289,765)	
Total governmental activities	35,506,764	6,335,112	6,486,779	316,073	(22,368,800)	-	(22,368,800)	
Business-type activities:								
Pool and Wellness Center	439,928	291,914	44,114	-	-	(103,900)	(103,900)	
Total primary government	\$ 35,946,692	\$ 6,627,026	\$ 6,530,893	\$ 316,073	(22,368,800)	(103,900)	(22,472,700)	
Component unit:								
Tourism Development Authority	\$ 221,737	\$ -	\$ -	\$ -				\$ (221,737)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					18,288,796	-	18,288,796	-
Local option sales tax					5,957,026	-	5,957,026	-
Other taxes and licenses					694,272	-	694,272	319,962
Grants and contributions not restricted to specific programs					1,373,871	-	1,373,871	-
Investment earnings, unrestricted					233,966	11	233,977	-
Miscellaneous, unrestricted					162,805	-	162,805	-
Total general revenues and transfers					26,710,736	11	26,710,747	319,962
Change in net position					4,341,936	(103,889)	4,238,047	98,225
Net position, beginning as previously reported					35,309,195	2,676,266	37,985,461	215,081
Restatement					(114,528)	-	(114,528)	-
Net position, beginning as restated					35,194,667	2,676,266	37,870,933	215,081
Net position, ending					\$ 39,536,603	\$ 2,572,377	\$ 42,108,980	\$ 313,306

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

Cherokee County, North Carolina

Balance Sheet

Governmental Funds

June 30, 2016

	Major		Non-Major	
	General Fund	Debt Service	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 18,579,194	\$ -	\$ 416,245	\$ 18,995,439
Restricted Cash	437,899	1,622	108	439,629
Investments	350,986	5,707,386	-	6,058,372
Receivables, net				
Taxes	410,930	-	91,603	502,533
Accounts	3,124,198	-	31,904	3,156,102
Due from other governments	213,617	-	-	213,617
Due from other funds	58,643	-	-	58,643
Inventories	31,411	-	-	31,411
Prepaid items	6,781	-	-	6,781
Total assets	<u>\$ 23,213,659</u>	<u>\$ 5,709,008</u>	<u>\$ 539,860</u>	<u>\$ 29,462,527</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,771,973	\$ -	\$ 45,927	\$ 2,817,900
Due to other funds	-	-	12,384	12,384
Total liabilities	<u>2,771,973</u>	<u>-</u>	<u>58,311</u>	<u>2,830,284</u>
DEFERRED INFLOWS OF RESOURCES				
Property taxes receivable	410,930	-	88,480	499,410
Unearned revenue	233,595	-	-	233,595
Total deferred inflows of resources	<u>644,525</u>	<u>-</u>	<u>88,480</u>	<u>733,005</u>
Fund balances:				
Nonspendable:				
Inventories	31,411	-	-	31,411
Prepaid items	6,781	-	-	6,781
Restricted:				
Stabilization by State Statute	3,396,458	-	35,027	3,431,485
Public safety	-	-	392,961	392,961
Economic and physical development	-	-	108	108
Human services	-	-	-	-
School Capital	680,321	-	-	680,321
Debt service	-	5,709,008	-	5,709,008
Committed:				
Tax revaluation	437,329	-	-	437,329
School capital outlay	1,469,665	-	-	1,469,665
Law enforcement	29,351	-	-	29,351
Assigned:				
Subsequent year's expenditures	130,700	-	-	130,700
Unassigned:				
Total fund balances	<u>19,797,161</u>	<u>5,709,008</u>	<u>393,069</u>	<u>25,899,238</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,213,659</u>	<u>\$ 5,709,008</u>	<u>\$ 539,860</u>	<u>\$ 29,462,527</u>

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

Cherokee County, North Carolina

Balance Sheet

Governmental Funds

June 30, 2016

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

Total Fund Balances for Governmental Funds	\$ 25,899,238
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	37,286,002
Net pension asset	87,985
Deferred outflows of resources related to pensions are not reported in the funds	9,706
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position	761,098
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	57,488
Net pension liability	(1,049,269)
Deferred inflows of resources for taxes and special assessments receivable	499,410
Deferred inflows of resources related to pensions are not reported in the funds	(489,233)
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>(23,525,822)</u>
Net position of governmental activities	<u>\$ 39,536,603</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, 2016

	Major		Non-Major	
	General Fund	Debt Service	Other Governmental Funds	Total
REVENUES				
Ad valorem taxes	\$ 16,483,014	\$ -	\$ 1,864,589	\$ 18,347,603
Local option sales tax	5,957,026	-	-	5,957,026
Other taxes and licenses	694,272	-	-	694,272
Unrestricted intergovernmental	1,373,871	-	-	1,373,871
Restricted intergovernmental	6,607,875	-	253,058	6,860,933
Permits and fees	1,994,107	-	-	1,994,107
Sales and services	4,302,444	-	-	4,302,444
Investment earnings	21,910	211,013	416	233,339
Miscellaneous	140,947	-	-	140,947
Total revenues	37,575,466	211,013	2,118,063	39,904,542
EXPENDITURES				
Current:				
General government	3,762,756	-	308,131	4,070,887
Public safety	9,501,633	-	1,782,419	11,284,052
Transportation	813,462	-	-	813,462
Environmental protection	1,541,387	-	-	1,541,387
Economic and physical development	795,192	-	19,520	814,712
Human services	8,807,223	-	-	8,807,223
Cultural and recreational	499,542	-	-	499,542
Intergovernmental:				
Education	7,577,375	-	-	7,577,375
Debt service:				
Principal	2,592,968	-	-	2,592,968
Interest	318,833	-	-	318,833
Total expenditures	36,210,371	-	2,110,070	38,320,441
Excess (deficiency) of revenues over expenditures	1,365,095	211,013	7,993	1,584,101
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	17,190	383,561	(17,190)	383,561
Transfers to other funds	(383,561)	-	-	(383,561)
Capital lease obligations issued	15,807	-	-	15,807
Total other financing sources (uses)	(350,564)	383,561	(17,190)	15,807
Net change in fund balances	1,014,531	594,574	(9,197)	1,599,908
Fund balances, beginning as previously reported	18,899,303	5,114,434	400,121	24,413,858
Prior period adjustment	(116,673)	-	2,145	(114,528)
Fund balances, beginning as restated	18,782,630	5,114,434	402,266	24,299,330
Fund balances, ending	\$ 19,797,161	\$ 5,709,008	\$ 393,069	\$ 25,899,238

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, 2016

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

Net changes in fund balances - total governmental funds	\$ 1,599,908
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period</p>	
Capital outlay expenditures which were capitalized	1,268,494
Depreciation expense for governmental assets	(1,678,153)
<p>Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities</p>	
	761,098
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>	
Amount of donated assets	21,858
Change in unavailable revenue for tax revenues	(58,807)
Change in accrued investment earnings	627
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
New long-term debt issued	(15,807)
Principal payments on long-term debt	2,592,968
Change in accrued interest payable	29,068
Change in landfill closure costs	389,164
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	(33,039)
Pension expense	(428,665)
Other postemployment benefits	(106,778)
Total changes in net position of governmental activities	\$ 4,341,936

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

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2016

	General Fund			Variance with Final Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Ad valorem taxes	\$ 16,381,890	\$ 16,381,890	\$ 16,483,014	\$ 101,124
Local option sales tax	6,397,885	6,397,885	5,957,026	(440,859)
Other taxes and licenses	507,950	682,950	694,272	11,322
Unrestricted intergovernmental	1,321,000	1,321,000	1,373,871	52,871
Restricted intergovernmental	6,294,017	6,633,340	6,607,875	(25,465)
Permits and fees	1,863,300	1,863,300	1,994,107	130,807
Sales and services	3,667,700	3,771,120	4,302,444	531,324
Investment earnings	16,500	16,500	21,498	4,998
Miscellaneous	72,835	83,885	140,947	57,062
Total revenues	<u>36,523,077</u>	<u>37,151,870</u>	<u>37,575,054</u>	<u>423,184</u>
EXPENDITURES				
Current:				
General government	3,605,293	3,855,620	3,734,518	121,102
Public safety	9,432,314	9,993,966	9,501,633	492,333
Transportation	937,839	990,863	813,462	177,401
Environmental protection	1,701,323	1,705,473	1,541,387	164,086
Economic and physical development	640,165	892,961	795,192	97,769
Human services	9,151,288	9,349,223	8,807,223	542,000
Cultural and recreational	533,171	534,821	499,542	35,279
Education	6,938,464	7,619,491	7,577,375	42,116
Debt service:				
Principal retirement	2,578,926	2,592,971	2,592,968	3
Interest and fees	310,984	321,939	318,833	3,106
Total expenditures	<u>35,829,767</u>	<u>37,857,328</u>	<u>36,182,133</u>	<u>1,675,195</u>
Revenues over (under) expenditures	<u>693,310</u>	<u>(705,458)</u>	<u>1,392,921</u>	<u>2,098,379</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	17,190	17,190
Transfers to other funds	(458,562)	(458,562)	(458,561)	1
Capital lease obligations issued	-	-	15,807	15,807
Total other financing sources (uses)	<u>(458,562)</u>	<u>(458,562)</u>	<u>(425,564)</u>	<u>32,998</u>
Fund balance appropriated	<u>(234,748)</u>	<u>1,164,020</u>	<u>-</u>	<u>(1,164,020)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>967,357</u>	<u>\$ 967,357</u>
Fund balances, beginning as previously reported			18,509,148	
Prior period adjustment			<u>(116,673)</u>	
Fund balances, beginning as restated			18,392,475	
Fund balances, ending			<u>\$ 19,359,832</u>	

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

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2016

	General Fund			Variance with Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Fund balances, ending (from previous page)			\$ 19,359,832	
A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			412	
Transfer in from General Fund			75,000	
Expenditures			(28,238)	
Fund balance, beginning			<u>390,155</u>	
Fund balance, ending (Exhibit 4)			<u><u>\$ 19,797,161</u></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, 2016

ASSETS

Current assets:

Cash and cash equivalents	\$	46,116
Restricted cash		25,059
Receivables, net		5,630
Total current assets		76,805

Noncurrent assets:

Capital assets:

Other capital assets, net of depreciation		2,585,436
Total noncurrent assets		2,585,436

Total assets		2,662,241
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DEFERRED OUTFLOWS OF RESOURCES

