

**CHEROKEE COUNTY,  
MURPHY, NORTH CAROLINA  
Murphy, North Carolina**

**Basic Financial Statements**

**June 30, 2006**

**(with Independent Auditors' Report thereon)**



**Cherokee County, North Carolina  
Annual Financial Report  
For the Fiscal Year Ended June 30, 2006**

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# Introductory Section

**CHEROKEE COUNTY**  
Elected Officials

**COMMISSIONERS**

Dana Jones - Chairman  
Barbara Vicknair - Vice-Chairman  
Ernest Jones – Member

**SHERIFF**

R. Keith Lovin

**REGISTER OF DEEDS**

Daphne Dockery

**CLERK OF COURT**

Gerald Breedlove

**Appointed Officials**

Ernest Jones - County Manager  
Bill Block - Finance Officer  
Lynn Shore Tax Administrator  
Hugh Carringer - Tax Collector  
Lisa Davis – Director of Social Services  
Elaine Russell – Health Director  
R. Scott Lindsay - Attorney

# FINANCIAL SECTION

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# Turner, Ennis, Hatchett & Roberts

CERTIFIED PUBLIC ACCOUNTANTS, P. A.

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To the Board of County Commissioners  
Cherokee County, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina, as of and for the year then ended June 30, 2006, which collectively comprise Cherokee County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cherokee County, North Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina as of June 30, 2006, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2006, on our consideration of Cherokee County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Cherokee County, North Carolina. The combining and individual nonmajor fund financial statements and schedules and the statistical tables, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, are

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

*Turner, Ennis, Hatchett & Roberts*

Turner, Ennis, Hatchett & Roberts

Certified Public Accountants, P.A.

November 20, 2006

## Management's Discussion and Analysis

As management of Cherokee County, we offer readers of Cherokee County's financial statements this narrative overview and analysis of the financial activities of Cherokee County for the fiscal year ended June 30, 2006. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### Financial Highlights

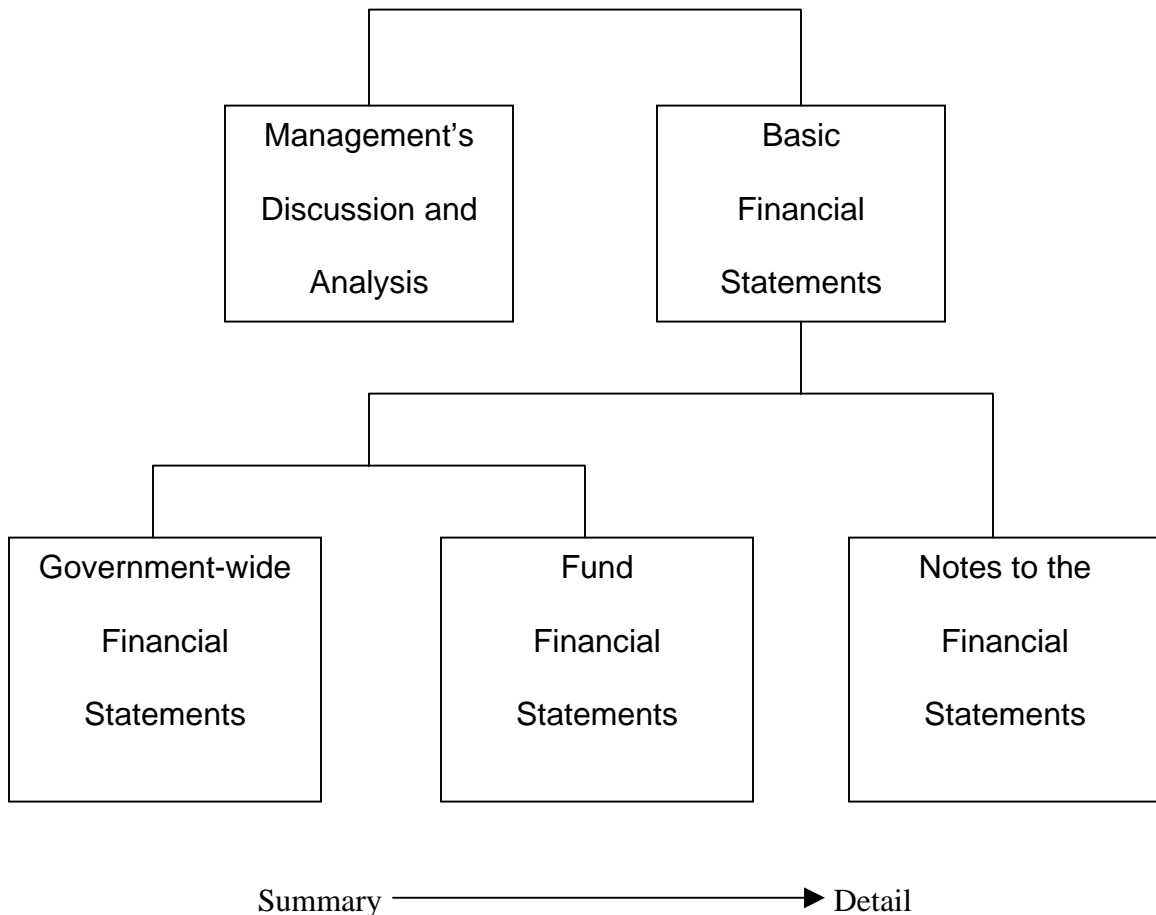
- The assets of Cherokee County exceeded its liabilities at the close of the fiscal year by \$7,863,765 (net assets).
- The government's total assets increased by \$12,409,353.
- Total assets of the County were \$38,369,829.
- As of the close of the current fiscal year, Cherokee County's governmental funds reported combined ending fund balances of \$17,289,633 an increase of \$7,639,394 in comparison with the prior year.
- Approximately 31 percent of the fund balance, or \$5,336,833, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,362,219, a decrease of \$193,655 from the prior year. The unreserved fund balance is about 15 % of the total general fund expenditures for the fiscal year.
- Cherokee County issued \$8,251,319 of new debt during the year. One financing was for \$7 million for the new detention center. One financing was for \$547,402, which for water Improvements for Andrews and Murphy. The remaining \$703,917 was for the purchase of assets for the county.
- Cherokee County opened and staffed the third Emergency Medical Station in the Hiwassee Dam area of the County.

### Overview of the Financial Statements

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

The next statements (Exhibits 3 through 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, 3) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds, all of which are added together in one column on the basic

financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

### **Government-wide Financial Statements**

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

## Government-Wide Financial Analysis

### Cherokee County's Net Assets

**Figure 2**

	Activities	
	2006	2005
Current and other assets	\$ 20,996,966	\$ 12,636,437
Capital assets	17,372,863	13,324,039
Total assets	\$ 38,369,829	\$ 25,960,476
Long-term liabilities outstanding	\$ 25,275,663	\$ 19,013,244
Other liabilities	5,230,401	4,707,578
Total liabilities	30,506,064	23,720,822
Net assets:		
Invested in capital assets, net of related debt	10,792,607	7,713,915
Restricted	7,843,412	364,185
Unrestricted	(10,772,254)	(5,838,446)
Total net assets	\$ 7,863,765	\$ 2,239,654

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Cherokee County exceeded liabilities by \$7,863,765 as of June 30, 2006. The County's net assets increased by \$5,624,111 for the fiscal year ended June 30, 2006.

One of the largest portions of net assets \$10,792,607 reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Cherokee County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Cherokee County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

There is a negative unrestricted balance \$10,772,254. This is a result of the County debt for school Construction and water and sewer improvements. The assets, which were acquired, are carried on the books of other governmental units.

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

- Continued diligence in the collection of property taxes resulted in an increase in the collection ratio to the highest rate in years.

### Cherokee County Changes in Net Assets

Figure 3

	Governmental Activities 2006	Governmental Activities 2005
Revenues:		
Program revenues:		
Charges for services	\$ 4,165,352	\$ 3,779,429
Operating grants and contributions	3,681,380	3,815,613
Capital grants and contributions	3,334,353	6,825,693
General revenues:		
Property taxes	13,297,198	12,575,575
Other taxes	7,803,049	6,996,613
Grants and contributions not restricted to specific programs	840,000	781,965
Other	483,056	334,684
Total revenues	33,604,388	35,109,572
Expenses:		
General government	3,798,446	2,969,339
Public safety	8,088,889	6,706,403
Transportation	553,497	43,034
Economic and physical development	1,373,262	5,573,512
Human services	7,703,413	7,823,065
Cultural and recreation	364,914	438,684
Education	4,030,553	6,161,492
Interest on long-term debt	428,963	484,082
Environmental protection	1,638,340	1,496,295
Total expenses	27,980,277	31,695,906
Increase (Decrease) in net assets	5,624,111	3,413,666
Net assets, July 1	2,239,654	(1,174,012)
Net assets, June 30	\$ 7,863,765	\$ 2,239,654



**Governmental activities.** Governmental activities increased the County's net assets by \$5,624,111. Key elements of this change are as follows:

- A Reduction in education expenses \$2,130,939 (primarily capital outlay)
- Increase in the County's tax collection rate and higher sales tax collections \$1,414,801

### **Financial Analysis of the County's Funds**

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

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

The general fund is the chief operating fund of Cherokee County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$4,362,219 while total fund balance was \$7,550,988. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 15 percent of total General Fund expenditures, while total fund balance represents 26 percent of that same amount.

At June 30, 2006, the governmental funds of Cherokee County reported a combined fund balance of \$17,289,633 a 79 percent increase from last year. The primary reason for this increase is the Proceeds from the financings of \$8,251,319.

**General Fund Budgetary Highlights:** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$2,079,335 an eight percent change.

### **Capital Asset and Debt Administration**

**Capital assets.** Cherokee County's capital assets for its governmental type activities as of June 30, 2006, totals \$17,372,864 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles. Major capital asset transactions during the year include construction in progress at the airport, the detention center and the wellness center. Others additions are vehicles for and the purchase of a building for the use by the schools.

## Cherokee County's Capital Assets

**Figure 4**

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

	Governmental Activities	
	2006	2005
Land	\$ 4,717,309	\$ 4,226,135
Buildings	2,501,305	1,800,578
Improvements	4,691,999	4,725,928
Equipment	391,885	495,114
Computers & Other Electronic Equipmnet	1,076,710	461,217
Vehicles and motorized equipment	1,012,435	893,662
Construction in progress	2,981,221	721,405
<b>Total</b>	<b>\$ 17,372,864</b>	<b>\$ 13,324,039</b>

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

### Long-term Debt.

### Cherokee County's Outstanding Debt

**Figure 5**

	Governmental Activities	
	2005	2005
Special obligation bonds	-	-
Installment Purchases	\$ 25,161,113	\$ 19,063,697
Capital leases	79,015	129,188
Other:		
Landfill closure obligations	2,285,563	2,119,384
Vacation payable	415,033	396,884
Pension benefit	62,651	49,909
	<b>\$ 28,003,375</b>	<b>\$ 21,759,062</b>

Cherokee County issued new debt during the year. One loan was for \$7,000,000, which was for the new detention facility. Another was \$547,402 for water improvements and the remainder of \$703,917 was for asset purchases.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt ceiling for Cherokee County is about \$184,900,000.

