Cherokee County, North Carolina

Financial Statements

June 30, 2025

Turner & Company CPAs P.A.
31 Peachtree Street ● Murphy, NC 28906 ● Phone (828) 837-8188 ● Fax (828) 837-5313

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Introductory Information

Cherokee County, North Carolina

List of Principal Officials as of July 15, 2026

(the Date of the Auditors' Report)

BOARD OF COUNTY COMMISSIONERS

Ben Adams - District 3 Commissioner, Chairman

Dr. Sue Ledford - District 4 Commissioner, Vice-Chair

Mark Stiles - District 2 Commissioner

Dr. Jeana Conley - District 1 Commissioner

Vacant - District 5 Commissioner

COUNTY OFFICIALS

Randy Wiggins - County Manager

Candy R. Anderson, CPA, CGMA - Chief Financial Officer

Maria Hass - Clerk to the Board/Assistant County Manager

Karen Wright - Register of Deeds

Teresa Ricks - Tax Assessor

Delenna Stiles - Tax Collector

Chris Wood - Sheriff

David Badger - Health Director

Amanda McGee - Director of Social Services

Leighsa R. Jones - Director of Elections

Financial Section

Turner & Company CPAs P.A.

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

Independent Auditors' Report

To the Board of Commissioners
Cherokee County, North Carolina

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2025, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States *(Government Auditing Standards).* Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Cherokee County Tourism Development Authority were not audited in accordance with *Government Auditing Standards.*

Change in Accounting Principle

As discussed in Note VIII to the financial statements, the County adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences* and implemented updated accounting and financial reporting guidance regarding the Opioid Settlement Funds. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 11, the Local Government Employees' Retirement System schedules of the County's Proportionate Share of Net Pension Liability (Asset) and the County Contributions, pages 57 and 58, the Register of Deeds' Supplemental Pension Fund schedules of the County's Proportionate Share of the Net Pension Asset and the County Contributions on pages 59 and 60, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 61 and 62, and the Other Post-Employment Benefits Schedules of Changes in the Total OPEB Liability and Related Ratios on page 63, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, budgetary schedules, and other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary schedules, other schedules, component unit schedules and the Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated July 15,2026, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina
July 15, 2026

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, 2025. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

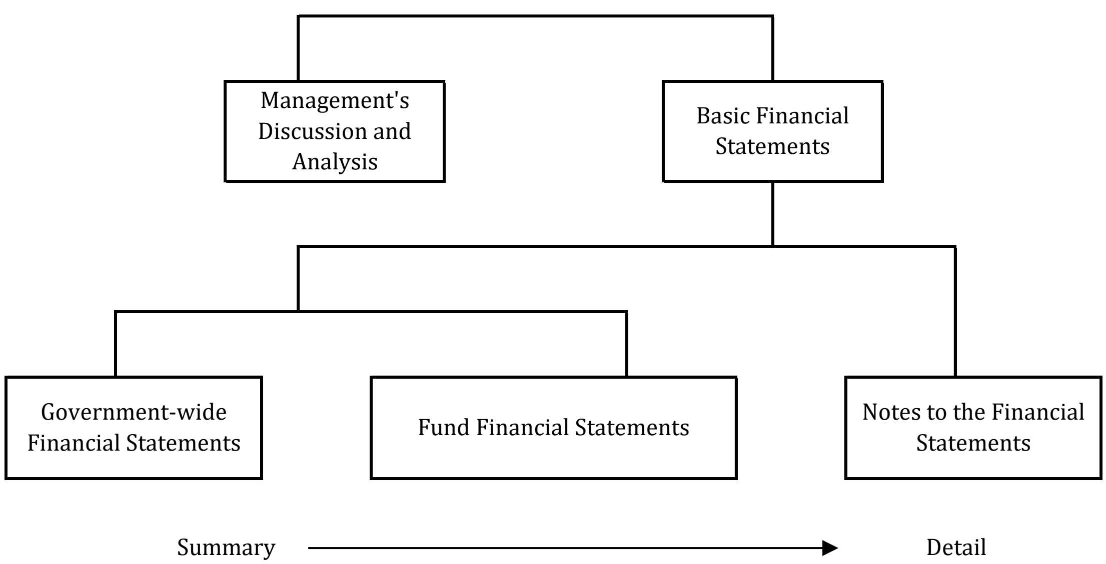
- The assets and deferred outflows of resources of Cherokee County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $70,250,969 *(net position).*
- The government's total net position increased by $8,282,026.
- As of the close of the current fiscal year, Cherokee County's governmental funds reported combined ending fund balances of $55,492,849, after a net increase in fund balance of $5,455,321. Approximately 35.76% of this total amount, or $19,859,347 is restricted or nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $14,855,092, or 27.55% of total General Fund expenditures for the fiscal year.
- The County's outstanding debt had a net decrease of $3,276,922 during the current fiscal year. The County incurred $16,317 of additional lease liabilities during the fiscal year. The primary factor in the net decrease in debt was the scheduled principal repayments.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements of Cherokee County: 1) the governmental funds statements; 2) the budgetary comparison statements; and 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 nonmajor 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 information about the County's pension plan and other post employment benefits.