Pension deferrals		5,645
Total deferred outflows of resources		5,645

LIABILITIES

Current liabilities:

Accounts payable		7,144
Accrued wages		6,461
Due to other funds		46,259
Liabilities to be paid from restricted assets		25,059
Total current liabilities		84,923

Noncurrent liabilities:

Compensated absences		1,218
Net pension liability		5,783
Total noncurrent liabilities		7,001

Total liabilities		91,924
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DEFERRED INFLOWS OF RESOURCES

Pension deferrals		3,585
Total deferred inflows of resources		3,585

NET POSITION

Net investment in capital assets		2,585,436
Unrestricted		(13,059)
Total net position	\$	2,572,377

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, 2016

OPERATING REVENUES

Membership & fees	\$ 291,914
Total operating revenues	<u>291,914</u>

OPERATING EXPENSES

Salaries & employee benefits	215,111
Supplies	16,637
Travel	1,002
Utilities	65,132
Advertising	46
Maintenance	6,970
Other	34,761
Depreciation	100,269
Total operating expenses	<u>439,928</u>
Operating income (loss)	<u>(148,014)</u>

NONOPERATING REVENUES (EXPENSES)

Interest revenue	<u>11</u>
Total nonoperating expenses	<u>11</u>
Income (loss) before contributions and transfers	(148,003)

Capital contributions	<u>44,114</u>
Change in net position	<u>(103,889)</u>

Total net position, beginning	2,676,266
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Total net assets, beginning	<u>2,676,266</u>
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Total net position, ending	<u>\$ 2,572,377</u>
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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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 294,257
Cash paid for goods and services	(124,691)
Cash paid to employees for services	(218,468)
Customer deposits received	7,129
Net cash used by operating activities	<u>(41,773)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Decrease in amount due to General Fund	46,259
Net cash provided (used) by noncapital financing activities	<u>46,259</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital contributions	44,114
Net cash provided (used) by capital and related financing activities	<u>44,114</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and dividends received	11
Net cash provided (used) by investing activities	<u>11</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	
	48,611
Cash and cash equivalents, beginning	22,564
Cash and cash equivalents, ending	<u>\$ 71,175</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	<u>\$ (148,014)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	100,269
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	2,343
Decrease (increase) in pension asset	7,585
Decrease (increase) in deferred outflows of resources for pensions	(354)
Increase (decrease) in accounts payable	(1,535)
Increase (decrease) in customer deposits	7,129
Increase (decrease) in compensated absences payable	696
Increase (decrease) in net pension liability	5,783
Increase (decrease) in deferred inflows of resources for pensions	<u>(15,675)</u>
Total adjustments	<u>106,241</u>
Net cash provided (used) by operating activities	<u>\$ (41,773)</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, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 150,208</u>
LIABILITIES AND NET POSITION	
Liabilities:	
Miscellaneous liabilities	140,266
Intergovernmental payables - State of North Carolina	<u>9,942</u>
Total liabilities	<u>150,208</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, 2016

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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, 2016

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Discretely Presented Component Unit

Cherokee County Tourism Development Authority

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

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

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

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

The County reports the following major governmental funds:

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

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

The County reports the following major enterprise fund:

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

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

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

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.

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

The County reports the following non-major governmental funds:

Special Revenue Funds:

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

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

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

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

Capital Project Funds:

School Improvement Fund – This fund is used to account for the construction of new school facilities. For the fiscal year ended June 30, 2016, 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 fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

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

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

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

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

C. Budgetary Data

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

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

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

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

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

The 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 external investment pool is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

2. Cash and Cash Equivalents

The County pools moneys from several funds, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Cherokee County Tourism Development Authority consider demand deposits and investments with a maturity date of 90 days or less at time of purchase to be cash and cash equivalents.

3. Restricted Assets

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

Cherokee County Restricted Cash

Governmental Activities			
General Fund	Tax revaluation	\$	437,899
Debt Service Fund	Unexpended funds for QZAB		1,622
Housing Preservation Grant Fund	Unexpended grant proceeds		108
Total Governmental Activities			<u>439,629</u>
Business-Type Activities			
Pool and Wellness Center	Unearned membership fees		<u>25,059</u>
Total Business-Type Activities			<u>25,059</u>
Total Restricted Cash		\$	<u>464,688</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, 2015.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

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

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are \$5,000 for land, buildings, improvements, furniture and equipment, and vehicles. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

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

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

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

8. Deferred Outflows/Inflows of Resources

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

9. Long-Term Obligations

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

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

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

Restricted for 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.

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 two 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 \$13,637,365 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)	\$ 56,593,718
Less accumulated depreciation	(19,307,716)
Net capital assets	37,286,002
Net pension asset	87,985
Contributions to the pension plan in the current fiscal year	761,098
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	57,488
Deferred inflows of resources for taxes and special assessments receivable	499,410
Pension related deferrals	(479,527)
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	(18,474,295)
Compensated absences	(609,913)
Other postemployment benefits	(1,224,203)
Landfill closure costs	(3,106,107)
Pension benefit obligation	(268,271)
Net pension liability	(780,998)
Accrued interest payable	(111,304)
Total adjustment	<u>\$ 13,637,365</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 \$2,742,028 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,268,494
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	(1,678,153)
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	(15,807)
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	2,592,968
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	761,098
Change in the current fiscal year landfill closure cost is not included on the Statement of Activities	389,164
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	29,068
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(33,039)
Other postemployment benefits	(106,778)
County's portion of collective pension expense	(428,665)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Change in accrued investment earnings	627
Fair value of assets donated that is not recorded in the fund statements but is recorded in the government-wide statements	21,858
Change in deferred inflows of resources - taxes receivable - at end of year	(47,558)
Change in accrued taxes receivable at end of year	(11,249)
Total adjustment	<u>\$ 2,742,028</u>

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

None Noted.

2. Contractual Violations

None Noted.

B. Deficit Fund Balance or Net Position of Individual Funds

None Noted.

C. Excess of Expenditures over Appropriations

In accordance with budgetary control procedures outlined in G.S. 159-28, expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. At June 30, 2016, expenditures made in the County's General Fund exceeded the authorized appropriations made by the governing board for the Senior citizens program by \$3,458. Management will continue to monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

Function	Budget	Expenditures	Variance
General Fund			
Human Services			
Senior citizens program	\$ 388,031	\$ 391,489	\$ (3,458)

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

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

At June 30, 2016, the County's deposits had a carrying amount of \$19,654,276 and a bank balance of \$19,803,384. Of the \$19,803,384 combined bank balance, \$282,121 was covered by federal depository insurance, and \$19,521,263 in deposits was covered by collateral held under the Pooling Method.

At June 30, 2016, Cherokee County had \$2,175 cash on hand.

Also, at June 30, 2016, the deposits of the Tourism Development Authority, a component unit of the County, had a carrying value of \$103,996 and a bank balance of \$104,805, all of which was covered by federal depository insurance.

2. Investments

As of June 30, 2016, the County had the following investments and maturities:

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months
US Government Agencies	Fair Value - Level 1	\$ 2,694,927	\$ 2,694,927
Commercial Paper	Fair Value - Level 2	3,011,753	3,011,753
NC Capital Management Trust:			
Cash Portfolio	Amortized Cost	351,692	N/A
Total:		<u>\$ 6,058,372</u>	<u>\$ 5,706,680</u>

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

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

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

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2016, 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, 2016. 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 \$3,011,753 investment in commercial paper and \$2,694,927 investment in US Government Agencies (Federal Home Loan Bank) are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the County's name. The County had no policy on custodial credit risk.

Concentration of Credit Risk. The County places no limit on the amount that the County may invest in any one issuer. More than 94% of the County's investments are in Abbey National Treasury commercial paper and a FHLMC discount note. These investments are 44.48% and 49.71% 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
2012	\$ 835,685	\$ 204,743	\$ 1,040,428
2013	873,241	135,352	1,008,593
2014	887,270	57,673	944,943
2015	875,544	-	875,544
Total	<u>\$ 3,471,740</u>	<u>\$ 397,768</u>	<u>\$ 3,869,508</u>

4. Receivables

Receivables at the government-wide level at June 30, 2016, were as follows:

	Accounts Receivable	Taxes Receivable	Interest Receivable	Special Assessments	Total
Governmental Activities:					
General	\$ 3,178,372	\$ 931,493	\$ 57,488	\$ -	\$ 4,167,353
Other governmental	31,904	91,603	-	-	123,507
Total receivables	3,210,276	1,023,096	57,488	-	4,290,860
Allowance for doubtful accounts	(54,174)	(520,563)	-	-	(574,737)
Total-governmental activities	<u>\$ 3,156,102</u>	<u>\$ 502,533</u>	<u>\$ 57,488</u>	<u>\$ -</u>	<u>\$ 3,716,123</u>
Business-type Activities:					
Pool and Wellness Center	\$ 5,630	\$ -	\$ -	\$ -	\$ 5,630
Total-business-type activities	<u>\$ 5,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,630</u>

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

Local government sales and use taxes	\$ 213,617
Total	<u>\$ 213,617</u>

5. Capital Assets

Primary Government

Capital assets activity for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Governmental Activities:					
Capital assets not being depreciated					
Land	\$ 6,756,632	\$ -	\$ -	\$ -	\$ 6,756,632
Construction in progress	4,010	-	-	-	4,010
Total capital assets not being depreciated	6,760,642	-	-	-	6,760,642
Capital assets being depreciated					
Land improvements	60,453	-	-	-	60,453
Buildings	26,069,477	267,487	-	-	26,336,964
Other improvements	14,763,585	115,646	-	5,671	14,873,560
Equipment	1,893,574	104,098	-	33,106	1,964,566
Software	528,474	-	-	-	528,474
Computers & electronic equipment	1,394,744	46,863	-	125,378	1,316,229
Vehicles & motorized equipment	4,569,629	756,258	-	573,057	4,752,830
Total capital assets being depreciated	49,279,936	1,290,352	-	737,212	49,833,076
Less accumulated depreciation for:					
Land Improvements	6,099	3,022	-	-	9,121
Buildings	5,429,728	510,299	-	-	5,940,027
Other improvements	6,418,071	493,736	-	5,671	6,906,136
Equipment	1,156,377	148,795	-	33,106	1,272,066
Software	528,474	-	-	-	528,474
Computers & other electronic equipment	1,267,313	59,358	-	125,378	1,201,293
Vehicles & motorized equipment	3,560,713	462,943	-	573,057	3,450,599
Total accumulated depreciation	18,366,775	1,678,153	-	737,212	19,307,716
Total capital assets being depreciated, net	<u>30,913,161</u>				<u>30,525,360</u>
Governmental activities capital assets, net	<u>\$ 37,673,803</u>				<u>\$ 37,286,002</u>