Additional information regarding Cherokee County's long-term debt can be found in note 7. Beginning on page 43 of this audited financial report.

### **Budget Highlights for the Fiscal Year Ending June 30, 2007**

**Governmental Activities:** The County's property valuation will continue to increase as new building and development continue at a good rate. The County is setting new records for both septic and building permits. Sales tax collections are expected to increase with the improved economy. The County will use the increases in revenues to finance programs currently in place.

The County has started construction on the new detention facility, a wellness center and runway work at the airport.

Budgeted expenditures in the General Fund are expected to rise approximately 4% to \$30,507,000. The largest increments are in employee compensation, including funding compensation and benefits adjustments.

### **Requests for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Cherokee County, 75 Peachtree St. Murphy NC 28906.

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# Basic Financial Statements

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**Cherokee County, North Carolina**  
**Statement of Net Assets**  
**June 30, 2006**

		<u>Primary Government</u>
		<u>Governmental Activities</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$	8,342,562
Investments		808,498
Receivables (net)		1,438,021
Due from other governments		3,249,399
Prepaid items		
Restricted cash and cash equivalents		7,126,582
Deferred charge - issuance costs		31,904
Capital assets:		
Land, improvements, and construction in progress		7,698,530
Other capital assets, net of depreciation		9,674,333
Total capital assets		<u>17,372,863</u>
Total assets		<u>38,369,829</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses		1,663,137
Unearned revenue		732,361
Accrued interest payable		89,085
Long-term liabilities:		
Due within one year		2,745,818
Due in more than one year		25,275,663
Total liabilities		<u>30,506,064</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt		10,792,607
Restricted for:		
Capital Projects		7,074,081
Debt Service		769,331
Unrestricted (deficit)		<u>(10,772,254)</u>
Total net assets	\$	<u>7,863,765</u>

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

Carolina County, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
<b>Primary government:</b>					
Governmental Activities:					
General government	\$ 3,798,446	\$ 518,421	\$ 1,322	\$ 252,217	\$ (3,026,486)
Public safety	8,088,889	1,470,003	551,837	21,962	(6,045,087)
Transportation	553,497	128,407	-	1,466,876	1,041,786
Economic and physical development	1,373,262	-	28,620	887,333	(457,309)
Environmental Protection	1,638,340	1,020,438	50,643	-	(567,259)
Human services	7,703,413	1,028,083	2,972,498	-	(3,702,832)
Cultural and recreation	364,914	-	-	426,933	62,019
Education	4,030,553	-	76,460	279,032	(3,675,061)
Interest on long-term debt	428,963	-	-	-	(428,963)
Total governmental activities	<u>27,980,277</u>	<u>4,165,352</u>	<u>3,681,380</u>	<u>3,334,353</u>	<u>(16,799,192)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purpose					13,297,198
Local option sales tax					6,878,455
Other taxes and licenses					924,594
Grants and contributions not restricted to specific programs					840,000
Investment earnings, unrestricted					464,428
Miscellaneous, unrestricted					18,628
Total general revenues					<u>22,423,303</u>
Change in net assets					5,624,111
Net assets-beginning					2,239,654
Net assets-ending					<u>\$ 7,863,765</u>

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



Cherokee County, North Carolina  
 Balance Sheet  
 Governmental Funds  
 June 30, 2006

Major Funds

	General	Waterline Extension	Detention Center	School Improvement	Total Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 6,384,563	\$ -	\$ -	\$ -	\$ 1,957,999	\$ 8,342,562
Restricted Cash	-	-	7,126,582	-	-	7,126,582
Investments	39,167	-	-	-	769,331	808,498
Receivables, net:	-	-	-	-	-	-
Taxes	787,022	-	-	-	114,094	901,116
Accounts	266,377	-	-	-	62,110	328,487
Due from other governments	2,842,921	275,960	-	-	130,518	3,249,399
Due from other Funds	157,358	-	-	-	-	157,358
Total assets	<u>\$ 10,477,408</u>	<u>\$ 275,960</u>	<u>\$ 7,126,582</u>	<u>\$ -</u>	<u>\$ 3,034,052</u>	<u>\$ 20,914,002</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,509,636	\$ 132,186	\$ -	\$ -	\$ 21,315	\$ 1,663,137
Due to other funds	-	143,774	-	-	13,584	157,358
Deferred revenue Taxes	1,383,429	-	-	-	114,094	1,497,523
Unearned revenue	33,355	-	-	-	272,996	306,351
Total liabilities	<u>2,926,420</u>	<u>275,960</u>	<u>-</u>	<u>-</u>	<u>421,989</u>	<u>3,624,369</u>
Fund balances:						
Reserved for:						
School Capital Outlay	385,047	-	-	-	-	385,047
Encumbrances	92,510	-	-	-	20,055	112,565
State statute	2,711,212	-	-	-	47,026	2,758,238
Unreserved:						
Designated for subsequent Years' expenditures	-	-	7,126,582	-	1,570,368	8,696,950
Designated for Health Department	138,742	-	-	-	-	138,742
Designated for School Capital Outlay	653,327	-	-	-	-	653,327
Undesignated	3,570,150	-	-	-	974,614	4,544,764
Total fund balances	<u>7,550,988</u>	<u>-</u>	<u>7,126,582</u>	<u>-</u>	<u>2,612,063</u>	<u>17,289,633</u>
Total liabilities and fund balances	<u>\$ 10,477,408</u>	<u>\$ 275,960</u>	<u>\$ 7,126,582</u>	<u>\$ -</u>	<u>\$ 3,034,052</u>	<u>\$ 20,914,002</u>

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

**Exhibit 3.1**

**Cherokee County, North Carolina  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets  
June 30, 2006**

Total Fund Balances for Governmental Funds (Exhibit 3)	<u>17,289,633</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	17,372,863
	208,419
Deferred Costs of loans are not financial resources and therefore are not reported in the funds	31,904
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	(89,085)
Liabilities for earned but deferred revenues in fund statements.	1,071,513
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	(28,021,482)
Net assets of governmental activities	<u>\$ 7,863,765</u>

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

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**Cherokee County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	<u>Major Funds</u>					Total Non-Major Funds	Total Governmental Funds
	General Fund	Waterline Extension	Detention Center	School Improvement			
<b>REVENUES</b>							
Ad valorem taxes	\$ 11,957,339	\$ -	\$ -		\$ 1,150,810	\$ 13,108,149	
Local option sales tax	6,878,455					6,878,455	
Other taxes and licenses	1,025,034				259,530	1,284,564	
Unrestricted intergovernmental	840,000				-	840,000	
Restricted intergovernmental	4,082,157	315,874		135,532	1,701,810	6,235,373	
Restricted Other					426,933	426,933	
Grants					62,824	62,824	
Permits and fees	1,556,998					1,556,998	
Sales and services	2,389,058				-	2,389,058	
Investment earnings	308,362		74,302		81,764	464,428	
Miscellaneous	224,725				-	224,725	
Total revenues	<u>29,262,128</u>	<u>315,874</u>	<u>74,302</u>	<u>135,532</u>	<u>3,683,671</u>	<u>33,471,507</u>	
<b>EXPENDITURES</b>							
Current:							
General government	3,621,891				252,157	3,874,048	
Public safety	7,265,205		680,240		1,509,080	9,454,525	
Transportation	454,673				1,627,985	2,082,658	
Economic and physical development	597,529	652,825			120,053	1,370,407	
Environmental Protection	1,199,297				-	1,199,297	
Human services	7,842,143				-	7,842,143	
Cultural and recreational	1,053,823				98,793	1,152,616	
Education	4,360,982			118,850		4,479,832	
Principal retirement	2,204,074				-	2,204,074	
Interest and other charges	441,938				-	441,938	
Total Expenditures	<u>29,041,555</u>	<u>652,825</u>	<u>680,240</u>	<u>118,850</u>	<u>3,608,068</u>	<u>34,101,538</u>	
Excess (deficiency) of Revenues over Expenditures	220,573	(336,951)	(605,938)	16,682	75,603	(630,031)	
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers from other funds	72,614		1,089,519		574,013	1,736,146	
Transfers to other funds	(1,662,064)			(16,682)	(57,399)	(1,736,145)	
Debt issued	703,917	565,507	7,000,000		-	8,269,424	
Total other financing sources (uses)	<u>(885,533)</u>	<u>565,507</u>	<u>8,089,519</u>	<u>(16,682)</u>	<u>516,614</u>	<u>8,269,425</u>	
Net change in fund balance	(664,960)	228,556	7,483,581	-	592,217	7,639,394	
Fund balances-beginning	8,215,948	(228,556)	(356,999)	-	2,019,846	9,650,239	
Fund balances-ending	<u>\$ 7,550,988</u>	<u>\$ -</u>	<u>\$ 7,126,582</u>	<u>\$ -</u>	<u>\$ 2,612,063</u>	<u>\$ 17,289,633</u>	

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

**Cherokee County, North Carolina**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2006**

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

Net changes in fund balances - total governmental funds	\$ 7,639,394
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	4,104,991
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	189,049
Loan Costs that have been Capitalized	12,975
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(6,065,350)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	-
Accrued Paid time off	(197,070)
Amortization of Loan Cost	(3,710)
Loss on Sale of Assets	(56,168)
Total changes in net assets of governmental activities	<u>\$ 5,624,111</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, 2006**

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 11,472,671	\$ 11,772,671	\$ 11,957,339	\$ 184,668
Local option sales tax	6,651,392	7,366,989	6,878,455	(488,534)
Other taxes and licenses	548,456	952,678	1,025,034	72,356
Unrestricted intergovernmental	802,360	802,360	840,000	37,640
Restricted intergovernmental	3,364,766	4,028,397	4,082,157	53,760
Permits and fees	1,533,489	1,527,246	1,556,998	29,752
Sales and services	2,458,873	2,175,143	2,389,058	213,915
Investment earnings	200,000	300,000	308,362	8,362
Miscellaneous	84,000	269,858	224,725	(45,133)
Total revenues	<u>27,116,007</u>	<u>29,195,342</u>	<u>29,262,128</u>	<u>66,786</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	2,923,996	3,475,633	3,621,891	(146,258)
Public safety	5,871,094	7,303,766	7,265,205	38,561
Transportation	56,250	489,063	454,673	34,390
Economic and physical development	594,251	612,160	597,529	14,631
Environmental Protection	1,092,010	1,332,010	1,199,297	132,713
Human services	8,555,639	8,363,898	7,842,143	521,755
Cultural and recreational	542,586	1,060,046	1,053,823	6,223
<b>Intergovernmental:</b>				
Education	4,290,190	4,356,923	4,360,982	(4,059)
<b>Debt service:</b>				
Principal retirement			2,204,074	
Interest and other charges			441,938	
Total Debt Service	3,027,814	2,692,814	<u>2,646,012</u>	46,802
Total expenditures	<u>26,953,830</u>	<u>29,686,313</u>	<u>29,041,555</u>	<u>644,758</u>
Revenues over (under) expenditures	<u>162,177</u>	<u>(490,971)</u>	<u>220,573</u>	<u>711,544</u>
<b>Other financing sources (uses):</b>				
Contingency	(33,616)	-	-	-
Use of Fund Balance		1,376,504		
Transfers from other funds	-	72,614	72,614	-
Transfers to other funds	(383,561)	(1,662,064)	(1,662,064)	-
Installment purchase obligations issued	255,000	703,917	703,917	-
Total other financing sources (uses)	<u>(162,177)</u>	<u>490,971</u>	<u>(885,533)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (664,960)</u>	<u>\$ 711,544</u>
<b>Fund balances:</b>				
Beginning of year			8,215,948	
End of year, June 30			<u>\$ 7,550,988</u>	

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

**Cherokee County, North Carolina  
Statement of Fiduciary Net Assets  
For the Year Ended June 30, 2006**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 116,316
<b>LIABILITIES AND NET ASSETS</b>	
Liabilities:	
Miscellaneous Liabilities	\$ 107,090
Intergovernmental Payables	9,226
Total liabilities	<u>116,316</u>
Net Assets	<u>\$ -</u>

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

## Cherokee County, North Carolina

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2006

#### **I. Summary of Significant Accounting Policies.**

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

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

**B. Basis of Presentation, Basis of Accounting**

**Basis of Presentation, Measurement Focus – Basis of Accounting**

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government (the County). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements represent the *governmental activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

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

The County reports the following major governmental funds:

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



*Water line Extension Fund* This fund accounts for the construction of the Andrews –Murphy waterline project.