Government-wide Financial Statements

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

The *statement of net position* presents information on all of the County's assets, liabilities, and deferred onflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, human services, culture and recreation, and education. The County has no business-type activities.

The final category is the component unit. The Cherokee County Tourism Development Authority was created to promote activities and programs, which encourage travel and tourism in the area, is a public authority under North Carolina Statutes and is governed by a seven-member appointed board of directors.

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

Fund Financial Statements

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

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

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

The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Fiduciary Funds – Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Cherokee County, North Carolina has three fiduciary funds, all of which are custodial 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.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information immediately follows the notes to the financial statements.

Government-Wide Financial Analysis

Cherokee County, North Carolina's Net Position

Figure 2

	Governmental Activities	
	2025	**2024**
Current and other assets	$ 70,198,056	$ 58,812,310
Capital assets	46,409,782	44,685,063
Deferred outflows of resources	7,013,652	8,811,413
Total assets and deferred outflows of resources	123,621,490	112,308,786
Long-term liabilities outstanding	39,509,896	43,016,487
Other liabilities	11,120,607	13,136,004
Deferred inflows of resources	2,740,018	2,367,137
Total liabilities and deferred inflows of resources	53,370,521	58,519,628
Net position:		
Net investment in capital assets	28,181,247	23,265,132
Restricted	19,769,959	13,643,836
Unrestricted	22,299,763	16,880,190
Total net position	$ 70,250,969	$ 53,789,158

As noted earlier, over time net position may serve as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the County exceeded liabilities by $70,250,969 as of June 30, 2025. The County's net position increased by $8,282,026 for the fiscal year ended June 30, 2025. One of the largest portions of net position is $28,181,247 (40.12%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the County's net position $19,769,959 (28.14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $22,299,763 (31.74%) is unrestricted.

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

- Diligence in the collection of property taxes was demonstrated by maintaining a tax collection percentage of 97.47%, excluding motor vehicles.
- The County has maintained stricter policies on spending and implemented cost saving measures.

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

	Governmental Activities	
	2025	**2024**
Revenues:		
Program revenues:		
Charges for services	$ 8,507,211	$ 8,533,944
Operating grants and contributions	8,186,825	6,875,436
Capital grants and contributions	1,940,772	43,746
General revenues:		
Property taxes	28,824,858	28,235,241
Other taxes	15,011,351	14,326,275
Grants and contributions not restricted to specific programs	2,116,029	2,295,918
Other	630,921	393,360
Total revenues	65,217,967	60,703,920
Expenses:		
General government	6,872,208	6,748,724
Public safety	20,390,706	18,239,974
Transportation	1,547,587	1,643,101
Economic and physical development	1,436,205	1,399,607
Environmental protection	2,879,518	2,714,055
Human services	11,339,004	11,460,532
Cultural and recreation	835,541	837,995
Education	11,610,636	9,349,458
Interest on long-term debt	24,536	28,355
Total expenses	56,935,941	52,421,801
Change in net position	8,282,026	8,282,119
Net position, beginning previously reported	53,789,158	45,507,039
Restatement	8,179,785	-
Net position, beginning as restated	61,968,943	45,507,039
Net position, ending	$ 70,250,969	$ 53,789,158