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

General government	\$	260,541
Public safety		622,118
Transportation		478,982
Economic and physical development		27,080
Human services		92,789
Environmental protection		169,965
Cultural and recreational		26,678
Total depreciation expense	\$	<u>1,678,153</u>

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Business-type activities:					
Capital assets being depreciated					
Buildings	\$ 3,087,019	\$ -	\$ -	\$ -	\$ 3,087,019
Other improvements	270,231	-	-	-	270,231
Equipment	119,618	-	-	-	119,618
Total capital assets being depreciated	<u>3,476,868</u>	-	-	-	<u>3,476,868</u>
Less accumulated depreciation for:					
Buildings	496,590	61,740	-	-	558,330
Other improvements	196,568	26,567	-	-	223,135
Equipment	98,005	11,962	-	-	109,967
Total accumulated depreciation	<u>791,163</u>	<u>100,269</u>	-	-	<u>891,432</u>
Total capital assets being depreciated, net	<u>2,685,705</u>				<u>2,585,436</u>
Business-type capital assets, net	<u>\$ 2,685,705</u>				<u>\$ 2,585,436</u>

Construction commitments

The County has the following active construction commitments with contractors at June 30, 2016:

Project	Spent-to-date	Remaining Commitment
Water Line & Fiber Optic Extension	\$ 42,948	\$ 423,300
Total	<u>\$ 42,948</u>	<u>\$ 423,300</u>

Discretely presented component unit

Activity for the Cherokee County Tourism Development Authority for the year ended June 30, 2016, was as follows:

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

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2016, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 698,418	\$ 2,073,555	\$ 2,771,973
Other governmental	45,927	-	45,927
Total governmental activities	<u>\$ 744,345</u>	<u>\$ 2,073,555</u>	<u>\$ 2,817,900</u>
Business-type Activities:			
Pool and Wellness Center	\$ 6,985	\$ 6,620	\$ 13,605
Total business-type activities	<u>\$ 6,985</u>	<u>\$ 6,620</u>	<u>\$ 13,605</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, 2016, was 7.150% of compensation for law enforcement officers and 6.850% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$763,586 for the year ended June 30, 2016.

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, 2016, the County reported a liability of \$786,781 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the County's proportion was .1753%, which was an increase of .0003% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$334,058. At June 30, 2016, 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	\$ -	\$ 184,939
Net difference between projected and actual earnings on pension plan investments	-	223,994
County contributions and proportionate share of contributions	4,570	78,790
County contributions subsequent to the measurement date	763,586	-
Total	<u>\$ 768,156</u>	<u>\$ 487,723</u>

\$763,586 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (286,147)
2018	(286,147)
2019	(285,601)
2020	374,742
2021	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2014 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, 2014 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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension 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)	\$ 5,486,334	\$ 786,781	\$ (3,172,488)

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

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

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

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

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

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies:

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

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

3. Contributions.

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

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 remaining amortization period at December 31, 2012 was 18 years.

Annual Pension Cost and Net Pension Obligation. The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 39,835
Interest on net pension obligation	11,734
Adjustment to annual required contribution	<u>(17,973)</u>
Annual pension cost (expense)	33,596
Benefit payments made	<u>-</u>
Increase (decrease) in net pension obligation	33,596
Net pension obligation, beginning of year	<u>234,675</u>
Net pension obligation, end of year	<u><u>\$ 268,271</u></u>

3 Year Trend Information

For Year Ended June 30	Annual Pension Cost (APC)	Percentage APC Contributed	Net Pension Obligation
06/30/2014	\$ 26,392	22.62%	\$ 212,760
06/30/2015	25,110	12.72%	234,675
06/30/2016	33,596	9.51%	268,271

4. 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 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, 2016 were \$81,592, which consisted of \$65,171 from the County and \$16,421 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 \$3,124 for the year ended June 30, 2016.

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

At June 30, 2016, the County reported an asset of \$87,985 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 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, 2015, the County's proportion was 0.3797%, which was an increase of .02333% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$(3,243). At June 30, 2016, 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	\$ 431	\$ 1,457
Net difference between projected and actual earnings on pension plan investments	4,363	-
County contributions and proportionate share of contributions	375	3,638
County contributions subsequent to the measurement date	3,124	-
Total	<u>\$ 8,293</u>	<u>\$ 5,095</u>

\$3,124 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$	(583)
2018		(1,120)
2019		599
2020		1,178
2021		-
Thereafter		-

Actuarial Assumptions. The total pension liability in the December 31, 2014 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 7.75 percent, including inflation and productivity factor
Investment rate of return	5.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 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 2.2%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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:

	1% Decrease (4.75%)	Discount Rate (5.75%)	1% Increase (6.75%)
County's proportionate share of the net pension liability (asset)	\$ (79,381)	\$ (87,985)	\$ (95,388)

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, 2016, the County paid \$44,608 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:

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

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

The current ARC rate is 1.72% of annual covered payroll. For the current year, the County contributed \$44,608 or 0.51% 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 6.0% 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	\$ 159,337
Interest on net OPEB obligation	44,697
Adjustment to annual required contribution	(42,700)
Annual OPEB cost (expense)	161,334
Contributions made	(54,556)
Increase (decrease) in net OPEB obligation	106,778
Net OPEB obligation, beginning of year	1,117,425
Net OPEB obligation, end of year	\$ 1,224,203

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2016 were as follows:

3 Year Trend Information			
For Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 168,021	16.28%	\$ 998,713
2015	\$ 173,268	31.50%	\$ 1,117,425
2016	\$ 161,334	33.82%	\$ 1,224,203

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 3.0% 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, 2016, the County made contributions for death benefits of \$8,277.

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 \$3,106,107 reported as landfill closure and postclosure care liability at June 30, 2016 represents a cumulative amount reported to-date based on the use of 88.60 percent of the total estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and post closure care in 2016. 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	\$ 431	\$ 186,396
Pensions - difference between projected and actual investment earnings	4,363	223,994
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	4,945	82,428
Contributions to pension plan subsequent to measurement date	766,710	-
Prepaid taxes not yet earned (General)	-	233,595
Taxes receivable, net (General), less penalties	-	410,930
Taxes receivable, net (Special Revenue)	-	88,480
Total	<u>\$ 776,449</u>	<u>\$ 1,225,823</u>

5. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners Risk Management Agency. Through these pools, the County obtains property coverage equal to the replacement cost of owned property subject to a blanket limit of \$53,990,970, with sub-limits on coverage for specific perils; general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence; auto physical damage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the statutory limits. All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County. The pools are audited annually by certified public accountants, and audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000, up to a \$2 million limit for liability coverage, and single occurrence losses in excess of \$750,000 for worker's compensation. Through the captive, the Liability and Property Pool is reinsured for \$2 million of annual aggregate losses in excess of \$250,000 per occurrence for property, auto physical damage and crime coverage, with additional limits of \$498 million purchased through a group of commercial carriers through the multi-state public entity captive.

For medical and dental insurance, the County is reinsured through a commercial carrier for individual losses in excess of \$60,000 and aggregate annual losses in excess of \$1,883,562.

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

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

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

Discretely presented component unit

Cherokee County Tourism Development Authority

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

6. Contingent Liabilities

At June 30, 2016, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

7. Long-Term Obligations

a. Capital Leases

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

At June 30, 2016, the County leased equipment valued at:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Power-PRO XT Stretcher	\$ 13,714	\$ 686	\$ 13,028

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, are as follows:

Year ending June 30,	
2017	\$ 3,649
2018	3,649
2019	3,649
2020	3,649
Total minimum lease payments	14,596
Less: amount representing interest	1,839
Present value of the minimum lease payments	<u>\$ 12,757</u>

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 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.	\$ 175,000
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.	282,753
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.	150,000
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.	900,000
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.	685,677
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.	4,568,917
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.	810,670
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.	122,670
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.	812,494
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.	3,166,667
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.	36,690
	<u>\$ 18,461,538</u>

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2017	\$ 5,228,163	\$ 316,422
2018	1,920,458	264,099
2019	5,362,788	215,516
2020	1,849,906	168,152
2021	1,849,908	121,486
2022-2026	2,250,315	176,391
Total	<u>\$ 18,461,538</u>	<u>\$ 1,262,066</u>

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$8,988,367 relates to assets the County holds title. There is no unspent restricted cash related to this debt at June 30, 2016.

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, 2016:

Government Activities:	Beginning	Increases	Decreases	Ending	Current
	Balance			Balance	Portion of
Installment purchases	\$ 20,464,936	\$ -	\$ 2,003,398	\$ 18,461,538	\$ 5,228,163
Capital leases	586,520	15,807	589,570	12,757	3,649
Landfill closure costs	3,495,271	-	389,164	3,106,107	-
Other post employment benefits	1,117,425	161,334	54,556	1,224,203	-
Compensated absences	576,874	390,195	357,156	609,913	357,000
Net pension liability (LGRS)	-	780,998	-	780,998	-
Net pension obligation (LEOSSA)	234,675	33,596	-	268,271	-
Total Government activities	<u>\$ 26,475,701</u>	<u>\$ 1,381,930</u>	<u>\$ 3,393,844</u>	<u>\$ 24,463,787</u>	<u>\$ 5,588,812</u>
Business-type activities:					
Compensated absences	\$ 522	\$ 826	\$ 130	\$ 1,218	\$ -
Net pension liability (LGRS)	-	5,783	-	5,783	-
Total business-type activities	<u>\$ 522</u>	<u>\$ 6,609</u>	<u>\$ 130</u>	<u>\$ 7,001</u>	<u>\$ -</u>

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

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2016, consist of the following:

Due to the General Fund from:

Snap-On Tools Water Infrastructure Improvements and Fiber Optic Expansion Project	\$ 12,384
Pool and Wellness Center	46,259
Total	<u>\$ 58,643</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, 2016, 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 Revaluation Fund to provide resources for the next property revaluation	75,000
From the Health Department Renovation and Expansion Capital Project to the General Fund to return the excess of the county match contribution	17,190
Total	<u>\$ 475,751</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

	Governmental	Business-type
Capital assets	\$ 37,286,002	\$ 2,585,436
Less: gross long-term debt	(18,461,538)	-
Add: school debt for assets to which the county does not hold title	9,473,171	-
Net investment in capital assets	<u>\$ 28,297,635</u>	<u>\$ 2,585,436</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	\$ 19,797,161
Less:	
Inventories	31,411
Prepaid items	6,781
Stabilization by State Statute	3,396,458
School Capital	680,321
Tax Revaluation	437,329
School Capital Outlay	1,469,665
Law Enforcement	29,351
Appropriated Fund Balance in 2017 budget	130,700
Working Capital/ Fund Balance Policy	13,615,145
Remaining Fund Balance	-

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

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

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

14. Prior Period Adjustment

Cherokee County has determined that certain transactions were reported incorrectly in the prior year.