*Detention Center Capital Fund* This fund accounts for the construction of a new detention facility.

*School Improvement Fund* This fund accounts for the construction of school improvements.

The County does not have any enterprise funds.

The County reports the following fund types:

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

**Measurement Focus, Basis of Accounting**

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

*Government-wide, and Fiduciary Fund Financial Statements.* The government-wide, 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, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Cherokee County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2004 through February 2005 apply to the fiscal year ended June 30, 2006. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered

annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2006 because they are intended to finance the County's operations during the 2007 fiscal year.

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

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

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

**C. Budgetary Data**

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

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

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

**1. Deposits and Investments**

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

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

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

**2. Cash and Cash Equivalents**

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

CHEROKEE COUNTY, NC                      Notes to Basic Financial Statements

3.        **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, 2005.

4.        **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.

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

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

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

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

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

7.        **Long-term Obligations**

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

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

8.        **Compensated Absences**

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

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

**9. Net Assets/Fund Balances****Net Assets**

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

**Fund Balances**

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

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

The governmental fund types classify fund balances as follows:

**Reserved**

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

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

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

**Unreserved**

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

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

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

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

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

**II. Stewardship, Compliance, and Accountability**

A. Deficit Fund Balance

**III. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

All of the County's, deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's, agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by their agent in the entity's' name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2006, the County's deposits had a carrying amount of \$15,577,114 and a bank balance of \$15,922,104. Of the bank balance, \$306,708 was covered by federal depository insurance, and \$15,270,406 in deposits were covered by collateral held under the Pooling Method.

At June 30, 2006, Cherokee County had \$1,245 cash on hand.

**2. Investments**

The County's investments are categorized to give an indication of the level of custodial risk assumed by the entity at year-end. In the following table, Column A includes investments that are insured or registered or for which the securities are held by the County or their agents in the entity's name. Column B includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the County's. Column C includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the County's name. The County's, investments in the North Carolina Capital Management Trust are exempt from risk categorization because the County does not own any identifiable securities in these mutual funds. At June 30, 2006, the County's investment balances were as follows:

As of June 30, 2006 The County had the following Investment Maturities:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Less than 6 Months</b>
Commercial Paper	\$ 557,297	\$ 557,297
US Government Agencies	212,034	212,034
NC Capital Management Trust:		
Cash Portfolio	39,167	N/A
<b>TOTAL</b>	<b>\$ 808,498</b>	<b>\$ 769,331</b>

*Credit Risk.* State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County had no formal policy on managing credit risk. As of June 30, 2006, the County's investments in commercial paper were rated A1 by Standard & Poor's, and P1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAA by Standard & Poor's AND Aaa by Moody's Investor Services as of June 30, 2006.

*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 \$557,297 investment in commercial paper is uninsured and unregistered investment for which the securities are held by the counterparty, or by its trust department but not in the County’s name. The County had no policy on custodial credit risk.

*Concentration of Credit Risk.* The County places no limit on the amount that the County may invest in any one issuer. More than 95 percent of the County’s investments are in General Elec. Capital Corporation’s commercial paper and the Federal Home Loan Bank securities. These investments are 69% and 26% 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.

<b>Year Levied</b>	<b>Tax</b>	<b>Interest</b>	<b>Total</b>
2002	\$ 135,496	\$ 36,584	\$ 172,080
2003	376,572	67,783	444,355
2004	377,456	33,971	411,427
2005	396,425	-	396,425
<b>Total</b>	<b>\$ 1,285,949</b>	<b>\$ 138,338</b>	<b>\$ 1,424,287</b>

**4. Receivables**

Receivables at the government-wide level at June 30, 2006, were as follows:

	<b>Accounts</b>	<b>Taxes</b>	<b>Due from Other Governments</b>	<b>Total</b>
Governmental Activities:				
General	\$ 417,310	\$ 1,334,300	\$ 2,842,921	\$ 4,594,531
Other Governmental	62,110	114,094	406,478	582,682
Total receivables	479,420	1,448,394	3,249,399	5,177,213
Allowance for doubtful accounts	(150,934)	(547,279)	-	(698,213)
Total-governmental activities	<b>\$ 328,486</b>	<b>\$ 901,115</b>	<b>\$ 3,249,399</b>	<b>\$ 4,479,000</b>

CHEROKEE COUNTY, NC                      Notes to Basic Financial Statements

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

State of NC Local Option Sales Tax	\$	2,118,634
State of NC Other		1,023,124
Other County Governments		7,666
TVA		59,806
Town of Andrews		40,169
<b>Total</b>	<b>\$</b>	<b>3,249,399</b>

**5. Capital Assets**

**Primary Government**

Capital Asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Transfer</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 4,226,135	\$ 491,174	\$ -	\$ -	\$ 4,717,309
Construction in progress	721,405	2,352,022	(90,266)	1,940	2,981,221
Total capital assets not being depreciated	<u>4,947,540</u>	<u>2,843,196</u>	<u>(90,266)</u>	<u>1,940</u>	<u>7,698,530</u>
Capital assets being depreciated:					
Buildings	4,136,792	687,208	90,266	-	4,914,266
Other Improvements	6,426,707	398,433		-	6,825,140
Equipment	1,501,282	78,024		235,780	1,343,526
Computers & other Electronic Equipment	1,611,782	884,479		-	2,496,261
Vehicles and motor equipment	2,769,461	476,692		93,142	3,153,011
Total capital assets being depreciated	<u>16,446,024</u>	<u>2,524,836</u>	<u>90,266</u>	<u>328,922</u>	<u>18,732,204</u>
Less accumulated depreciation for:					
Buildings	2,336,215	76,746		-	2,412,961
Other improvements	1,700,778	432,363		-	2,133,141
Equipment	1,006,167	134,098		188,624	951,641
Computers & other Electronic Equipment	1,150,566	268,985		-	1,419,551
Vehicles and motor equipment	1,875,798	348,908		84,130	2,140,576
Total accumulated depreciation	<u>8,069,524</u>	<u>1,261,100</u>	<u>-</u>	<u>272,754</u>	<u>9,057,870</u>
Total capital assets being depreciated, net	<u>8,376,499</u>				<u>9,674,334</u>
Governmental activity capital assets, net	<u>\$ 13,324,039</u>				<u>\$ 17,372,864</u>

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

General government	\$	185,444
Public safety		405,314
Transportation		115,057
Economic and physical development		5,494
Human services		135,278
Environmental Protection		396,645
Cultural and recreational		17,868
Total depreciation expense	\$	<u>1,261,100</u>

**Construction commitments**

The County has active construction projects as of June 30, 2006. The projects include school construction, airport improvements, and water & sewer improvement projects. At June 30, 2006, the government’s commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Airport Improvements	\$ 1,564,069	\$ 1,071,375
Wellness Center	176,565	2,767,502
Detention Facility	1,147,261	9,311,672
Total	<u>\$ 2,887,895</u>	<u>\$ 13,150,549</u>

Subsequent to June 30, 2006 the county borrowed an additional amount of \$2,249,500 to expand the new detention facility to include offices for the sheriff’s department.

**B. Liabilities**

**1. Payables**

Payables at the government-wide level at June 30, 2006, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 763,873	\$ 745,762	\$ 1,509,635
Other Governmental	153,501	-	153,501
Total-governmental activities	<u>\$ 917,374</u>	<u>\$ 745,762</u>	<u>\$ 1,663,136</u>

**2. Pension Plan Obligations**

**a. Local Governmental Employees' Retirement System**

*Plan Description.* Cherokee County contributes to the statewide Local Governmental Employees’ Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees’ Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The



State’s CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.94% and 4.78%, respectively, of annual covered payroll. The contribution requirements of members and of Cherokee County are established and may be amended by the North Carolina General Assembly. The County’s contributions to LGERS for the years ended June 30, 2006, 2005, and 2004 were \$294,119, \$277,329, and \$252,196 respectively. The contributions made by the County equaled the required contributions for each year.

**b. Law Enforcement Officers' Special Separation Allowance**

**1. Plan Description**

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2005, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>26</u>
Total	<u>26</u>

**2. Summary of Significant Accounting Policies:**

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

*Method Used to Value Investments.* Investments are reported at fair value. Short-term money market debt instruments, deposits, and repurchase agreements, are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price. At June 30, 2006 there were no investments.

**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 by making contributions based on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

The annual required contribution for the fiscal year ended June 30, 2006 was determined as part of the December 31, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases of 5.9% to 9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market

CHEROKEE COUNTY, NC Notes to Basic Financial Statements

value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2004 was 26 years.

Employer annual required contribution	\$	11,991
Interest on net pension obligation		3,618
Adjustment to annual required contribution		(2,867)
Annual pension cost		12,742
Employer contributions made for fiscal year ending 6-30-2006		-
Increase in net pension obligation		12,742
Net pension obligation at beginning of year		49,909
Pension obligation at end of fiscal year	\$	62,651

3 Year Trend Information

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of Net Pension</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/2004	\$10,103	00%	\$ 39,228
6/30/2005	\$10,681	00%	\$ 49,909
6/30/2006	\$12,742	00%	\$ 62,651

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2006 were \$46,348, which consisted of \$40,633 from the County and \$5,715 from the law enforcement officers.

**d. Deferred Compensation Plan**

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

**e. Registers of Deeds' Supplemental Pension Fund**

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

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2006, the County's required and actual contributions were \$15,657.

**f. Other Postemployment Benefits - Cherokee County**

According to a County resolution, the County provides health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least thirty years of creditable service with the County. The County pays the cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the County's group rates. Currently two retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2006, the County paid \$6,049 for postretirement health benefit premiums. The County obtains health care coverage through private insurers.