Governmental activities. Governmental activities increased the County's net position by $8,282,026. Key elements of this increase are as follows:

- There was an increase in the amount of revenue received from property taxes.
- Property taxes provided 44.20% of funding at $28,824,858.
- The County also received an increase in operating grants and contributions because of additional funds received from the National Opioid Settlement.
- The increase in other taxes was due to an increase in the amount of sales tax received.
- Governmental expenses decreased by 8.61%.

- The primary cause of the increase in net position was the increase in charges for services and property taxes, as well as a significant decrease in education expenses.
- During the fiscal year ended June 30, 2025, a fire resulted in a total loss of a mechanical building at the landfill. Cherokee County received $977,538 of insurance recovery proceeds, primarily related to the landfill fire and various vehicle and property claims. These recoveries helped offset the financial impact of the related asset impairments, repairs, cleanup, and replacement activities. Accordingly, the insurance proceeds had a favorable effect on the County's change in net position for the year by mitigating the impact of losses associated with these events and providing resources to support restoration and replacement efforts.

Financial Analysis of the County's Funds

As noted earlier, the 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, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the County's fund balance available in the General Fund was $43,121,166 while total fund balance reached $51,923,709. The Governing Body of Cherokee County has determined that the County should maintain an available fund balance of 8% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 79.84% of General Fund expenditures, while total fund balance represents 96.14% of the same amount.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased all revenues by $1,086,258. Budget amendments were made concurrently as facts and circumstances became known with revenue and expenditure streams.

Capital Asset and Debt Administration

Capital Assets. Cherokee County, North Carolina's capital assets for its governmental activities as of June 30, 2025, totals $46,409,782 (net of accumulated depreciation and amortization). These assets include land, construction in progress, buildings, improvements, equipment, vehicles, and right-to-use assets.

Major capital asset transactions during the year include the following:

Governmental Activities.

- Purchased servers and computer equipment for the Information Technology Department to be used in various
- Remodeled the Emergency Operations Center building.
- Purchased a trackhoe with bush hog attachment, dump trailer and mower for the Maintenance department.
- Completed Jury Box renovations in the big courtroom.
- Addition of construction in progress for the Senior Center/VA Building Construction Project.
- Purchased handheld radios and computer equipment for the Sheriff's Office.
- Purchased a message board with trailer for the Sheriff's Office.
- Purchased seven and equipped four vehicles for the Sheriff's Office.
- Purchased a vehicle for Detention.
- Purchased radio equipment, handheld radios, computers and a recording system for Central Communications.
- Purchased a vehicle for Emergency Management.
- Purchased two Advanced monitors/Defibrillators for Emergency Medical Services.
- Purchased six ambulances and two ambulance boxes for Emergency Medical Services.
- Addition of construction in progress for the EMS Station 2 Construction Project.
- Addition of construction in progress for the Rotating Beacon and Obstruction Light Replacement Project.

- Purchased two vehicles for Transit.
- Completed a kitchen renovation for Cooperative Extension.
- Purchased a vehicle for the Health Department.
- Completed a building project at the Health Department.
- Completed building improvements and purchased two vehicles for the Department of Social Services.
- Converted tennis courts to pickleball courts for Recreation.
- Addition of construction in progress for the Rock Gym ADA Bathrooms.
- Purchased a dump truck and three vehicles for the Landfill.
- Purchased four roll-off recycle drop boxes for the Landfill.