Fund Balance: The fund balance of the Emergency Telephone System Fund was understated at June 30, 2015 in the amount of \$2,145 due to expenditures that were deemed ineligible for reimbursement. The understatement in the Emergency Telephone System Fund contributed to a corresponding understatement of expenditures in the General Fund of \$2,145. In addition, due to the discovery of \$114,528 in timber receipts payable to the Cherokee County Board of Education was inadvertently not recorded. These two items combined resulted in a \$116,673 overstatement of General Fund Balance.

Emergency Telephone System Fund balance, beginning as previously reported	\$ 382,823
Ineligible expenditures made in the prior fiscal year	2,145
Net prior period adjustment	<u>2,145</u>
Emergency Telephone System Fund balance, beginning as restated	<u>\$ 384,968</u>
General Fund balance, beginning as previously reported	\$ 18,509,148
Adjustment for Emergency Telephone System Fund	(2,145)
Timber receipts payable to Cherokee County Board of Education	<u>(114,528)</u>
Net prior period adjustment	<u>(116,673)</u>
General Fund balance, beginning as restated	<u>\$ 18,392,475</u>

Governmental Activities: The beginning payables on the Government-Wide statements were overstated by the abovementioned \$114,528 in timber receipts payable which resulted in an overstatement of Net Position.

Governmental Activities Net position, beginning as previously reported	\$	35,309,195
Fund balance restatement - timber receipts payable		<u>(114,528)</u>
Net prior period adjustment		<u>(114,528)</u>
Governmental Activities Net position, beginning as restated	<u>\$</u>	<u>35,194,667</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, 2016. 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, 2016. 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, 2016. The County was the sub recipient of a grant for \$294,923 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	\$ 67,737	\$ -
Medicaid	31,707,331	17,327,986
WIC	564,138	-
Food stamp program	6,135,628	-
Payments to elderly and disabled	-	228,016
Adoption assistance	293,372	75,089
Energy assistance	129,803	-
Title IV-E, foster care	266,878	68,732
Total	<u>\$ 39,164,887</u>	<u>\$ 17,699,823</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, 2016 and February 10, 2017, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

- A. Subsequent to year end, Cherokee County budgeted \$312,000 for the repair work needed on the courthouse lantern.
- B. On August 1, 2016, the County approved payment of \$39,850 to settle the Lena Martin wrongful dismissal complaint.
- C. On September 6, 2016, the County approved payment of \$165,000 to settle the Towanna Roberts wrongful dismissal complaint.

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
- 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 System
- 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 Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2010	\$ -	\$ 184,290	\$ 184,290	-	\$ 1,174,227	15.69%
12/31/2012	-	190,594	190,594	-	1,135,755	16.78%
12/31/2014	-	217,805	217,805	-	1,139,170	19.12%

Cherokee County, North Carolina
Other Postemployment Benefits
Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2010	\$ -	\$ 1,816,407	\$ 1,816,407	0.00%	\$ 9,515,956	19.10%
12/31/2012	-	1,675,909	1,675,909	0.00%	8,842,895	19.00%
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
2014	168,021	16.28%
2015	173,268	31.50%
2016	161,334	33.82%

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 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	7.50% - 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 Three Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.1753%	0.1750%	0.1878%
County's proportionate share of the net pension liability (asset) \$	\$ 786,781	\$ (1,031,997)	\$ 2,263,711
County's covered-employee payroll	\$ 10,145,989	\$10,061,351	\$ 10,179,686
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.75%	(10.26%)	22.24%
Plan fiduciary net position as a percentage of the total pension liability **	98.09%	102.64%	94.35%

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 763,586	\$ 719,701	\$ 713,599
Contributions in relation to the contractually required contribution	<u>763,586</u>	<u>719,701</u>	<u>713,599</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 11,208,552	\$ 10,145,989	\$ 10,061,351
Contributions as a percentage of covered-employee payroll	6.81%	7.09%	7.09%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset) %	0.3797%	0.3564%	0.3611%
County's proportionate share of the net pension liability (asset) \$	\$ (87,985)	\$ (80,793)	\$ (77,129)
County's covered-employee payroll	\$ 44,799	\$ 44,033	\$ 44,000
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(196.40%)	(183.48%)	(175.29%)
Plan fiduciary net position as a percentage of the total pension liability **	197.29%	193.88%	190.50%