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2006, the County made contributions to the State for death benefits of \$11,795. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 90% and 10% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

**2. Closure and 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 postclosure 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 postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,285,562 as landfill closure and postclosure care liability at June 30, 2006 represents a cumulative amount reported to-date based on the use of 64.4 percent of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$900,870 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. The County expects to close the landfill facility in approximately 2030. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

**3. Deferred / Unearned Revenues**

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

	<b>Unearned or Deferred Revenue</b>	<b>Full Accrual Unearned Revenue</b>
Prepaid taxes not yet earned	\$ 426,011	\$ 426,011
Grants received not yet earned	306,351	306,351
Taxes receivable (net)	1,071,512	
Total	\$ 1,803,874	\$ 732,362

**4. Risk Management**

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

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

**5. Long-Term Obligations**

**a. Capital Leases**

The County has entered into an agreement to lease certain software. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

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

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

CHEROKEE COUNTY, NC                      Notes to Basic Financial Statements

For Cherokee County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006 were as follows:

2007		\$	54,494
2008			27,247
Total minimum lease payments		\$	81,741
Less: amount representing interest			2,726
Present value of the minimum lease payments		\$	79,015

**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, 2006:

	Balance			Balance		Current
	June 30, 2005	Increases	Decreases	June 30, 2006	Portion of	Balance
Installment purchases	\$ 19,063,696	\$ 8,251,319	\$ 2,153,902	\$ 25,161,113	\$	2,689,663
Capital Lease	129,187	-	50,172	79,015	\$	52,163
Landfill closure costs	2,119,385	166,178	-	2,285,563		
Vacation payable	396,885	340,804	322,656	415,033		
Pension benefit obligation	49,909	12,742		62,651		
<b>Total</b>	<b>\$ 21,759,062</b>	<b>\$ 8,771,043</b>	<b>\$ 2,526,730</b>	<b>\$ 28,003,375</b>	<b>\$</b>	<b>2,741,826</b>

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

As authorized by State law [G.S.160A-20 and 153A-158.1], the County financed various property acquisitions for use by Cherokee County Board of Education by installment purchase. The installment purchase was issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding. The County has entered into a lease with Cherokee County Board of Education that transfers the rights and responsibilities for maintenance and insurance of the property to the Board of Education. The lease calls for nominal annual lease payments and also contains a bargain purchase option. The lease term is the same as that of the installment purchase obligation. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligation are recorded by the Board of Education.

**b. Installment Purchases**

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

	<b>June 30, 2005</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2006</b>
Installment purchase \$9,800,000, 30 semi-annual payments of \$446,541 including interest at an annual rate of 3.79% through August 2011 issued 8-16-98 for schools.	\$5,102,765		\$706,317	\$4,396,448
Installment purchase \$35,000, 180 monthly payments of \$334 including interest at an annual rate of 8.0% through April 2011 issued 4-04-96 for industrial park land.	18,660		2,615	16,045
Installment purchase \$3,680,000, 30 semi-annual payments of \$163,122 including interest at an annual rate of 3.83% through June 2013 issued 6-04-98 for Schools 33% Sewer Improvements 66%	2,229,805		243,148	1,986,657
Installment purchase \$1,300,000, 20 semi-annual payments of \$79,699 including interest at an annual rate of 3.27% through August 2007 issued 7-30-97 for water improvements	379,668		148,184	231,484
Installment purchase \$1,500,000, 12 semi-annual payments of \$125,000 plus interest at an annual rate of 3.32% through December 2009, issued 12-17-03 for landfill cell construction	1,125,000		250,012	874,988
Installment purchase 2,170,312, 16 quarterly payments of \$135,645 plus interest at an annual rate of 2.74% through December 2007 issued 12-17-03 for School Land 9%, Equipment 67%, Landfill construction refinancing 24%	1,356,446		542,796	813,650

CHEROKEE COUNTY, NC

Notes to Basic Financial Statements

	June 30, 2005	Additions	Retirements	June 30, 2006
Installment purchase \$60,000, 8 annual payments of \$9,620 including interest at an annual rate of 5.89% through September 2005 issued 9-30-89 for rescue squad vehicle	7,010		7,010	-
Installment purchase \$278,800, 60 quarterly payments of \$6,663, including interest at an annual rate of 5.07% through June 2016 issued 6-21-01 for office bldg.	223,671		15,853	207,818
Installment purchase \$310,000, 8 annual payments of \$46,522, including interest at an annual rate of 4.25% through May 2013 issued 5-27-05 for vehicles.	310,000		33,347	276,653
Installment purchase \$1,750,000, 32 semi annual principal payments of \$58,333 plus including interest at an annual rate of 4.31% through June 2017 issued 12-17-02 for schools.	1,458,333		116,667	1,341,666
Installment purchase \$350,000, 20 quarterly payments of \$22,642, including interest at an annual rate of 3.77% through October 2006 for land school land.	102,338		87,953	14,385
Installment purchase, 1 payments of \$3,250,000, on December 18, 2016 at 0% interest, issued 12-18-02 for schools annual debt service payment \$174,735.	3,250,000			3,250,000
Installment purchase, 1 payments of \$3,500,000, on July 16, 2018 at 0% interest, issued 7/16/04 for Schools annual debt service payment \$208,825.	3,500,000			3,500,000
Installment purchase, Authorized 862,835, 30 annual payments of \$43,142 plus interest at an annual rate of 2.205% through Nov. 2025 issued 5-6-06 for water improvements.		547,402		547,402

	June 30, 2005	Additions	Retirements	June 30, 2006
Installment purchase 81,617, 4 annual payments of \$22,816 including interest at an annual rate of 5.608% through August 2009 issued 12-29-05 for software.		81,617		81,617
Installment purchase \$172,300, 10 annual payments of \$21,317 including interest at an annual rate of 4.07% through April 2017. Issued 4-17-06 for Rescue Squad Vehicle.		172,300		172,300
Installment purchase \$450,000, 30 annual payments of \$30,000 plus interest at an annual rate of 4.03% through March 2021, issued 3-10-06 for schools.		450,000		450,000
Installment purchase \$7,000,000, 30 semi annual payments of \$233,333, plus interest at an annual rate of 3.49% through March 2021, issued 3-30-06 for Detention Center		7,000,000		7,000,000
	<u>\$19,063,696</u>	<u>\$8,251,319</u>	<u>\$2,153,902</u>	<u>\$25,161,113</u>

The following table summarizes the annual requirements to amortize the installment purchase debt outstanding at June 30, 2006

Current Maturities on Outstanding Debt				
YR.	Principal	Interest	Total	
06/30/07	\$ 2,689,662	\$ 669,954	\$ 3,359,616	
06/30/08	2,371,611	567,855	2,939,466	
06/30/09	2,064,662	488,786	2,553,448	
06/30/10	1,985,057	410,916	2,395,973	
06/30/11	1,883,724	337,496	2,221,220	
June 2012-2016	4,642,082	947,233	5,589,315	
June 2017-2021	9,524,315	284,929	9,809,244	
Total	<u>\$ 25,161,113</u>	<u>\$ 3,707,169</u>	<u>\$ 28,868,282</u>	

At June 30, 2006 Cherokee County had a NC Drinking Water State Revolving Loan Fund authorized in the amount of \$862,835. The county had made draws in the amount of \$547,402. There is still available \$315,433.



**C. Interfund Balances and Activity**

Transfers to/from other funds at June 30, 2006, consists of the following:

From the General fund to the Airport improvement Fund to accumulate resources for the construction of airport improvements	\$22,222
From the General fund to the Detention Center Construction Fund to Purchase land for the new Detention Center	1,089,518
From the General Fund to the 911 Emergency Telephone Fund	166,764
From the General Fund to the Debt Service fund to accumulate funds to retire QZAB debt	383,561
From the School Improvement Fund to the General Fund	16,681
From the Wellness Center Fund to the General fund for Ball Field Improvements	55,933
Total	\$1,734,679

**Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2006 is as follows:

Receivable Entity	Payable Entity	Due From	Due to
General Fund		\$ 157,358	\$
	Victim Advocate		13,584
	Andrews Murphy Water interconnect Project	-	143,774
	Total	\$ 157,358	\$ 157,358

**IV. Related Organization**

The Board of Commissioners of Cherokee County is responsible for appointing the members of the board for the Cherokee County Rural Development Authority (CCRDA), but the County’s accountability for this organization does not extend beyond making these appointments. The Authority exists to sell home sites and finances these sales with loans secured by the property sold. The County is not responsible for the debt issued by the Authority and the Authority’s debt is not included in determining the County’s legal debt limit. In the year ended June 30, 2006 the CCRDA ceased operations and transferred their remaining assets to the County.

**V. Joint Ventures**

**1. Nantahala Regional Library** - The County participates in a joint venture to operate the Nantahala Regional Library with two other local governments. The County appoints three members to the board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library’s continued existence depends on the participating government’s continued funding. None of the participating governments has any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2006. In accordance with the intergovernmental agreement between

the participating governments, the County appropriated \$147,200 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's office at 101 Blumenthal Street, Murphy, NC, 28906.

**2. Smoky Mountain Center for Mental Health Developmental Disability and Substance Abuse Service** - The County participates in a joint venture to operate the Smoky Mountain Center for Mental Health Developmental Disability and Substance Abuse Services with six other local governments. The County appoints one member to the board of the Center. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating government's continued funding. None of the participating governments has any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2006. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$60,000 to the Center to supplement its activities. Complete financial statements for the Center can be obtained from the Center's offices at P. O. Box 280, Dillsboro, NC, 28725.

#### **VI. Jointly Governed Organization**

The County, in conjunction with seven other counties and sixteen municipalities, established the Southwestern Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$16,420 to the Council during the fiscal year ended June 30, 2006. The County was the sub recipient of a grant for \$252,841 from the Division of Aging of the North Carolina Department of Human Resources, which was passed through the Commission.