Construction commitments

The County has the following active construction projects as of June 30, 2025:

Project	Spent-to-date	Remaining Commitment
Rock Gym ADA Bathrooms	$ 163,703	$ 54,567
New Airfield Lighting, Signage, and Navaids	829,048	122,161
Total	$ 992,751	$ 176,728

Cherokee County, North Carolina's Capital Assets
(Net of depreciation/amortization)
Figure 4

	Governmental Activities	
	2025	**2024**
Capital assets:		
Capital assets not being depreciated		
Land	$ 7,530,324	$ 7,931,498
Construction in progress	2,381,994	1,306,401
Total capital assets not being depreciated	9,912,318	9,237,899
Land improvements	2,784,701	2,975,440
Buildings	20,701,769	21,291,246
Other improvements	5,453,626	5,787,625
Equipment	2,925,693	2,605,832
Software	5,855	8,197
Computers and electronic equipment	1,314,782	507,402
Vehicles and motorized equipment	2,857,388	1,686,747
Right-to-use assets:		
Leased land and buildings	182,236	198,803
Leased equipment, furniture and fixtures	16,803	3,673
IT subscriptions	254,611	382,283
Total capital assets	$ 46,409,782	$ 44,685,147

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

Long-Term Obligations. Debt totals include direct placement installment purchases, litigation settlement, leases, and IT subscription liabilities. As of June 30, 2025, Cherokee County had total debt outstanding of $18,271,297. The entire debt is backed by the full faith and credit of the County. Compensated absences and unpaid pension related debt are included in the total long-term obligations.

Cherokee County, North Carolina's Long-Term Obligations

Figure 5

	Governmental Activities	
	2025	**2024**
Direct placement installment purchases	$ 268,932	$ 509,878
Lease liabilities	215,055	212,999
IT subscription liabilities	215,881	325,342
Litigation settlement	17,571,429	20,500,000
Total debt outstanding	18,271,297	21,548,219
Landfill closure costs	7,896,520	7,784,237
Total OPEB liability	3,261,472	3,181,291
Compensated absences	1,871,781	1,606,099
Net pension liability (LGERS)	11,481,804	12,543,597
Total pension obligation (LEOSSA)	963,492	966,756
Total long-term obligations	$ 43,746,366	$ 47,630,199

The County's outstanding debt had a net decrease of $3,276,922 during the current fiscal year. The County incurred $16,317 of additional lease liabilities during the fiscal year. The primary factor in the net decrease in debt was the scheduled principal repayments.

Under State law, counties are fiscally responsible for providing and maintaining school buildings for the public school system and the community college. At June 30, 2025, the County had debt outstanding of $42,762 for these activities.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Cherokee County is about $320,433,569.

Additional information regarding Cherokee County, North Carolina's long-term debt can be found in Note III.B.7 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- At June 30, 2025, the County had an unemployment rate of 4.2%, which is higher than the statewide rate (not seasonally adjusted) of 4.0%.
- The County has maintained stricter policies on spending and implemented cost savings measures.
- Population estimates indicate continued growth.

Budget Highlights for the Fiscal Year Ending June 30, 2026

Governmental Activities:

- Property tax rate remained the same at $.61 per $100 of value
- No increase in fees
- $125,000 reduction in septic permitting revenues
- $260,000 increase in contractual IVC (Involuntary Commitment) Transportation costs for a total of $500,000 – a 108% increase
- $153,176 increase in contractual Jail Medical expense for a total of $378,800 – a 69% increase
- $270,621 for a digital file scanning project for DSS reimbursed by State funds at 60% for a net cost of $108,248
- $585,340 increase in County contribution to medical insurance premiums for County employees
- $400,000 appropriated as Contingency to address unexpected needs or opportunities

- $1,743,806 for the following major capital needs:
  - $386,667 for six new Sheriff vehicles (5 patrol, 1 Investigation) and associated upfitting
  - $144,500 for Phase 1 of the Hot House Road communications tower site repairs and maintenance
  - $590,000 for one ambulance remount and one fully new unit to maintain our replacement schedule
  - $199,613 for four Stryker LP35 Cardiac Monitors
  - $192,413 to replace our old CAT 315 with a new VOLVO 210 FL5 Track Hoe
  - $160,000 to replace our OTR dump truck with a used 2015 or newer model
  - $70,613 to upgrade the Martins Creek Convenience Site
- An increase in the Local Governmental Employees' Retirement System (LGERS) contribution rate of 13.67% to 14.43% for general employees and $15.04% to 16.08% for law enforcement officers. This resulted in an increase in retirement expense of approximately $149,472.