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

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

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

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Current year taxes		\$ 16,274,132	
Penalties and interest		208,882	
Total	<u>\$ 16,381,890</u>	<u>16,483,014</u>	<u>\$ 101,124</u>
Local option sales taxes:			
Article 39 one percent		2,852,134	
Article 40 one-half of one percent		1,636,983	
Article 42 one-half of one percent		1,452,703	
Article 44 one-half of one percent		15,206	
Total	<u>6,397,885</u>	<u>5,957,026</u>	<u>(440,859)</u>
Other taxes and licenses:			
Register of deeds - excise tax		281,740	
Car rental tax		5,717	
Local occupancy tax		334,196	
Solid waste disposal tax		21,877	
Franchise tax		49,302	
Civil licenses		1,440	
Total	<u>682,950</u>	<u>694,272</u>	<u>11,322</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes		1,368,932	
Mineral receipts		19	
Beer and wine tax		4,920	
Total	<u>1,321,000</u>	<u>1,373,871</u>	<u>52,871</u>
Restricted intergovernmental:			
ABC bottle fees		10,817	
Court facility fees		38,561	
Controlled substance tax		22,959	
Health Department grants		63,635	
Health Department state revenues		809,223	
Juvenile Crime Prevention		84,458	
Lottery proceeds		245,224	
Other grants		109,213	
Transportation ROAP		117,912	
Senior Center		174,667	
Social Services		4,373,926	
Tire Disposal Tax Grant		46,735	
Transportation		343,154	
US Forest Service Timber		167,391	
Total	<u>6,633,340</u>	<u>6,607,875</u>	<u>(25,465)</u>
Permits and fees:			
Building permits		268,430	
Fire arm permits		36,209	
Fire inspections		4,850	
Landfill user fees		1,293,406	
Precious metal permits		806	
Register of deeds		202,701	
Water and septic permits		187,705	
Total	<u>1,863,300</u>	<u>1,994,107</u>	<u>130,807</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sales and services:			
Ambulance fees		1,984,332	
Aviation gas sales		59,079	
Health Department fees		554,023	
Landfill tipping fees		348,433	
Jet fuel sales		37,565	
Other sales		189,341	
Personnel fees		80,102	
Rents, concessions, and fees		100,272	
Sheriff & jail fees		732,717	
Transportation fees		216,543	
Vehicle tax collection fees		37	
Total	<u>3,771,120</u>	<u>4,302,444</u>	<u>531,324</u>
Investment earnings	<u>16,500</u>	<u>21,498</u>	<u>4,998</u>
Miscellaneous:			
ABC Store distributions		39,000	
Insurance proceeds		21,042	
Other		80,905	
Miscellaneous	<u>83,885</u>	<u>140,947</u>	<u>57,062</u>
Total revenues	<u>37,151,870</u>	<u>37,575,054</u>	<u>423,184</u>
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits		263,549	
Operating expenditures		45,922	
Total	<u>346,461</u>	<u>309,471</u>	<u>36,990</u>
Administration:			
Salaries and employee benefits		174,068	
Operating expenditures		8,091	
Total	<u>183,613</u>	<u>182,159</u>	<u>1,454</u>
Board of Elections:			
Salaries and employee benefits		219,366	
Operating expenditures		82,463	
Total	<u>304,033</u>	<u>301,829</u>	<u>2,204</u>
Information technology:			
Salaries and employee benefits		155,398	
Operating expenditures		197,776	
Capital outlay		23,996	
Total	<u>383,214</u>	<u>377,170</u>	<u>6,044</u>
Finance:			
Salaries and employee benefits		286,502	
Operating expenditures		106,706	
Total	<u>394,404</u>	<u>393,208</u>	<u>1,196</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Tax assessor:			
Salaries and employee benefits		330,754	
Operating expenditures		75,930	
Capital outlay		25,500	
Total	<u>433,752</u>	<u>432,184</u>	<u>1,568</u>
Tax collector:			
Salaries and employee benefits		152,555	
Operating expenditures		110,823	
Total	<u>289,401</u>	<u>263,378</u>	<u>26,023</u>
Land records:			
Salaries and employee benefits		126,689	
Operating expenditures		24,373	
Total	<u>152,464</u>	<u>151,062</u>	<u>1,402</u>
Register of deeds:			
Salaries and employee benefits		142,091	
Operating expenditures		228,016	
Total	<u>373,858</u>	<u>370,107</u>	<u>3,751</u>
Public buildings:			
Salaries and employee benefits		256,388	
Operating expenditures		146,501	
Capital outlay		299,888	
Total	<u>721,472</u>	<u>702,777</u>	<u>18,695</u>
Court facilities:			
Operating expenditures		36,927	
Total	<u>41,180</u>	<u>36,927</u>	<u>4,253</u>
Central services:			
Salaries and employee benefits		14,698	
Operating expenditures		199,548	
Total	<u>231,768</u>	<u>214,246</u>	<u>17,522</u>
Total general government	<u>3,855,620</u>	<u>3,734,518</u>	<u>121,102</u>
Public safety:			
Sheriff department:			
Salaries and employee benefits		2,113,536	
Operating expenditures		325,732	
Capital outlay		162,125	
Total	<u>2,690,827</u>	<u>2,601,393</u>	<u>89,434</u>
Jail:			
Salaries and employee benefits		1,395,281	
Operating expenditures		898,486	
Capital outlay		9,424	
Total	<u>2,429,901</u>	<u>2,303,191</u>	<u>126,710</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Ambulance service:			
Salaries and employee benefits		2,470,343	
Operating expenditures		408,335	
Capital outlay		183,695	
Total	<u>3,071,262</u>	<u>3,062,373</u>	<u>8,889</u>
911 addressing:			
Salaries and employee benefits		11,417	
Operating expenditures		320	
Capital outlay		5,828	
Total	<u>21,779</u>	<u>17,565</u>	<u>4,214</u>
Emergency communications:			
Salaries and employee benefits		512,274	
Operating expenditures		34,701	
Total	<u>692,057</u>	<u>546,975</u>	<u>145,082</u>
Emergency management:			
Salaries and employee benefits		83,614	
Operating expenditures		23,602	
Total	<u>128,340</u>	<u>107,216</u>	<u>21,124</u>
Code enforcement:			
Salaries and employee benefits		410,762	
Operating expenditures		21,578	
Total	<u>449,799</u>	<u>432,340</u>	<u>17,459</u>
Fire inspections:			
Salaries and employee benefits		10,157	
Operating expenditures		1,731	
Total	<u>16,007</u>	<u>11,888</u>	<u>4,119</u>
Medical examiner:			
Operating expenditures		28,300	
Total	<u>36,000</u>	<u>28,300</u>	<u>7,700</u>
Animal control:			
Operating expenditures		78,946	
Total	<u>89,900</u>	<u>78,946</u>	<u>10,954</u>
Special appropriations:			
NC Forest Service-Fire protection		57,994	
Valley River Rescue Squad		70,000	
Fire department rescue		113,452	
Cherokee County Rescue Squad		70,000	
Total	<u>368,094</u>	<u>311,446</u>	<u>56,648</u>
Total public safety	<u>9,993,966</u>	<u>9,501,633</u>	<u>492,333</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Airport:			
Salaries and employee benefits		66,096	
Operating expenditures		123,596	
Total	<u>247,880</u>	<u>189,692</u>	<u>58,188</u>
Public transportation:			
Salaries and employee benefits		413,113	
Operating expenditures		135,210	
Capital outlay		75,447	
Total	<u>742,983</u>	<u>623,770</u>	<u>119,213</u>
Total transportation	<u>990,863</u>	<u>813,462</u>	<u>177,401</u>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		728,564	
Operating expenditures		472,238	
Capital outlay		340,585	
Total	<u>1,705,473</u>	<u>1,541,387</u>	<u>164,086</u>
Total environmental protection	<u>1,705,473</u>	<u>1,541,387</u>	<u>164,086</u>
Economic and physical development:			
Economic development:			
Salaries and employee benefits		26,058	
Operating expenditures		26,451	
Grants		25,000	
Total	<u>99,238</u>	<u>77,509</u>	<u>21,729</u>
Cooperative extension:			
Salaries and employee benefits		111,022	
Operating expenditures		91,511	
Capital outlay		23,682	
Grants		970	
Total	<u>243,078</u>	<u>227,185</u>	<u>15,893</u>
Soil and water conservation:			
Salaries and employee benefits		78,765	
Operating expenditures		65	
Total	<u>89,870</u>	<u>78,830</u>	<u>11,040</u>
Special appropriations:			
Cherokee County Board of Tourism		323,173	
Soil and water conservation district		88,495	
Total	<u>460,775</u>	<u>411,668</u>	<u>49,107</u>
Total economic and physical development	<u>892,961</u>	<u>795,192</u>	<u>97,769</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Human services:			
Health department:			
Administration:			
Salaries and employee benefits		401,089	
Operating expenditures		244,466	
Capital outlay		37,233	
Total		<u>682,788</u>	
Women, infants, and children:			
WIC - Breastfeeding		11,111	
WIC - Administration		12,719	
WIC - Client services		85,755	
WIC - Nutritional education		30,228	
Total		<u>139,813</u>	
Environmental health:			
Salaries and employee benefits		194,688	
Operating expenditures		10,216	
Total		<u>204,904</u>	
Food and lodging:			
Salaries and employee benefits		148,710	
Operating expenditures		2,187	
Total		<u>150,897</u>	
Health programs:			
Health promotion		49,449	
Bio terrorism		39,710	
Immunization		170,839	
Communicable disease		63,388	
Andrews clinic		130,704	
Pregnancy care management (OBCM)		20,900	
Maternal health		78,143	
Breast and cervical cancer		50,028	
Breast feeding peer counseling		8,921	
Family planning		159,481	
Child health		40,589	
Child service coordinator		34,609	
School nurse initiative		100,000	
Medication management		24,854	
Smart start		42,769	
Total		<u>1,014,384</u>	
Total Health department	<u>2,462,321</u>	<u>2,192,786</u>	<u>269,535</u>
Social services:			
Administration:			
Salaries and employee benefits		2,798,925	
Operating expenses		237,865	
Capital outlay		45,597	
Total		<u>3,082,387</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Programs:			
Operating expenses		2,834,167	
Total		<u>2,834,167</u>	
Total Social services	<u>6,186,986</u>	<u>5,916,554</u>	<u>270,432</u>
Senior citizens program:			
Salaries and employee benefits		203,702	
Operating expenses		<u>187,787</u>	
Total	<u>388,031</u>	<u>391,489</u>	<u>(3,458)</u>
Mental health:			
Operating expenses		<u>75,000</u>	
Total	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Veterans service officer:			
Salaries and employee benefits		45,383	
Operating expenses		<u>4,742</u>	
Total	<u>54,251</u>	<u>50,125</u>	<u>4,126</u>
Special appropriations:			
Industrial Opportunities, Inc.		56,000	
State of Franklin Health Council		14,000	
Haven Child Advocacy		10,000	
Juvenile Crime Prevention Programs		<u>101,269</u>	
Total	<u>182,634</u>	<u>181,269</u>	<u>1,365</u>
Total human services	<u>9,349,223</u>	<u>8,807,223</u>	<u>542,000</u>
Cultural and recreational:			
Library:			
Operating expenditures		<u>183,045</u>	
Total	<u>183,045</u>	<u>183,045</u>	<u>-</u>
Parks and recreation:			
Salaries and employee benefits		198,579	
Operating expenditures		53,706	
Capital outlay		<u>22,750</u>	
Total	<u>310,043</u>	<u>275,035</u>	<u>35,008</u>
Museum:			
Salaries and employee benefits		41,404	
Operating expenditures		<u>58</u>	
Total	<u>41,733</u>	<u>41,462</u>	<u>271</u>
Total cultural and recreation	<u>534,821</u>	<u>499,542</u>	<u>35,279</u>
Education:			
Public schools:			
Public schools - current		6,235,058	
Public schools - capital outlay		<u>523,847</u>	
Total	<u>6,769,686</u>	<u>6,758,905</u>	<u>10,781</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Community college:			
Community college - current		818,470	
Total	849,805	818,470	31,335
Total education	7,619,491	7,577,375	42,116
Debt service:			
Principal retirements		2,592,968	
Interest and fees		318,833	
Total debt service	2,914,910	2,911,801	3,109
Total expenditures	37,857,328	36,182,133	1,675,195
Revenues over (under) expenditures	(705,458)	1,392,921	2,098,379
OTHER FINANCING SOURCES (USES)			
Transfers from other funds:			
Health Department Renovation and Expansion Capital Project	-	17,190	17,190
Transfers to other funds:			
Debt Service Fund	(383,562)	(383,561)	1
Revaluation Fund	(75,000)	(75,000)	-
Total net transfers	(458,562)	(441,371)	17,191
Capital lease obligations issued	-	15,807	15,807
Total other financing sources (uses)	(458,562)	(425,564)	32,998
Revenues and other sources over (under) expenditures	(1,164,020)	967,357	2,131,377
Appropriated fund balance	1,164,020	-	(1,164,020)
Net change in fund balance	\$ -	967,357	\$ 967,357
Fund balance, beginning as previously reported		18,509,148	
Prior period adjustment		(116,673)	
Fund balance, beginning as restated		18,392,475	
Fund balance, ending		\$ 19,359,832	

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, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment earnings	\$ 400	\$ 412	\$ 12
Total revenues	<u>400</u>	<u>412</u>	<u>12</u>
EXPENDITURES			
Current:			
General government:			
Salaries and employee benefits		25,923	
Capital outlay		2,315	
Total expenditures	<u>33,504</u>	<u>28,238</u>	<u>5,266</u>
Revenues over (under) expenditures	<u>(33,104)</u>	<u>(27,826)</u>	<u>5,278</u>
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund	75,000	75,000	-
Total other financing sources (uses)	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Contingency	(41,896)	-	41,896
Net change in fund balance	<u>\$ -</u>	47,174	<u>\$ 47,174</u>
Fund balance, beginning		<u>390,155</u>	
Fund balances, ending		<u>\$ 437,329</u>	

MAJOR GOVERNMENTAL FUND

The County has one major governmental fund.

Debt Service Fund:

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

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

Cherokee County, North Carolina

Debt Service Fund

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

For the Fiscal Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Investment earnings	\$ 175,000	\$ 211,013	\$ 36,013
Total revenues	<u>175,000</u>	<u>211,013</u>	<u>36,013</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	(558,562)	-	558,562
Net change in fund balance	<u>\$ -</u>	594,574	<u>\$ 594,576</u>
Fund balance, beginning		<u>5,114,434</u>	
Fund balance, ending		<u>\$ 5,709,008</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, 2016, 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, 2016, 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. For the fiscal year ended June 30, 2016, the fund had no financial transactions or account balances to report.