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

#### **VII. Benefit Payments Issued by the State**

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

	<u>Federal</u>	<u>State</u>
Temporary Assistance for Needy Families	\$ 54,612	\$ -
Medicaid	21,121,790	10,195,122
WIC	521,568	
Food Stamp Program	1,912,647	-
Payments to Elderly and Disabled	-	204,963
Adoption Assistance	79,773	16,290
Energy Assistance	57,353	-
Total	<u>\$ 23,747,743</u>	<u>\$ 10,416,375</u>

**VIII. Summary Disclosure of Significant Commitments and Contingencies**

**Federal and State Assisted Programs**

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

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## Required Supplemental Financial Data

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/2000	\$ -	\$ 46,395	46,395	0.00%	\$ 421,179	11.02%
12/31/2001	\$ -	\$ 57,170	57,170	0.00%	\$ 521,685	10.96%
12/31/2002	\$ -	\$ 41,301	41,301	0.00%	\$ 550,543	7.50%
12/31/2003	\$ -	\$ 38,894	38,894	0.00%	\$ 569,554	6.83%
12/31/2004	\$ -	\$ 47,780	47,780	0.00%	\$ 672,611	7.10%
12/31/2005	\$ -	\$ 58,320	58,320	0.00%	\$ 772,323	7.55%

**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	12/31/2004
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	26 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	5.9% to 9.8%
*Includes inflation at	3.75%
Cost-of living adjustments	N/A

## General Fund

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

**Cherokee County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 11,798,519	\$
Penalties and interest		158,820	
Total	<u>11,772,671</u>	<u>11,957,339</u>	<u>184,668</u>
Local option sales taxes:			
Article 39 one percent		3,073,107	
Article 40 one - half of one percent		1,275,610	
Article 42 one - half of one percent		1,263,497	
Article 44 one - half of one percent		1,266,241	
Total	<u>7,366,989</u>	<u>6,878,455</u>	<u>(488,534)</u>
Other taxes and licenses:			
Deed stamp excise tax		845,814	
Car Rental Tax		4,146	
Occupancy Tax		148,000	
Franchise Tax		-	
State Drug Tax		24,340	
Civil licenses		2,734	
Total	<u>952,678</u>	<u>1,025,034</u>	<u>72,356</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes-outside sources		839,814	
Fuel tax reimbursements		186	
Total	<u>802,360</u>	<u>840,000</u>	<u>37,640</u>



**Cherokee County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Restricted intergovernmental:</b>			
Victims Advocate Grant	\$	\$ -	\$
Social Services		1,706,762	
Senior Center		397,927	
Criminal Justice Grant		42,804	
Other Grants		706,350	
US Forest Serv. Timber Receipts		76,459	
Health Dept. Medicaid		161,531	
Health Dept. state revenues		520,220	
Health Dept. grants		101,408	
White goods tax grant		7,520	
Tire Disposal tax grant		43,123	
Juvenile Crime Prevention		88,538	
Public School Build. Capital Fund		143,500	
Court facility fees		60,844	
Asset Forfeitures		12,524	
ABC bottles taxes		12,647	
Total	4,028,397	4,082,157	53,760
<b>Permits and fees:</b>			
Building permits & inspections		488,159	
Landfill user fees		698,062	
Register of deeds		358,015	
Fire inspections		3,125	
Fire arms permits		9,637	
Water & Septic permits		-	
Total	1,527,246	1,556,998	29,752
<b>Sales and services:</b>			
Rents		45,725	
Landfill tipping fees		305,559	

**Cherokee County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Sales and Services continued:			
Health Dept. Fees	\$	\$ 864,485	\$
Transportation fees		127,062	
Election fees		12,837	
Jail fees		223,226	
Ambulance fees		625,674	
Other sales		106,702	
Personnel Fees		76,718	
Vehicle tax collection fees		1,070	
Total	<u>2,175,143</u>	<u>2,389,058</u>	<u>213,915</u>
Investment earnings	<u>300,000</u>	<u>308,362</u>	<u>8,362</u>
Miscellaneous:			
ABC Store distributions	-	31,915	
Other	-	192,810	
Total	<u>269,858</u>	<u>224,725</u>	<u>(45,133)</u>
<b>Total revenues</b>	<b><u>29,195,342</u></b>	<b><u>29,262,128</u></b>	<b><u>66,786</u></b>
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and employee benefits		70,233	
Other operating expenditures		69,694	
Total	<u>140,204</u>	<u>139,927</u>	<u>277</u>
Administration:			
Salaries and employee benefits		145,863	
Other operating expenditures		25,363	
Capital Outlay		4,972	
Total	<u>183,185</u>	<u>176,198</u>	<u>6,987</u>

**Cherokee County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures, Continued:</b>			
General government, Continued:			
Information Technology			
Salaries and employee benefits	\$	\$ 90,705	\$
Other operating expenditures		9,437	
Capital outlay		1,702	
Total	<u>107,125</u>	<u>101,844</u>	<u>5,281</u>
Finance:			
Salaries and employee benefits		143,618	
Other operating expenditures		54,713	
Capital outlay		1,800	
Total	<u>213,080</u>	<u>200,131</u>	<u>12,949</u>
Tax Assessor:			
Salaries and employee benefits		282,862	
Other operating expenditures		79,778	
Capital outlay		2,963	
Total	<u>380,022</u>	<u>365,603</u>	<u>14,419</u>
Land Records:			
Salaries and employees benefits		111,204	
Operating expenditures		52,168	
Capital outlay		-	
Total	<u>164,205</u>	<u>163,372</u>	<u>833</u>
Tax Collector:			
Salaries and employee benefits		132,933	
Operating expenditures		42,200	
Capital outlay		1,120	
Total	<u>189,762</u>	<u>176,253</u>	<u>13,509</u>
Court Facilities:			
Operating expenditures		41,870	
Capital outlay		6,557	
Total	<u>48,857</u>	<u>48,427</u>	<u>430</u>
Board of Elections			
Salaries and employee benefits		97,516	
Other operating expenditures		81,209	
Capital outlay		255,223	
Total	<u>184,508</u>	<u>433,948</u>	<u>(249,440)</u>

**Cherokee County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
General government, Continued:			
Register of deeds:			
Salaries and employee benefits	\$	\$ 154,262	\$
Other operating expenditures		446,509	
Capital outlay		-	
Total	<u>625,720</u>	<u>600,771</u>	<u>24,949</u>
Public buildings/maintenance:			
Salaries and employee benefits		141,613	
Operating expenditures		181,040	
Capital outlay		455,580	
Total	<u>790,721</u>	<u>778,233</u>	<u>12,488</u>
Central services:			
Salaries and employee benefits			
Operating expenditures		88,502	
Insurance and bonds		297,934	
Capital outlay		34,328	
Total	<u>431,824</u>	<u>420,764</u>	<u>11,060</u>
Special Appropriations:			
Region A		16,420	
Total	<u>16,420</u>	<u>16,420</u>	<u>-</u>
<b>Total general government</b>	<b><u>3,475,633</u></b>	<b><u>3,621,891</u></b>	<b><u>(146,258)</u></b>
Public Safety:			
Sheriff:			
Salaries and employee benefits		1,264,480	
Other operating expenditures		489,478	
Capital outlay		566,369	
Total	<u>2,349,312</u>	<u>2,320,327</u>	<u>28,985</u>

**Cherokee County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Public safety continued:			
Criminal Justice:			
Salaries and employee benefits	\$	\$ 19,078	\$
Other operating expenditures		23,461	
Capital outlay		-	
Total	<u>50,414</u>	<u>42,539</u>	<u>7,875</u>
Jail:			
Salaries and employee benefits		858,030	
Other operating expenditures		911,853	
Capital outlay		4,797	
Total	<u>1,642,221</u>	<u>1,774,680</u>	<u>(132,459)</u>
Emergency communications:			
Salaries and employee benefits		366,086	
Other operating expenditures		11,651	
Capital outlay		472	
Total	<u>386,653</u>	<u>378,209</u>	<u>8,444</u>
Emergency management:			
Salaries and employee benefits		76,395	
Other operating expenditures		22,166	
Capital outlay		1,701	
Total	<u>137,209</u>	<u>100,262</u>	<u>36,947</u>
Ambulance service:			
Salaries and employee benefits		1,154,938	
Other expenditures		297,838	
Capital outlay		382,718	
Total	<u>1,886,007</u>	<u>1,835,494</u>	<u>50,513</u>

**Cherokee County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures, Continued:</b>			
Public safety, Continued:			
Fire inspection:			
Salaries and employee benefits	\$	\$ 52,182	\$
Other operating expenditures		32,786	
Assistance to local fire departments		6,789	
Capital outlay		9,985	
Total	<u>116,007</u>	<u>101,742</u>	<u>14,265</u>
Building inspection:			
Salaries and employee benefits		260,964	
Other operating expenditures		29,637	
Capital outlay		22,656	
Total	<u>333,673</u>	<u>313,257</u>	<u>20,416</u>
Medical examiner:			
Other operating expenditures		20,425	
Total	<u>24,000</u>	<u>20,425</u>	<u>3,575</u>
Special appropriations:			
NC Forest Service-Fire protection		45,683	
Valley River Humane Society		59,600	
Valley River Rescue Squad		222,987	
Cherokee County Rescue Squad		50,000	
Total	<u>378,270</u>	<u>378,270</u>	<u>-</u>
<b>Total public safety</b>	<b><u>7,303,766</u></b>	<b><u>7,265,205</u></b>	<b><u>38,561</u></b>

**Cherokee County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures, Continued:</b>			
<b>Transportation:</b>			
<b>Airport:</b>			
Other operating expenditures	\$	\$ 42,635	\$
Capital outlay		3,677	
<b>Total</b>	<b>73,250</b>	<b>46,312</b>	<b>26,938</b>
<b>Public Transportation</b>			
Salaries and employee benefits		304,633	
Other operating expenditures		72,383	
Capital Outlay		31,345	
<b>Total</b>	<b>415,813</b>	<b>408,361</b>	<b>7,452</b>
<b>Total Transportation</b>	<b>489,063</b>	<b>454,673</b>	<b>34,390</b>
<b>Economic and physical development:</b>			
<b>Economic Development:</b>			
Salaries and employee benefits		58,032	
Other operating expenditures		2,313	
Grants		-	
<b>Total</b>	<b>64,102</b>	<b>60,345</b>	<b>3,757</b>
<b>Cooperative Extension:</b>			
Salaries and employee benefits		128,495	
Other operating expenditures		18,538	
Capital outlay		4,295	
Grants		7,984	
<b>Total</b>	<b>180,435</b>	<b>159,312</b>	<b>21,123</b>
<b>Soil and water:</b>			
Salaries and employee benefits		77,992	
<b>Total</b>	<b>77,938</b>	<b>77,992</b>	<b>(54)</b>
<b>Tourism authorities:</b>			
Cherokee County Board of Tourism	130,000	143,869	(13,869)

**Cherokee County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Economic Development:			
Continued:			
Special appropriations:			
Town of Murphy-water and sewer	\$	\$ 80,011	\$
Soil and water conservation district		73,500	
Hiwassee River Coalition		2,500	
Total	<u>159,685</u>	<u>156,011</u>	<u>3,674</u>
<b>Total economic and physical   development</b>	<b><u>612,160</u></b>	<b><u>597,529</u></b>	<b><u>14,631</u></b>
Environmental protection:			
Solid waste:			
Salaries and employee benefits		675,591	
Operating expenditures		396,638	
Capital outlay		127,068	
<b>Total environmental protection:</b>	<b><u>1,332,010</u></b>	<b><u>1,199,297</u></b>	<b><u>132,713</u></b>
Human services:			
Health:			
Administration:			
Salaries and employee benefits		1,690,213	
Other operating expenditures		299,165	
Capital outlay		6,478	
Total	<u>2,092,206</u>	<u>1,995,856</u>	<u>96,350</u>
Health programs:			
Health promotion		588	
Bio Terrorism		13,783	
Immunization		1,822	
Communicable disease		1,668	
Adult health		13,348	