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:

Candy Anderson, CPA, CGMA - Chief Financial Officer
75 Peachtree Street, Murphy, NC 28906
candy.anderson@cherokeecounty-nc.gov
(828) 837-2130
www.cherokeecounty-nc.gov

Basic Financial Statements

Cherokee County, North Carolina
Statement of Net Position
June 30, 2025

	Primary Government	Component Unit
	Governmental Activities	Tourism Development Authority
ASSETS		
Cash and cash equivalents	$ 45,743,160	$ 2,043,902
Restricted cash	6,902,098	-
Investments	747,149	-
Receivables (net)	6,452,747	156,780
Due from other governments	4,116,093	-
Due from fiduciary fund	2,014	-
Inventories	26,873	-
Prepaid items	75,194	-
Restricted opioid receivables, net	6,085,181	-
Net pension asset	47,547	-
Capital assets:		
Land and construction in progress	10,821,049	-
Other capital assets, net of depreciation	35,135,083	179,187
Right-to-use assets, net of amortization	453,650	-
Total capital assets	46,409,782	179,187
Total assets	116,607,838	2,379,869
DEFERRED OUTFLOWS OF RESOURCES	7,013,652	-
LIABILITIES		
Accounts payable and accrued expenses	3,054,255	6,459
Accrued interest payable	16,911	-
Unearned revenue	3,812,971	-
Current portion of long-term liabilities	4,236,470	2,300
Long-term liabilities:		
Due in more than one year	39,509,896	2,447
Total long-term liabilities	39,509,896	2,447
Total liabilities	50,630,503	11,206
DEFERRED INFLOWS OF RESOURCES	2,740,018	-
NET POSITION		
Net investment in capital assets	28,181,247	179,187
Restricted for:		
General government	509,220	-
Transportation	5,357	-
Public safety	446,960	-
Opioid Settlement	2,821,770	-
Education	7,202,158	-
Register of Deeds' pension plan	47,547	-
Stabilization by State statute	8,689,618	156,780
Human services	47,329	-
Unrestricted (deficit)	22,299,763	2,032,696
Total net position	$ 70,250,969	$ 2,368,663

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

Exhibit 2

Cherokee County, North Carolina
Statement of Activities
For the Year Ended June 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
					Primary Government		Component Unit
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Total**	**Tourism Development Authority**
Primary government:							
Governmental Activities:							
General government	$ 6,872,208	$ 480,272	$ 2,714	$ -	$ (6,389,222)	$ (6,389,222)	
Public safety	20,390,706	3,956,756	698,320	33,588	(15,702,042)	(15,702,042)	
Transportation	1,547,587	641,729	380,170	1,175,506	649,818	649,818	
Economic and physical development	1,436,205	9,787	-	-	(1,426,418)	(1,426,418)	
Environmental protection	2,879,518	2,260,239	146,952	-	(472,327)	(472,327)	
Human services	11,339,004	1,058,560	5,324,765	567,975	(4,387,704)	(4,387,704)	
Cultural and recreation	835,541	1,180	-	163,703	(670,658)	(670,658)	
Education	11,610,636	98,688	1,633,904	-	(9,878,044)	(9,878,044)	
Interest on long-term debt	24,536	-	-	-	(24,536)	(24,536)	
Total governmental activities	$ 56,935,941	$ 8,507,211	$ 8,186,825	$ 1,940,772	(38,301,133)	(38,301,133)	
Component unit:							
Tourism Development Authority	$ 573,426	$ -	$ -	$ -			$ (573,426)
	General revenues:						
	Taxes:						
	Property taxes, levied for general purpose				28,824,858	28,824,858	-
	Local option sales tax				13,545,302	13,545,302	-
	Other taxes and licenses				1,466,049	1,466,049	799,127
	Grants and contributions not restricted to specific programs				2,116,029	2,116,029	-
	Investment earnings, unrestricted				180,544	180,544	-
	Miscellaneous, unrestricted				68,727	68,727	-
	Gain (loss) on insurance recovery				983,438	983,438	-
	Gain (loss) on sale of capital assets				(601,788)	(601,788)	-
	Total general revenues excluding transfers and special items				46,583,159	46,583,159	799,127
	Change in net position				8,282,026	8,282,026	225,701
	Net position, beginning as previously reported				53,789,158	53,789,158	2,144,278
	Restatement - change in accounting principle				8,179,785	8,179,785	(1,316)
	Net position, beginning				61,968,943	61,968,943	2,142,962
	Net position, ending				$ 70,250,969	$ 70,250,969	$ 2,368,663