Cherokee County, North Carolina

Combining Balance Sheet

Non-major Governmental Funds

June 30, 2016

	Total Non-major Special Revenue Funds	Total Non-major Capital Projects Fund	Total Non-major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 416,245	\$ -	\$ 416,245
Restricted cash	108	-	108
Taxes receivable (net)	91,603	-	91,603
Accounts receivable	-	31,904	31,904
Total assets	<u>\$ 507,956</u>	<u>\$ 31,904</u>	<u>\$ 539,860</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 26,407	\$ 19,520	\$ 45,927
Due to other funds	-	12,384	12,384
Total liabilities	<u>26,407</u>	<u>31,904</u>	<u>58,311</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes receivable	88,480	-	88,480
Unearned revenues	-	-	-
Total deferred inflows of resources	<u>88,480</u>	<u>-</u>	<u>88,480</u>
Fund balances:			
Restricted:			
Stabilization by state statute	3,123	31,904	35,027
Public safety	392,961	-	392,961
Transportation	-	-	-
Economic and physical development	108	-	108
Human services	-	-	-
Fire protection	-	-	-
School capital	-	-	-
Unassigned	<u>(3,123)</u>	<u>(31,904)</u>	<u>(35,027)</u>
Total fund balances	<u>393,069</u>	<u>-</u>	<u>393,069</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 507,956</u>	<u>\$ 31,904</u>	<u>\$ 539,860</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, 2016

	Total Non-major Special Revenue Funds	Total Non-major Capital Projects Fund	Total Non-major Governmental Funds
REVENUES			
Ad valorem taxes	\$ 1,864,589	\$ -	\$ 1,864,589
Restricted intergovernmental	233,538	19,520	253,058
Investment earnings	416	-	416
Total revenues	<u>2,098,543</u>	<u>19,520</u>	<u>2,118,063</u>
EXPENDITURES			
Current:			
General government	308,131	-	308,131
Public safety	1,782,419	-	1,782,419
Economic and physical development	-	19,520	19,520
Total expenditures	<u>2,090,550</u>	<u>19,520</u>	<u>2,110,070</u>
Excess (deficiency) of revenues over expenditures	<u>7,993</u>	<u>-</u>	<u>7,993</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	(17,190)	(17,190)
Total other financing sources (uses)	<u>-</u>	<u>(17,190)</u>	<u>(17,190)</u>
Net change in fund balances	7,993	(17,190)	(9,197)
Fund balance, beginning as previously reported	382,931	17,190	400,121
Prior period adjustment	2,145	-	2,145
Fund balances, beginning as restated	<u>385,076</u>	<u>17,190</u>	<u>402,266</u>
Fund balances, ending	<u>\$ 393,069</u>	<u>\$ -</u>	<u>\$ 393,069</u>

Cherokee County, North Carolina
Combining Balance Sheet
Non-major Governmental Funds - Special Revenue Funds
June 30, 2016

	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	\$ 393,061	\$ 21,292	\$ 1,892	\$ -	\$ 416,245
Restricted cash	-	-	-	108	108
Taxes receivable (net)	-	85,806	5,797	-	91,603
Total assets	<u>\$ 393,061</u>	<u>\$ 107,098</u>	<u>\$ 7,689</u>	<u>\$ 108</u>	<u>\$ 507,956</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 100	\$ 24,415	\$ 1,892	\$ -	\$ 26,407
Due to other funds	-	-	-	-	-
Total liabilities	<u>100</u>	<u>24,415</u>	<u>1,892</u>	<u>-</u>	<u>26,407</u>
DEFERRED INFLOWS OF RESOURCES					
Taxes receivable	-	82,683	5,797	-	88,480
Unearned revenues	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>82,683</u>	<u>5,797</u>	<u>-</u>	<u>88,480</u>
Fund balances:					
Restricted:					
Stabilization by State Statute	-	3,123	-	-	3,123
Public safety	392,961	-	-	-	392,961
Transportation	-	-	-	-	-
Economic and physical development	-	-	-	108	108
Human services	-	-	-	-	-
Fire protection	-	-	-	-	-
School	-	-	-	-	-
Unassigned	-	(3,123)	-	-	(3,123)
Total fund balances	<u>392,961</u>	<u>-</u>	<u>-</u>	<u>108</u>	<u>393,069</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 393,061</u>	<u>\$ 107,098</u>	<u>\$ 7,689</u>	<u>\$ 108</u>	<u>\$ 507,956</u>

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds - Special Revenue Funds
For the Fiscal Year Ended June 30, 2016

	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	\$ -	\$ 1,556,458	\$ 308,131	\$ -	\$ 1,864,589
Restricted intergovernmental	233,538	-	-	-	233,538
Investment earnings	416	-	-	-	416
Total revenues	<u>233,954</u>	<u>1,556,458</u>	<u>308,131</u>	<u>-</u>	<u>2,098,543</u>
EXPENDITURES					
Current:					
General government	-	-	308,131	-	308,131
Public safety	225,961	1,556,458	-	-	1,782,419
Total expenditures	<u>225,961</u>	<u>1,556,458</u>	<u>308,131</u>	<u>-</u>	<u>2,090,550</u>
Excess (deficiency) of revenues over expenditures	<u>7,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,993</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>7,993</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,993</u>
Fund balance, beginning as previously reported	382,823	-	-	108	382,931
Prior period adjustment	2,145	-	-	-	2,145
Fund balances, beginning as restated	<u>384,968</u>	<u>-</u>	<u>-</u>	<u>108</u>	<u>385,076</u>
Fund balances, ending	<u>\$ 392,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108</u>	<u>\$ 393,069</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, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental	\$ 233,538	\$ 233,538	\$ -
Investment earnings	325	416	91
Total revenues	<u>233,863</u>	<u>233,954</u>	<u>91</u>
EXPENDITURES			
Public safety			
Operating expenditures		225,961	
Total expenditures	<u>391,763</u>	<u>225,961</u>	<u>165,802</u>
Revenues over (under) expenditures	<u>(157,900)</u>	<u>7,993</u>	<u>165,893</u>
OTHER FINANCING SOURCES (USES)			
Transfer from other funds		-	
Transfer to other funds		-	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Appropriated fund balance	<u>157,900</u>	<u>-</u>	<u>(157,900)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>7,993</u>	<u>\$ 7,993</u>
Fund balance, beginning as previously reported		382,823	
Prior period adjustment		2,145	
Fund balance, beginning as restated		<u>384,968</u>	
Fund balance, ending		<u>\$ 392,961</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, 2016

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Ad valorem taxes	\$ 1,557,000	\$ 1,556,458	\$ (542)
Total revenues	<u>1,557,000</u>	<u>1,556,458</u>	<u>(542)</u>
EXPENDITURES			
Public safety:			
Collection Fees		5,817	
Bellview Fire District		93,422	
Brasstown Fire District		14,917	
Culberson Fire District		90,158	
Grape Creek Fire District		29,794	
Hanging Dog Fire District		50,789	
Hiwassee Fire District		186,587	
Wolf Creek Fire District		66,154	
Martins Creek Fire District		80,008	
Peachtree Fire District		172,666	
Murphy Rural Fire District		297,151	
Ranger Fire District		127,316	
Tipton Fire District		2,806	
Unaka Fire District		34,017	
Valleytown Fire District		290,812	
Violet Fire District		14,044	
Total expenditures	<u>1,557,000</u>	<u>1,556,458</u>	<u>542</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfer from other funds		-	
Transfer to other funds		-	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
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, 2016

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Ad valorem taxes	\$ 312,500	\$ 308,131	\$ (4,369)
Total revenues	<u>312,500</u>	<u>308,131</u>	<u>(4,369)</u>
EXPENDITURES			
General government:			
Bear Paw Service District	312,500	308,131	4,369
Total expenditures	<u>312,500</u>	<u>308,131</u>	<u>4,369</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
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		-	
Fund balance, ending		<u>\$ -</u>	

Cherokee County, North Carolina
Combining Balance Sheet
Non-major Governmental Funds - Capital Project Funds
June 30, 2016

	Snap-On Tools Water Infrastructure Improvements and Fiber Optic Expansion Project	Health Department Renovation and Expansion Capital Project	Total Non-major Capital Projects Fund
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Restricted cash	-	-	-
Taxes receivable (net)	-	-	-
Accounts receivable	31,904	-	31,904
Total assets	<u>\$ 31,904</u>	<u>\$ -</u>	<u>\$ 31,904</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 19,520	\$ -	\$ 19,520
Due to other funds	12,384	-	12,384
Total liabilities	<u>31,904</u>	<u>-</u>	<u>31,904</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes receivable	-	-	-
Unearned revenues	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted:			
Stabilization by state statute	31,904	-	31,904
Public Safety	-	-	-
Transportation	-	-	-
Economic and physical development	-	-	-
Human services	-	-	-
Fire protection	-	-	-
School capital	-	-	-
Unassigned	<u>(31,904)</u>	<u>-</u>	<u>(31,904)</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 31,904</u>	<u>\$ -</u>	<u>\$ 31,904</u>

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Governmental Funds - Capital Project Funds
June 30, 2016

	Snap-On Tools Water Infrastructure Improvements and Fiber Optic Expansion Project	Health Department Renovation and Expansion Capital Project	Total Non-major Capital Projects Fund
REVENUES			
Restricted intergovernmental	\$ 19,520	\$ -	\$ 19,520
Total revenues	<u>19,520</u>	<u>-</u>	<u>19,520</u>
EXPENDITURES			
Current:			
Economic and physical development	19,520	-	19,520
Total expenditures	<u>19,520</u>	<u>-</u>	<u>19,520</u>
Revenues over (under) expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfer from General Fund	-	-	-
Transfer to General Fund	-	(17,190)	(17,190)
Total other financing sources (uses)	<u>-</u>	<u>(17,190)</u>	<u>(17,190)</u>
Net change in fund balances	-	(17,190)	(17,190)
Fund balances, beginning	-	17,190	17,190
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2016

	Actual				
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Favorable (Unfavorable)
REVENUES					
Restricted intergovernmental:					
NC Rural Center Grant	\$ 209,820	\$ -	\$ -	\$ -	\$ (209,820)
Appalachian Regional Commission	220,864	12,384	19,520	31,904	(188,960)
Total revenues	430,684	12,384	19,520	31,904	(398,780)
EXPENDITURES					
Economic and physical development:					
Capital outlay:					
Construction		18,428	-	18,428	
Administrative & legal		-	-	-	
Architectural & engineering		5,000	14,520	19,520	
Miscellaneous		-	-	-	
Contingencies		-	5,000	5,000	
Total expenditures	441,728	23,428	19,520	42,948	398,780
Revenues over (under) expenditures	(11,044)	(11,044)	-	(11,044)	-
OTHER FINANCING SOURCES (USES)					
Transfer from other funds					
General Fund	11,044	11,044	-	11,044	-
Transfer to other funds					
General Fund	-	-	-	-	-
Total other financing sources (uses)	11,044	11,044	-	11,044	-
Appropriated fund balance					
	-	-	-	-	-
Revenues and other sources over (under) expenditures	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning			-		
Fund balance, ending			\$ -		