**Cherokee County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures, Continued:</b>			
Human Services, Health Programs			
Continued:			
Maternal health	\$	\$ 22,513	\$
Breast and Cervical Cancer		8,221	
School Based Clinic		91,547	
School Nurse Initiative		91,930	
Family planning		58,402	
WIC		3,650	
Child Health		10,433	
Child Service Coordinator		552	
Smart Start		-	
Medication Management		-	
Environmental Health		316,863	
Total	<u>758,147</u>	<u>635,320</u>	<u>122,827</u>
Mental Health:			
Smoky Mountain Center	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Social services:			
Administration:			
Salaries and employee benefits		1,963,372	
Other operating expenditures		148,782	
Capital outlay		65,011	
Total	<u>2,221,435</u>	<u>2,177,165</u>	<u>44,270</u>
Social Service programs:	<u>2,624,132</u>	<u>2,433,135</u>	<u>190,997</u>
Total Social Services	<u>4,845,567</u>	<u>4,610,300</u>	<u>235,267</u>
Senior Center:			
Salaries and employee benefits		113,941	
Operating expenditures		111,472	
Capital outlay		3,323	
Total	<u>285,559</u>	<u>228,736</u>	<u>56,823</u>

**Cherokee County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Human Services, Health Programs			
Continued:			
Special appropriations:			
Industrial Opportunities Inc.	\$	\$ 78,612	\$
State of Franklin Health Council		16,000	
Haven Child Advocacy		99,018	
Juvenile Crime Prevention Programs		106,401	
Disabled American Veterans		11,900	
Total	322,419	311,931	10,488
<b>Total Human Services</b>	<b>8,363,898</b>	<b>7,842,143</b>	<b>521,755</b>
 Cultural and recreational:			
Library operating expenditures	147,200	147,200	-
 Parks and recreation:			
Salaries and employee benefits		177,879	
Operating expenditures		64,001	
Capital outlay		634,881	
Total	882,521	876,761	5,760
 Museum:			
Salaries and employee benefits		29,862	
Total	30,325	29,862	463
 <b>Total cultural and recreational</b>	<b>1,060,046</b>	<b>1,053,823</b>	<b>6,223</b>

**Cherokee County, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Education:			
Public schools--current expense	\$	\$ 3,664,935	\$
Public schools capital outlay:			
County appropriations		297,547	
Community college--current		373,500	
Community college --capital outlay		25,000	
<b>Total education</b>	<b>4,356,923</b>	<b>4,360,982</b>	<b>(4,059)</b>
Debt service:			
Principal retirement		2,204,074	
Interest and fees		441,938	
<b>Total debt service</b>	<b>2,692,814</b>	<b>2,646,012</b>	<b>46,802</b>
<b>Total expenditures</b>	<b>29,686,313</b>	<b>29,041,555</b>	<b>644,758</b>
<b>Revenues over (under) expenditures</b>	<b>(490,971)</b>	<b>220,573</b>	<b>711,544</b>
Other financing sources (uses):			
Use of Fund Balance	1,376,504		
Transfer to Airport Improvement	(22,222)	(22,222)	-
Transfer to 911 Fund	(166,764)	(166,764)	-
Transfer to Debt Service Find	(383,560)	(383,560)	-
Transfer to Jail Capital Projects Fund	(1,089,518)	(1,089,518)	-
Transfer from Landfill Construction Fund	16,681	16,681	-
Transfer from Economic Dev Fund	55,933	55,933	-
Debt Issued	703,917	703,917	-
<b>Total other financing sources(uses)</b>	<b>490,971</b>	<b>(885,533)</b>	<b>-</b>
<b>Increase (Decrease) in Fund Balance</b>	<b>\$ -</b>	<b>(664,960)</b>	<b>\$ 711,544</b>
<b>Fund balance:</b>			
<b>Beginning, July 1</b>		<b>8,215,948</b>	
<b>Ending June 30</b>		<b>\$ 7,550,988</b>	

## Special Revenue Funds

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

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

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

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

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

**Scattered Housing Fund** – This fund accounts for federal grants received and expended for community development.

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

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

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

**Cherokee County, North Carolina**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2006

	Special Revenue Funds							Capital Projects Funds				
	Emergency Telephone System Fund	Fire District Fund	Revaluation - ation Fund	Debt Service Fund	Scattered Housing II Fund	Victim Advocate Grant II	Bear Paw Service District	Total Nonmajor Special Revenue Funds	Airport Improvements	Wellness Center	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>												
Cash and cash equivalents	\$ 76,972	\$ 13,774	\$ 148,584	\$ 2,279	\$ -	\$ -	\$ 3,250	244,859	\$ 124,593	\$ 1,588,547	1,713,140	\$ 1,957,999
Investments	-	-	-	769,331	-	-	-	769,331	-	-	-	769,331
Taxes receivable (net)	-	103,724	-	-	-	-	10,370	114,094	-	-	-	114,094
Accounts Receivable	47,026	-	-	-	-	15,083	-	62,109	130,519	-	130,519	192,628
Due from other Governments	-	-	-	-	-	-	-	-	-	-	-	-
Prepays	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 123,998</u>	<u>\$ 117,498</u>	<u>\$ 148,584</u>	<u>\$ 771,610</u>	<u>\$ -</u>	<u>\$ 15,083</u>	<u>\$ 13,620</u>	<u>\$ 1,190,393</u>	<u>\$ 255,112</u>	<u>\$ 1,588,547</u>	<u>\$ 1,843,659</u>	<u>\$ 3,034,052</u>
<b>Liabilities and Fund Balances</b>												
<b>Liabilities:</b>												
Accounts payable and accrued liabilities	\$ 3,963	\$ 13,774	\$ -	\$ -	\$ -	\$ 33	\$ 3,250	\$ 21,020	\$ 295	\$ -	\$ 295	\$ 21,315
Due to other funds	-	-	-	-	-	13,584	-	13,584	-	-	-	13,584
Deferred revenue-Taxes	-	103,724	-	-	-	-	10,370	114,094	-	-	-	114,094
Unearned Revenues	-	-	-	-	-	-	-	-	-	272,996	272,996	272,996
Total liabilities	<u>3,963</u>	<u>117,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,617</u>	<u>13,620</u>	<u>148,698</u>	<u>295</u>	<u>272,996</u>	<u>273,291</u>	<u>421,989</u>
<b>Fund balances:</b>												
Reserved for encumbrances	20,055	-	-	-	-	-	-	20,055	-	-	-	20,055
Reserved by state statute	47,026	-	-	-	-	-	-	47,026	-	-	-	47,026
Reserved for subsequent year expenditures	-	-	-	-	-	-	-	-	254,817	1,315,551	1,570,368	1,570,368
Unreserved, undesignated	52,954	-	148,584	771,610	-	1,466	-	974,614	-	-	-	974,614
Total fund balances	<u>120,035</u>	<u>-</u>	<u>148,584</u>	<u>771,610</u>	<u>-</u>	<u>1,466</u>	<u>-</u>	<u>1,041,695</u>	<u>254,817</u>	<u>1,315,551</u>	<u>1,570,368</u>	<u>2,612,063</u>
Total liabilities and fund balances	<u>\$ 123,998</u>	<u>\$ 117,498</u>	<u>\$ 148,584</u>	<u>\$ 771,610</u>	<u>\$ -</u>	<u>\$ 15,083</u>	<u>\$ 13,620</u>	<u>\$ 1,190,393</u>	<u>\$ 255,112</u>	<u>\$ 1,588,547</u>	<u>\$ 1,843,659</u>	<u>\$ 3,034,052</u>

**Cherokee County, North Carolina**  
 Combining Statement of Revenues, Expenditures, and  
 Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Fiscal Year Ended June 30, 2006

									Capital Projects Funds			Total Nonmajor Governmental Funds	
	Emergency Telephone System Fund	Fire District Fund	Revalu - ation Fund	Debt Service Fund	Victim Advocate Grants II	Victim Advocate Grant I	Scattered Housing II Fund	Bear Paw Service District	Total Nonmajor Governmental Funds	Airport Improvements	Wellness Center		Nonmajor Capital Projects Funds
<b>Revenues:</b>													
Ad valorem taxes	\$ -	\$ 898,982	\$ -		\$ -	\$ -	\$ -	\$ 251,828	\$ 1,150,810	\$ -	\$ -	\$ -	\$ 1,150,810
Other taxes and licenses	259,530	-	-		-	-	-	-	259,530			-	259,530
Restricted intergovernmental Grants	114,881	-	-		-	-	120,053	-	234,934	1,466,876		1,466,876	1,701,810
Restricted other	-				27,742	35,082			62,824		-	-	62,824
Investment earnings	2,622	-	6,484	23,864	-	-	-	-	32,970		426,933	426,933	426,933
<b>Total revenues</b>	<u>377,033</u>	<u>898,982</u>	<u>6,484</u>	<u>23,864</u>	<u>27,742</u>	<u>35,082</u>	<u>120,053</u>	<u>251,828</u>	<u>1,741,068</u>	<u>1,466,876</u>	<u>475,727</u>	<u>1,942,603</u>	<u>3,683,671</u>
<b>Expenditures:</b>													
Current:													
General government	-	-	329	-				251,828	252,157			-	252,157
Public safety	548,740	898,982	-	-	27,742	33,616	-	-	1,509,080			-	1,509,080
Economic Development	-	-	-	-	-	-	120,053	-	120,053			-	120,053
Capital Outlay	-	-	-	-	-	-	-	-	-	1,627,985	98,793	1,726,778	1,726,778
Debt Service													
Principal	-	-	-	-	-	-	-	-	-			-	-
Interest	-	-	-	-	-	-	-	-	-			-	-
<b>Total expenditures</b>	<u>548,740</u>	<u>898,982</u>	<u>329</u>	<u>-</u>	<u>27,742</u>	<u>33,616</u>	<u>120,053</u>	<u>251,828</u>	<u>1,881,290</u>	<u>1,627,985</u>	<u>98,793</u>	<u>1,726,778</u>	<u>3,608,068</u>
<b>Revenues over (under) expenditures</b>	<u>(171,707)</u>	<u>-</u>	<u>6,155</u>	<u>23,864</u>	<u>-</u>	<u>1,466</u>	<u>-</u>	<u>-</u>	<u>(140,222)</u>	<u>(161,109)</u>	<u>376,934</u>	<u>215,825</u>	<u>75,603</u>
<b>Other financing sources:</b>													
Installment Purchase Obligations	-								-			-	-
Operating transfers in:													
Victim Advocate					1,466				1,466				1,466
General Fund	166,764	-	-	383,561					550,325	22,222		22,222	572,547
Operating transfers out:													
Victim Advocate													
General Fund	-	-	-	-		(1,466)			(1,466)		(55,933)	(55,933)	(57,399)
<b>Increase (Decrease) in Fund Balance</b>	<u>(4,943)</u>	<u>-</u>	<u>6,155</u>	<u>407,425</u>	<u>1,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>410,103</u>	<u>(138,887)</u>	<u>321,001</u>	<u>182,114</u>	<u>592,217</u>
<b>Fund balances:</b>													
Beginning of year, July 1	124,978	-	142,429	364,185	-	-	-	-	631,592	393,704	994,550	1,388,254	2,019,846
End of year, June 30	<u>\$ 120,035</u>	<u>\$ -</u>	<u>\$ 148,584</u>	<u>\$ 771,610</u>	<u>\$ 1,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,041,695</u>	<u>\$ 254,817</u>	<u>\$ 1,315,551</u>	<u>\$ 1,570,368</u>	<u>\$ 2,612,063</u>