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, 2016**

	Actual			Total to Date	Variance Favorable (Unfavorable)
	Project Authorization	Prior Years	Current Year		
REVENUES					
Restricted intergovernmental					
Grants	\$ 704,842	\$ 699,131	\$ -	\$ 699,131	\$ (5,711)
Total revenues	704,842	699,131	-	699,131	(5,711)
EXPENDITURES					
Human services					
Operating expenditures		97,566	-	97,566	
Capital outlay		648,929	-	648,929	
Total expenditures	752,842	746,495	-	746,495	6,347
Revenues over (under) expenditures	(48,000)	(47,364)	-	(47,364)	636
OTHER FINANCING SOURCES (USES)					
Transfer from other funds					
General Fund	65,200	64,554	-	64,554	(646)
Transfer to other funds					
General Fund	(17,200)	-	(17,190)	(17,190)	10
Total other financing sources (uses)	48,000	64,554	(17,190)	47,364	(636)
Appropriated fund balance	-	-	-	-	-
Revenues and other sources over (under) expenditures	\$ -	\$ 17,190	(17,190)	\$ -	\$ -
Fund balance, beginning			17,190		
Fund balance, ending			\$ -		

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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Charges for services:			
Membership & fees		\$ 291,914	
Total operating revenues	<u>\$ 319,300</u>	<u>291,914</u>	<u>\$ (27,386)</u>
Nonoperating revenues:			
Contributions		44,114	
Total nonoperating revenues	<u>31,000</u>	<u>44,125</u>	<u>13,125</u>
Total revenues	<u>350,300</u>	<u>336,039</u>	<u>(14,261)</u>
EXPENDITURES			
Operations:			
Salaries & employee benefits		217,076	
Supplies		16,637	
Travel		1,002	
Utilities		65,132	
Maintenance		6,970	
Other		34,761	
Advertising		46	
Total operating expenses	<u>350,300</u>	<u>341,624</u>	<u>8,676</u>
Total expenditures:	<u>350,300</u>	<u>341,624</u>	<u>8,676</u>
Revenues over (under) expenditures	<u>-</u>	<u>(5,585)</u>	<u>(5,585)</u>
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund	-	-	-
Total revenues and other financing sources	<u>\$ -</u>	<u>\$ (5,585)</u>	<u>\$ (5,585)</u>
Reconciliation from Budgetary Basis (modified accrual) to Full accrual:			
Revenues and other financing sources over (under) expenditures		\$ (5,585)	
Reconciling items:			
Increase (decrease) in net pension asset		(7,585)	
Increase (decrease) in deferred outflows of resources - pensions		354	
Decrease (increase) in net pension liability		(5,783)	
Decrease (increase) in accrued vacation pay		(696)	
Decrease (increase) in deferred inflows of resources - pensions		15,675	
Depreciation		<u>(100,269)</u>	
Total reconciling items		<u>(98,304)</u>	
Change in net position		<u>\$ (103,889)</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.
- **Municipal Tax Fund** - which accounts for funds that are billed and collected by the County for various municipalities and special districts within the County but that are not revenues to the County.

Cherokee County, North Carolina
Combining Statement of Fiduciary Assets and Liabilities
For the Fiscal Year Ended June 30, 2016

	<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	\$ 92,449	\$ 189,582	\$ 177,612	\$ 104,419
Liabilities:				
Miscellaneous liabilities	\$ 92,449	\$ 189,582	\$ 177,612	\$ 104,419
<u>Social Services Fund</u>				
Assets:				
Cash and cash equivalents	\$ 37,055	\$ 376,343	\$ 377,551	\$ 35,847
Liabilities:				
Miscellaneous liabilities	\$ 37,055	\$ 376,343	\$ 377,551	\$ 35,847
<u>Deed of Trust Fund</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 5,493	\$ 5,493	\$ -
Liabilities:				
Intergovernmental payable State of NC	\$ -	\$ 5,493	\$ 5,493	\$ -
<u>Fines and Forfeitures Fund</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 132,981	\$ 132,981	\$ -
Liabilities:				
Intergovernmental payable - Cherokee County Board of Education	\$ -	\$ 132,981	\$ 132,981	\$ -
<u>Municipal Tax Fund</u>				
Assets:				
Cash and cash equivalents	\$ 10,486	\$ 102,755	\$ 103,299	\$ 9,942
Liabilities:				
Intergovernmental payable	\$ 10,486	\$ 102,755	\$ 103,299	\$ 9,942
Total	\$ 10,486	\$ 102,755	\$ 103,299	\$ 9,942
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 139,990	\$ 807,154	\$ 796,936	\$ 150,208
Liabilities:				
Miscellaneous liabilities	\$ 129,504	\$ 565,925	\$ 555,163	\$ 140,266
Intergovernmental payable	10,486	241,229	241,773	9,942
Total liabilities	\$ 139,990	\$ 807,154	\$ 796,936	\$ 150,208

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, 2016

Fiscal Year	Uncollected Beginning Balance	Additions	Collections And Credits	Uncollected Ending Balance
2015-2016	\$ -	\$ 16,623,048	\$ 16,181,252	\$ 441,796
2014-2015	453,488	-	311,815	141,673
2013-2014	177,888	-	93,516	84,372
2012-2013	100,961	-	39,263	61,698
2011-2012	69,067	-	25,989	43,078
2010-2011	51,364	-	16,960	34,404
2009-2010	42,558	-	11,698	30,860
2008-2009	38,833	-	8,351	30,482
2007-2008	39,353	-	5,277	34,076
2006-2007	34,018	-	4,964	29,054
2005-2006	30,220	-	30,220	-
	<u>\$ 1,037,750</u>	<u>\$ 16,623,048</u>	<u>\$ 16,729,305</u>	931,493

Less: allowance for uncollectible accounts:

General fund

(520,563)

Ad valorem taxes receivable - net:

General fund

\$ 410,930

Reconciliation with revenues:

Ad valorem taxes - General fund

\$ 16,483,014

Reconciling items:

Interest collected

(208,882)

Release and adjustments

27,804

Taxes written off

30,220

Total reconciling items

(150,858)

Total collections and credits

\$ 16,332,156

Cherokee County, North Carolina
Analysis of Current Tax Levy
County - Wide Levy
For the Fiscal Year Ended June 30, 2016

	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	\$ 3,054,627,006	0.52	\$ 15,884,060	\$ 14,712,818	\$ 1,171,242
Penalties	-		9,931	9,931	-
Total	<u>3,054,627,006</u>		<u>15,893,991</u>	<u>14,722,749</u>	<u>1,171,242</u>
Discoveries:					
Current year taxes	<u>76,374,862</u>	0.52	<u>397,149</u>	<u>397,149</u>	<u>-</u>
Total	<u>76,374,862</u>		<u>397,149</u>	<u>397,149</u>	<u>-</u>
Abatements					
Taxes	(12,454,112)	0.52	(64,761)	(64,761)	-
Penalties	-		(480)	(480)	-
Total property valuation	<u><u>\$ 3,118,547,756</u></u>		<u><u>(65,241)</u></u>	<u><u>(65,241)</u></u>	<u><u>-</u></u>
Net levy			16,623,048	15,451,806	1,171,242
Uncollected taxes at June 30, 2016			<u>441,796</u>	<u>441,796</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 16,181,252</u></u>	<u><u>\$ 15,010,010</u></u>	<u><u>\$ 1,171,242</u></u>
Current levy collection percentage			<u><u>97.34%</u></u>	<u><u>97.14%</u></u>	<u><u>100.00%</u></u>

Cherokee County, North Carolina
Emergency Telephone System Unspent Balance
PSAP Reconciliation
For the Fiscal Year Ended June 30, 2016

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	\$ 7,993
Beginning Balance, PSAP Revenue-Expenditure Report	<u>384,968</u>
Ending Balance, PSAP Revenue-Expenditure Report	<u><u>\$ 392,961</u></u>

Cherokee County, North Carolina
Schedule of Transfers
For the Fiscal Year Ended June 30, 2016

Operating Transfers From/To Other Funds	Transfers	
	From	To
Health Department Renovation and Expansion Capital Project General Fund	17,190	17,190
General Fund Debt Service Fund	383,561	383,561
General Fund Revaluation Fund	75,000	75,000
	475,751	475,751

COMPLIANCE SECTION

Turner & Company CPAs P.A.

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

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

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, 2016, and the related notes to the financial statements, which collectively comprises Cherokee County's basic financial statements, and have issued our report thereon dated February 10, 2017. The financial statements of the Tourism Development Authority was not audited in accordance with Governmental Auditing Standards.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Turner & Company CPAs P.A.

TURNER & COMPANY CPAs P.A.
Murphy, North Carolina
February 10, 2017

Turner & Company CPAs 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 Uniform Guidance and the State Single Audit Implementation Act

Board of County Commissioners
Cherokee County
Murphy, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Cherokee County, North Carolina, compliance with the types of compliance requirements described in the *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, 2016. Cherokee County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Cherokee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Turner & Company CPAs P.A.

TURNER & COMPANY CPAs P.A.
Murphy, North Carolina
February 10, 2017

Turner & Company CPAs P.A.

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

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

Board of County Commissioners
Cherokee County
Murphy, North Carolina

Report on Compliance for Each Major State Program

We have audited Cherokee County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Cherokee County's major state programs for the year ended June 30, 2016. Cherokee County's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, Cherokee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Turner & Company CPAs P.A.

TURNER & COMPANY CPAs P.A.
Murphy, North Carolina
February 10, 2017

Cherokee County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material Weakness(es) identified _____ yes X no
- Significant Deficiency(s)? _____ yes X none reported

Noncompliance material to financial statements noted _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material Weakness identified _____ yes X no
- Significant Deficiency(s)? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major Federal Programs:

CFDA#	Name of Federal Program or Cluster
93.778	Medical Assistance Program (Title XIX Medicaid)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,115,478

Auditee qualified as low-risk auditee _____ yes X no

State Awards

Internal control over major State programs:

- Material Weakness identified _____ yes X no
- Significant Deficiency(s)? _____ yes X none reported

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

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

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

Program Name

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

Cherokee County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

Cherokee County, North Carolina
Corrective Action Plan
For the Fiscal Year Ended June 30, 2016

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

Cherokee County, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2016

Finding: 2015-001

Status: Corrected.

Finding: 2015-002

Status: Corrected.

Finding: 2015-003

Status: Corrected.

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	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	264,704	(33)	-	264,704
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	138,710	-	-	-
Direct Benefit Payments:						
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557	XXXX	564,138	-	-	-
Total U.S. Department of Agriculture			967,552	(33)	-	264,704
<u>U.S. Department of Transportation</u>						
<u>Federal Transit Administration</u>						
Passed-through N.C. Department of Transportation:						
Formula Grants for Rural Areas						
Administration	20.509	36233.22.17.1	133,639	8,352	-	25,061
Capital	20.509	36233.22.16.3	37,502	4,688	-	4,688
Capital	20.509	36233.22.17.3	25,476	3,184	-	3,185
Total Formula Grants for Rural Areas			196,617	16,224	-	32,934
Enhanced Mobility of Seniors & Individuals with Disabilities - Operating	20.513	51001.30.4.2	75,000	-	-	75,000
Total U.S. Department of Transportation			271,617	16,224	-	107,934
<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	37,658	-	-	38,542
Total U.S. Department of Homeland Security			37,658	-	-	38,542
<u>U.S. Department of Health & Human Services</u>						
<u>Administration on Aging:</u>						
Passed-through the N.C. Department of Health and Human Services:						
Division of Aging and Adult Services						
Passed-through Southwestern North Carolina Planning and Economic Development Commission Council of Governments:						
<u>Aging Cluster:</u>						
Special Programs for the Aging Title III - Part B Grants for Supportive Services and Senior Centers	93.044	XXXX	58,155	3,420	-	6,842
Special Programs for the Aging Title III - Part C Nutrition Services	93.045	XXXX	143,072	8,416	-	16,832
Total Aging Cluster			201,227	11,836	-	23,674
Social Service Block Grant (SSBG) - In Home Services	93.667	XXXX	79,587	2,273	-	9,096
Total Administration on Aging			280,814	14,109	-	32,770
<u>Administration for Children and Families</u>						
Passed-through the N.C. Department of Health and Human Services:						
Division of Social Services						
Promoting Safe and Stable Families	93.556	XXXX	23,221	-	-	-
<u>Temporary Assistance for Needy Families Cluster:</u>						
Work First / TANF - Administration	93.558	XXXX	272,244	-	-	45,583
Work First / TANF - Direct Benefit Payments	93.558	XXXX	67,737	-	-	-
Total TANF Cluster			339,981	-	-	45,583
Family Support Payments to States						
AFDC Unemployed - Direct Benefit Payments	93.560	XXXX	(105)	(29)	-	(29)
Child Support Enforcement Section	93.563	XXXX	202,297	-	-	104,213
Low Income Home Energy Assistance Block Grant:						
Administration	93.568	XXXX	225,523	-	-	-
Total Low Income Home Energy Assistance			225,523	-	-	-
Stephanie Tubbs Jones Child Welfare Services Program:						
- Adoption Subsidy - Direct Benefit Payments	93.645	XXXX	5,034	-	-	1,678
Total Stephanie Tubbs Jones Child Welfare Services Program			5,034	-	-	1,678
Social Service Block Grant (SSBG) - Other Service and Training	93.667	XXXX	129,838	8,635	-	39,852
Chafee Foster Care Independence Program						
Administration	93.674	XXXX	11,881	2,970	-	-
Direct Benefit Payments	93.674	XXXX	52,855	-	-	-
Total Chafee Foster Care Independence Program			64,736	2,970	-	-

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
<u>Foster Care and Adoption Cluster (Note 3):</u>						
Foster Care - Title IV-E	93.658	XXXX	170,086	6,105	-	109,405
Adoption Assistance	93.659	XXXX	1,884	-	-	1,859
Foster Care - Title IV-E - Direct Benefit Payments	93.658	XXXX	266,878	68,732	-	68,853
Adoption Assistance - Direct Benefit Payments	93.659	XXXX	293,372	75,089	-	75,089
Total Foster Care and Adoption Cluster			732,220	149,926		255,206
Total Division of Social Services			1,722,745	161,502	-	446,503
Passed-through N.C. Department of Health and Human Services:						
Division of Public Health:						
Temporary Assistance for Needy Families	93.558	XXXX	1,500	-	-	-
Total Division of Public Health			1,500	-	-	-
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	77,154	-	-	-
Division of Child Development:						
Child Care and Development Fund - Discretionary	93.575	XXXX	362,102	-	-	-
Child Care and Development Fund - Mandatory	93.596	XXXX	130,497	-	-	-
Child Care and Development Fund - Match	93.596	XXXX	100,823	34,733	-	-
Total Child Care Development Fund Cluster			670,576	34,733	-	-
Temporary Assistance for Needy Families	93.558	XXXX	106,842	-	-	-
Foster Care - Title IV-E	93.658	XXXX	6,939	3,549	-	-
State Appropriations		XXXX	-	376,809	-	-
TANF-MOE		XXXX	-	116,747	-	-
Total Subsidized Child Care (Note 3)			784,357	531,838	-	-
Total Administration for Children and Families			2,508,602	693,340	-	446,503
<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	31,707,331	17,327,986	-	-
Division of Social Services:						
Administration:						
Medical Assistance Program	93.778	XXXX	794,288	1,635	-	296,726
Total Medical Assistance Program			32,501,619	17,329,621	-	296,726
Division of Medical Assistance:						
Direct Benefit Payments:						
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	456,339	22,626	-	-
Division of Social Services:						
Administration:						
State Children's Insurance Program - N.C. Health Choice	93.767	XXXX	28,119	1,176	-	162
Total State Children's Insurance Program - N.C. Health Choice			484,458	23,802	-	162
Centers for Medicare and Medicaid Services (CMS) Research						
Demonstrations and Evaluations	93.779	XXXX	2,592	-	-	-
Total Centers for Medicare and Medicaid Services			32,988,669	17,353,423	-	296,888
<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)	93.074	XXXX	31,025	-	-	-
Project Grants and Cooperative Agreements for						
Tuberculosis Control Program	93.116	XXXX	22	-	-	-
Immunization Grants	93.268	XXXX	7,055	-	-	-
Prevention and Public Health Funds (PPHF)	93.758	XXXX	27,333	-	-	-
Cooperative Agreements for State-Based Comprehensive						
Breast and Cervical Cancer Early Detection Programs	93.919	XXXX	10,365	-	-	-
HIV Prevention Activities-Health Department Based	93.940	XXXX	2,000	-	-	-
Total Centers for Disease Control and Prevention			77,800	-	-	-
<u>Health Resources and Services Administration</u>						
Passed-through N.C. Department of Health and Human Services:						
Division of Public Health:						
Maternal & Child Health Services Block Grant	93.994	XXXX	27,057	19,395	-	-
Total Health Resources and Services Administration			27,057	19,395	-	-
<u>Office of the Population Affairs</u>						
Passed-through N.C. Department of Health and Human Services:						
Division of Public Health:						
Family Planning Services	93.217	XXXX	22,847	-	-	-
Total Office of the Population Affairs			22,847	-	-	-
Total U.S. Department of Health and Human Services						
			35,905,789	18,080,267	-	776,161
Total federal awards						
			37,182,616	18,096,458	-	1,187,341

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Fiscal Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
State Awards:						
<u>N.C. Department of Environmental Quality</u>						
Division of Waste Management						
Scrap Tire Program		XXXX	-	16,745	-	-
Total N.C. Department of Environmental Quality			-	16,745	-	-
<u>N.C. Department of Health and Human Services</u>						
Division of Aging and Adult Services						
Senior Center - General Purpose		XXXX	-	3,800	-	1,267
Total Division of Aging and Adult Services			-	3,800	-	1,267
Division of Social Services:						
Administration:						
AFDC Incentive		XXXX	-	10	-	-
State Child Welfare/CPS/CS LD		XXXX	-	49,312	-	-
Public Assistance:						
Domiciliary Care		XXXX	-	228,016	-	228,016
State Foster Home		XXXX	-	68,159	-	68,159
Foster Care HF Maximization		XXXX	-	71,003	-	71,003
Foster Care at Risk Maximization		XXXX	-	1,553	-	791
CWS Adoption Subsidy		XXXX	-	227,735	-	73,376
Total Division of Social Services			-	645,788	-	441,345
Division of Public Health:						
Food and Lodging Fees		XXXX	-	7,103	-	-
General Aid to Counties		XXXX	-	89,782	-	-
Public Health Nursing		XXXX	-	400	-	-
General Communicable Disease Control		XXXX	-	11,066	-	-
Breast and Cervical Cancer Control Program		XXXX	-	10,200	-	-
Child Health		XXXX	-	1,638	-	-
HMHC-Family Planning		XXXX	-	7,548	-	-
Maternal Health (HMHC)		XXXX	-	2,094	-	-
Women's Health Service Fund		XXXX	-	5,400	-	-
School Health Centers		XXXX	-	49,348	-	-
School Nurse Funding Initiative		XXXX	-	91,829	-	-
Tuberculosis		XXXX	-	801	-	-
Tuberculosis Medical Service		XXXX	-	334	-	-
Total Division of Public Health			-	277,543	-	-
Total N.C. Department of Health and Human Services			-	927,131	-	442,612
<u>N.C. Department of Public Instruction</u>						
Public School Building Capital Fund - Lottery Proceeds		XXXX	-	372,442	-	-
Total N. C. Department of Public Instruction			-	372,442	-	-
<u>N.C. Department of Public Safety</u>						
Governor's Crime Commission						
HERO and Internet Crimes Against Children (ICAC)		XXXX	-	31,073	-	-
Division of Juvenile Justice & Delinquency Prevention						
30th District Multi-County Budget		XXXX	-	84,458	-	16,345
Total N.C. Department of Public Safety			-	115,531	-	16,345
<u>N.C. Department of Transportation</u>						
Rural Operating Assistance Program (ROAP) Cluster						
ROAP Elderly and Disabled Transportation Assistance Program						
Work project #36220.10.6.1 ROAP EDTAP		XXXX	-	53,793	-	-
ROAP Rural General Public Program						
Work project #36228.22.6.1 ROAP RGP		XXXX	-	55,195	-	-
ROAP Work First Transitional - Employment						
Work project #36236.11.5.1 ROAP WORK FIRST		XXXX	-	8,924	-	-
Total ROAP Cluster			-	117,912	-	-
Total State awards			-	1,549,761	-	458,957
Total federal and State awards			37,182,616	19,646,219	-	1,646,298

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

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Cherokee County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Cherokee County, it is not intended to and does not present the financial position, changes in net position or cash flows of Cherokee County.

2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Cherokee County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Cluster of Programs

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