**Cherokee County, North Carolina**  
**Emergency Telephone System Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	2006		Variance Favorable (Unfavorable)
	Final Budget	Actual	
<b>Revenues:</b>			
Other taxes and licenses	\$ 312,000	\$ 259,530	\$ (52,470)
Restricted intergovernmental	47,050	114,881	67,831
Investment Earnings		2,622	2,622
	<u>359,050</u>	<u>377,033</u>	<u>17,983</u>
<b>Expenditures</b>			
Public Safety:			
Salaries and Employee benefits		116,940	
Operating Expenditures		171,157	
Capital Outlay		260,644	
Public Safety	<u>601,520</u>	<u>548,741</u>	<u>52,779</u>
Total	<u>601,520</u>	<u>548,741</u>	<u>52,779</u>
Revenues over (under) expenditures	(242,470)	(171,708)	70,762
<b>Other financing uses:</b>			
Operating transfers to			
General Fund	166,764	166,764	
Appropriated fund balance	<u>75,706</u>	<u>-</u>	<u>(75,706)</u>
	242,470	166,764	
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>(4,944)</u>	<u>\$ (4,944)</u>
<b>Fund balances:</b>			
Beginning of year, July 1		<u>124,978</u>	
End of year, June 30		<u>\$ 120,034</u>	

**Cherokee County, North Carolina**  
**Fire District Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	2006		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues:			
Ad valorem taxes:	\$ 850,000	\$ 898,982	\$ 48,982
Expenditures:			
Public safety:			
Bellview Fire District		71,932	
Brasstown Fire District		7,934	
Hanging Dog Fire District		34,092	
Hiwassee Fire District		124,453	
Wolf Creek Fire District		41,022	
Martins Creek Fire District		55,785	
Peachtree Fire District		138,814	
Murphy Rual Fire District		170,022	
Ranger Fire District		94,581	
ValleyTown Fire District		160,347	
Total expenditures	850,000	898,982	(48,982)
Increase (Decrease) in		898,892	
Fund Balance	\$ -	-	\$ -
Fund balances:			
Beginning of year, July 1		-	
End of year, June 30		\$ -	



**Cherokee County, North Carolina**  
**Revaluation Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	2006		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues:			
Investment earnings	\$ 2,800	\$ 6,484	\$ 3,684
Expenditures:			
Current:			
General government:			
Salaries and Employee benefits		-	
Other Operating Expenditures		329	
Capital Outlay	33,078	-	
Total	<u>33,078</u>	<u>329</u>	<u>32,749</u>
Revenues over (under) expenditures	<u>(30,278)</u>	<u>6,155</u>	<u>36,433</u>
Deficiency of Revenues under Expenditures -			
Use of Fund Balance	<u>30,278</u>	<u>-</u>	<u>(30,278)</u>
Increase (Decrease) in			
Fund Balance	<u>\$ -</u>	<u>6,155</u>	<u>\$ 6,155</u>
Fund balances:			
Beginning of year, July 1		<u>142,429</u>	
End of year, June 30		<u>\$ 148,584</u>	

**Cherokee County, North Carolina**  
**Debt Service Fund**  
**Statement of Revenues, Expenditures, and**  
**For the Fiscal Year Ended June 30, 2006**

	2006		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues			
Investment Earnings	\$ 8,000	\$ 23,864	\$ 15,864
Other financing sources (uses):			
Operating transfers in:			
General Fund - Debt Service	383,561	383,561	-
Total other financing sources (uses)	<u>383,561</u>	<u>383,561</u>	<u>-</u>
Increase in			
Fund Balance	<u>\$ 391,561</u>	<u>\$ 407,425</u>	<u>\$ 15,864</u>
Fund balance:			
Beginning of year, July 1		364,185	
End of Year, June 30		<u>\$ 771,610</u>	

**Cherokee County, North Carolina**  
**Scattered Homesites II**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2006**

	Project Author- ization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Year	Current Year		
<b>Revenues</b>					
Grant - NC Dept of Commerce CDBG Grant #04-C-1226	\$ 400,000	\$ 279,947	\$ 120,053	\$ 400,000	\$ -
<b>Expenditures</b>					
Administration	40,000	32,999	6,907	39,906	94
Housing Rehabilitation	29,182	-	20,389	20,389	8,793
Relocation assistance	302,818	225,818	86,357	312,175	(9,357)
Clearance	28,000	21,130	6,400	27,530	470
	<u>400,000</u>	<u>279,947</u>	<u>120,053</u>	<u>400,000</u>	<u>-</u>
Revenues (Under) Expenditures	-	-	-	-	-
<b>Other financing sources (uses):</b>					
Operating transfers in:					
General Fund	-	-	-	-	-
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balance:</b>					
Beginning of year, July 1			-		
End of Year, June 30			<u>\$ -</u>		

**Cherokee County, North Carolina**  
**Bear Paw Service District**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2006**

	2006		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues:			
Ad valorem taxes:	\$ 240,900	\$ 251,828	\$ 10,928
Expenditures:			
Bear Paw Service District	240,900	251,828	(10,928)
Increase (Decrease) in Fund Balance	\$ -	-	\$ -
Fund balances:			
Beginning of year, July 1		-	
End of year, June 30		\$ -	

**Cherokee County, North Carolina**  
**Victim Advocate Grant I**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2006**

	Project Author- ization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Year	Current Year		
Revenues					
Grants	\$ 75,000	\$ 34,929	\$ 35,082	\$ 70,011	\$ (4,989)
	<u>\$ 75,000</u>	<u>\$ 34,929</u>	<u>\$ 35,082</u>	<u>\$ 70,011</u>	<u>\$ (4,989)</u>
Expenditures					
Wages & Benefits	52,312	22,486	26,421	48,907	3,405
Operating Expenses	16,913	7,897	6,215	14,112	2,801
Capital Outlay	7,241	6,012	980	6,992	249
	<u>76,466</u>	<u>36,395</u>	<u>33,616</u>	<u>70,011</u>	<u>6,455</u>
Revenues (Under) Expenditures	<u>(1,466)</u>	<u>(1,466)</u>	<u>1,466</u>	<u>-</u>	<u>1,466</u>
Other financing uses:					
Operating transfers from					
To Victims advocate II			(1,466)	(1,466)	(1,466)
General Fund	1,466	1,466		1,466	-
	<u>1,466</u>	<u>1,466</u>	<u>(1,466)</u>	<u>-</u>	<u>(1,466)</u>
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Beginning of year, July 1			-		
End of Year, June 30			<u>\$ -</u>		

**Cherokee County, North Carolina**  
**Victim Advocate Grant II**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2006**

	Project Author- ization	Actual			Variance Favorable (Unfavorable)
		Prior Year	Current Year	Total to Date	
Revenues					
Grants	\$ 66,455	\$ -	\$ 27,742	\$ 27,742	\$ (38,713)
	<u>\$ 66,455</u>	<u>\$ -</u>	<u>\$ 27,742</u>	<u>\$ 27,742</u>	<u>\$ (38,713)</u>
Expenditures					
Wages & Benefits	57,748	-	26,877	26,877	30,871
Operating Expenses	8,707	-	865	865	7,842
Capital Outlay	-	-	-	-	-
	<u>66,455</u>	<u>-</u>	<u>27,742</u>	<u>27,742</u>	<u>38,713</u>
Revenues (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing uses:					
Operating transfers from from Victims Advocate I			1,466	1,466	1,466
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,466</u>	<u>\$ 1,466</u>	<u>\$ 1,466</u>
Fund balance:					
Beginning of year, July 1			-		
End of Year, June 30			<u>\$ 1,466</u>		

## **Capital Projects Funds**

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

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

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

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

**Water line Extension** – This fund is used to account for the construction of a new water line between the Towns of Murphy and Andrews

**Cherokee County, North Carolina**  
**Airport Improvement Project**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2006**

	Project Author- ization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
<b>Revenues</b>					
Restricted intergovernmental:					
Grants	\$ 6,556,900	\$ 2,764,871	\$ 1,466,876	\$ 4,231,747	\$ (2,325,153)
Total revenues	<u>6,556,900</u>	<u>2,764,871</u>	<u>1,466,876</u>	<u>4,231,747</u>	<u>(2,325,153)</u>
<b>Expenditures</b>					
Capital outlay:					
Land Acquisition # 1	976,795	968,442		968,442	8,353
Environmental Assessment	150,000	142,605		142,605	7,395
Land Acquisition # 2	1,277,778		2,000	2,000	1,275,778
Runway Extension	2,023,206	1,804,265	224,094	2,028,359	(5,153)
Runway Widening	2,857,666	162,179	1,401,891	1,564,070	1,293,596
Other	1,939	1,939		1,939	-
Total expenditures	<u>7,287,384</u>	<u>3,079,430</u>	<u>1,627,985</u>	<u>4,707,415</u>	<u>2,579,969</u>
Revenues over (under) expenditures	<u>(730,484)</u>	<u>(314,559)</u>	<u>(161,109)</u>	<u>(475,668)</u>	<u>254,816</u>
Other financing sources:					
Operating transfers from General Fund	<u>730,485</u>	<u>708,263</u>	<u>\$ 22,222</u>	<u>730,485</u>	<u>-</u>
Increase (Decrease) in Fund Balance	<u>\$ 1</u>	<u>\$ 393,704</u>	<u>(138,887)</u>	<u>\$ 254,817</u>	<u>\$ 254,816</u>
Fund balances:					
Beginning of year, July 1			<u>393,704</u>		
End of year, June 30			<u>\$ 254,817</u>		



**Cherokee County, North Carolina**  
**Wellness Center**  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual  
 From Inception and for the Fiscal Year Ended June 30, 2006

	Project Author- ization	Actual		Total to Date	Variance
		Prior Years	Current Year		Favorable (Unfavorable)
<b>Revenues</b>					
Public Contributions	\$ 1,750,000	\$ 1,000,614	\$ 426,933	\$ 1,427,547	(322,453)
Grants	250,000			-	(250,000)
Investment Earnings	-	\$ 15,815	\$ 48,794	64,609	64,609
Total	<u>\$ 2,000,000</u>	<u>\$ 1,016,429</u>	<u>\$ 475,727</u>	<u>\$ 1,492,156</u>	<u>\$ (507,844)</u>
<b>Expenditures</b>					
Capital outlay:					
Architect and Engineering	\$ 145,600	\$ 21,840	\$ 98,643	\$ 120,483	\$ 25,117
Site Preparation	65,000		150	150	64,850
Construction	2,650,067			-	2,650,067
Equipment	46,000	-		-	46,000
Contingency	37,400	39		39	37,361
Total	<u>2,944,067</u>	<u>21,879</u>	<u>98,793</u>	<u>120,672</u>	<u>\$ 2,823,395</u>
Revenues under expenditures	<u>(944,067)</u>	<u>994,550</u>	<u>376,934</u>	<u>1,371,484</u>	<u>2,315,551</u>
Other financing sources(uses):					
Transfer to General Fund	(55,933)		(55,933)	(55,933)	-
Proceeds from installment Financing Agreement	1,000,000		-	-	(1,000,000)
	<u>944,067</u>	<u>-</u>	<u>(55,933)</u>	<u>(55,933)</u>	<u>(1,000,000)</u>
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>\$ 994,550</u>	<u>\$ 321,001</u>	<u>\$ 1,315,551</u>	<u>\$ 1,315,551</u>
Fund balances:					
Beginning of year, July 1			<u>\$ 994,550</u>		
End of year, June 30			<u>\$ 1,315,551</u>		

**Cherokee County, North Carolina**  
**Detention Center Construction**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2006**

	Project Author- ization	Actual		Total to Date	Variance
		Prior Years	Current Year		Favorable (Unfavorable)
<b>Revenues</b>					
Investment earnings	\$ -	\$ -	\$ 74,302	\$ 74,302	\$ 74,302
Total revenues	-	-	74,302	74,302	74,302
<b>Expenditures</b>					
Capital outlay:					
Administration	13,197		13,977	13,977	(780)
Land	618,292	618,292	-	618,292	-
Site preparation	415,692	109,992	352,553	462,545	(46,853)
Professional Services	662,500	357,030	230,603	587,633	74,867
Detention Center Construction	7,533,844		83,107	83,107	7,450,737
Sheriff's Offices Construction	1,667,000			-	1,667,000
Contingency	166,700		-	-	166,700
Total expenditures	11,077,225	1,085,314	680,240	1,765,554	9,311,671
Revenues over (under) expenditures	(11,077,225)	(1,085,314)	(605,938)	(1,691,252)	9,385,973
<b>Other financing sources:</b>					
Operating transfers from					
General Fund	1,827,833	728,315	1,089,519	1,817,834	(9,999)
Loan Proceeds	9,249,392	-	7,000,000	7,000,000	(2,249,392)
Total Other Financing sources	11,077,225	728,315	8,089,519	8,817,834	(2,259,391)
Increase (Decrease) in Fund Balance	\$ -	\$ (356,999)	7,483,581	\$ 7,126,582	\$ 7,126,582
<b>Fund balances:</b>					
Beginning of year, July 1			(356,999)		
End of year, June 30			\$ 7,126,582		

**Cherokee County, North Carolina**  
**Waterline Extension**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2006**

	Project Author- ization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
<b>Revenues</b>					
Grants	\$ 3,961,000	\$ 3,645,126	\$ 315,874	\$ 3,961,000	\$ -
Investment earnings	-			-	-
Total revenues	<u>3,961,000</u>	<u>3,645,126</u>	<u>315,874</u>	<u>3,961,000</u>	<u>-</u>
<b>Expenditures</b>					
Capital outlay:					
Engineering	489,570	375,879	43,014	418,893	70,677
Legal & Administration	17,257	35	17,257	17,292	(35)
Contingency	163,286	-	3,834	3,834	159,452
Construction Andrews Water	888,000	826,632	74,097	900,729	(12,729)
Construction Murphy Water	621,700	620,193		620,193	1,507
Construction Interconnect	2,644,022	2,050,943	514,623	2,565,566	78,456
Total expenditures	<u>4,823,835</u>	<u>3,873,682</u>	<u>652,825</u>	<u>4,526,507</u>	<u>297,328</u>
Revenues over (under) expenditures	<u>(862,835)</u>	<u>(228,556)</u>	<u>(336,951)</u>	<u>(565,507)</u>	<u>297,328</u>
<b>Other financing sources:</b>					
Loan Proceeds	862,835		565,507	565,507	\$ (297,328)
Total Other Financing sources	<u>862,835</u>	<u>-</u>	<u>565,507</u>	<u>565,507</u>	<u>(297,328)</u>
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>\$ (228,556)</u>	<u>\$ 228,556</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balances:</b>					
Beginning of year, July 1			<u>(228,556)</u>		
End of year, June 30			<u>\$ -</u>		

**Cherokee County, North Carolina**  
**School Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**From Inception and for the Fiscal Year Ended June 30, 2006**

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
<b>Revenues</b>					
Restricted intergovernmental:	\$ -	\$ -	\$ -	\$ -	\$ -
NC Rural Center Grant	288,039	152,507	135,532	288,039	-
Investment earnings	6,205	7,300		7,300	1,095
Total revenues	<u>294,244</u>	<u>159,807</u>	<u>135,532</u>	<u>295,339</u>	<u>1,095</u>
<b>Expenditures</b>					
Intergovernmental - education:					
Administration	7,258	7,258		7,258	-
School Renovations Andrews High	2,705,683	2,700,683	5,000	2,705,683	-
School Renovations Hiwassee Dam	787,058	787,058	-	787,058	-
Water & Sewer Improvements	326,576	212,726	113,850	326,576	-
Total expenditures	<u>3,826,575</u>	<u>3,707,725</u>	<u>118,850</u>	<u>3,826,575</u>	<u>-</u>
Revenues over (under) expenditures	<u>(3,532,331)</u>	<u>(3,547,918)</u>	<u>16,682</u>	<u>(3,531,236)</u>	<u>1,095</u>
Other financing sources:					
Debt issued	3,500,000	3,500,000	-	3,500,000	-
Transfers from					
General Fund	<u>32,331</u>	<u>47,918</u>	<u>(16,682)</u>	<u>31,236</u>	<u>(1,095)</u>
Total other financing sources	<u>3,532,331</u>	<u>3,547,918</u>	<u>(16,682)</u>	<u>3,531,236</u>	<u>(1,095)</u>
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			<u>\$ -</u>		
End of year, June 30			<u>\$ -</u>		

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

## **Trust and Agency Funds**

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

### **Trust Funds**

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

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

### **Agency Funds**

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

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

**Cherokee County, North Carolina**  
 Agency Funds  
 Combining Statement of Changes in Assets and Liabilities  
 For the Fiscal Year Ended June 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
<b>Social Services</b>				
Assets:				
Cash and cash equivalents	\$ 39,742	\$ 400,403	\$ 371,475	\$ 68,670
Liabilities:				
Miscellaneous liabilities	\$ 39,742	\$ 400,403	\$ 371,475	\$ 68,670
<b>Sheriff's Fund</b>				
Assets:				
Cash and cash equivalents	\$ 18,641	\$ 542,715	\$ 522,936	\$ 38,420
Liabilities:				
Miscellaneous liabilities	\$ 18,641	\$ 542,715	\$ 522,936	\$ 38,420
<b>Fines and Forfeitures</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 263,094	\$ 263,094	\$ -
Liabilities:				
Intergovernmental payable	\$ -	\$ 263,094	\$ 263,094	\$ -
<b>Motor Vehicle Tax</b>				
Assets:				
Cash and cash equivalents	\$ 13,633	\$ 70,691	\$ 75,098	\$ 9,226
Liabilities:				
Intergovernmental payable- Cherokee Co BD of Ed.	\$ 13,633	\$ 68,844	\$ 73,745	\$ 8,732
Intergovernmental payable- State of NC	\$ -	\$ 1,847	\$ 1,353	\$ 494
Total	\$ 13,633	\$ 70,691	\$ 75,098	\$ 9,226
<b>Totals - All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 72,016	\$ 1,276,903	\$ 1,232,603	\$ 116,316
Liabilities:				
Miscellaneous liabilities	\$ 58,383	\$ 943,118	\$ 894,411	\$ 107,090
Intergovernmental payable	\$ 13,633	\$ 333,785	\$ 338,192	\$ 9,226
Total liabilities	\$ 72,016	\$ 1,276,903	\$ 1,232,603	\$ 116,316

## **Other Schedules**

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

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Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Schedules of Transfers

**Cherokee County, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2006**

Exhibit F - 1

Fiscal Year	Uncollected Balance June 30, 2005	Additions	Collections And Credits	Uncollected Balance June 30, 2006
2005 - 2006	\$	\$ 12,045,912	\$ 11,345,874	\$ 700,038
2004 - 2005	642,646		396,348	246,298
2003 - 2004	206,095		80,304	125,791
2002 - 2003	132,562		42,895	89,667
2001 - 2002	92,771		25,552	67,219
2000 - 2001	79,961		20,703	59,258
1999 - 2000	29,841	-	11,548	18,293
1998 - 1999	16,888	-	6,727	10,161
1997 - 1998	14,167	-	5,766	8,401
1996 - 1997	13,692	-	4,518	9,174
1995 - 1996	10,291	-	10,291	0
	<u>\$ 1,238,914</u>	<u>\$ 12,045,912</u>	<u>\$ 11,950,526</u>	<u>1,334,300</u>

Less: allowance for uncollectible accounts:

General Fund (547,278)

Ad valorem taxes receivable - net:

General Fund \$ 787,022

Reconciliation with revenues:

Ad valorem taxes - General Fund \$ 11,957,339

Reconciling items:

Interest collected (151,874)

Prior year Tax releases 134,140

Taxes written off 10,921

Total reconciling items (6,813)

Total collections and credits \$ 11,950,526



**Cherokee County, North Carolina**  
 Analysis of Current Tax Levy  
 County - wide Levy  
 For the Fiscal Year Ended June 30, 2006

Exhibit F - 2

	County - wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 2,193,076,731	\$ 0.52	\$ 11,403,999	\$ 10,496,448	\$ 907,551
Motor vehicles taxed at prior year's rate	16,167,692	0.52	84,072	-	84,072
Penalties	-		17,292	17,292	0
Total	<u>2,209,244,423</u>		<u>11,505,363</u>	<u>10,513,740</u>	<u>991,623</u>
Discoveries:					
Current year taxes	125,385,962	0.52	652,007	652,007	-
Abatements	<u>(21,434,231)</u>	0.52	<u>(111,458)</u>	<u>(91,563)</u>	<u>(19,895)</u>
Total property valuation	<u>\$ 2,313,196,154</u>				
Net levy			12,045,912	11,074,184	971,728
Uncollected taxes at June 30, 2006			<u>700,038</u>	<u>473,674</u>	<u>226,364</u>
Current year's taxes collected			<u>\$ 11,345,874</u>	<u>\$ 10,600,510</u>	<u>\$ 745,364</u>
Current levy collection percentage			<u>94.19%</u>	<u>95.72%</u>	<u>76.71%</u>

**Cherokee County, North Carolina**  
 Schedule of Transfers  
 For the Fiscal Year Ended June 30, 2006

	Transfers	
	From	To
<b>Operating Transfers From/To Other Funds</b>		
General Fund:		
Airport Improvement Fund		22,222
Debt Service Fund		383,561
911 fund		166,764
Detention Center Capital Project Fund		1,089,518
School Improvement Fund	16,681	
Wellness Center Fund	55,933	
Capital Projects Fund:		
School Improvement Fund		
General		16,681
Wellness Center Fund		
General		55,933
Airport Improvement Fund		
General	22,222	
Detention Center Capital Project Fund		
General	1,089,518	
Debt Service Fund		
General	383,561	
911 Fund		
General	166,764	
	\$ 1,734,679	\$ 1,734,679