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

Cherokee County, North Carolina
Balance Sheet - Governmental Funds
June 30, 2025

	Major				Nonmajor	
	General Fund	Capital Projects Fund	School Improvement Fund	Opioid Settlement Fund	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	$ 45,519,572	$ -	$ -	$ -	$ 223,588	$ 45,743,160
Restricted cash	214,665	3,590,541	-	2,821,770	275,122	6,902,098
Investments	747,149	-	-	-	-	747,149
Receivables, net						
Taxes	772,240	-	-	-	89,655	861,895
Accounts	3,764,087	163,703	476,078	-	694,451	5,098,319
Leases	437,555	-	-	-	-	437,555
Restricted opioid receivables, net	-	-	-	6,085,181	-	6,085,181
Due from other governments	4,116,093	-	-	-	-	4,116,093
Due from other funds	796,538	-	-	-	-	796,538
Inventories	26,873	-	-	-	-	26,873
Prepaid items	64,084	-	-	-	11,110	75,194
Total assets	$ 56,458,856	$3,754,244	$ 476,078	$ 8,906,951	$ 1,293,926	$ 70,890,055
LIABILITIES						
Accounts payable and accrued liabilities	$ 2,681,251	$ 451	$ 6,760	$ -	$ 365,793	$ 3,054,255
Due to other funds	-	-	466,776	-	327,748	794,524
Unearned revenue	293,276	3,244,573	-	-	275,122	3,812,971
Total liabilities	2,974,527	3,245,024	473,536	-	968,663	7,661,750
DEFERRED INFLOWS OF RESOURCES	1,560,620	-	-	6,085,181	89,655	7,735,456
FUND BALANCES						
Nonspendable:						
Inventories	26,873	-	-	-	-	26,873
Prepaid items	64,084	-	-	-	11,110	75,194
Leases	34,868	-	-	-	-	34,868
Restricted:						
Stabilization by State statute	8,676,718	-	-	-	12,900	8,689,618
General government	-	509,220	-	-	-	509,220
Public safety	270,701	-	-	-	176,259	446,960
Transportation	-	-	-	-	5,357	5,357
Human services	-	-	-	-	47,329	47,329
Opioid settlement funds	-	-	-	2,821,770	-	2,821,770
School capital outlay	7,199,616	-	-	-	-	7,199,616
School capital projects	-	-	2,542	-	-	2,542
Committed:						
Tax revaluation	212,542	-	-	-	-	212,542
School capital outlay	1,028,808	-	-	-	-	1,028,808
Education	3,342,844	-	-	-	-	3,342,844
Human services - social services	3,062,637	-	-	-	-	3,062,637
General government - capital outlay	5,854	-	-	-	-	5,854
Public safety - capital outlay	28,280	-	-	-	-	28,280
Economic and physical development	4,996	-	-	-	-	4,996
Working capital	7,806,036	-	-	-	-	7,806,036
Assigned:						
Subsequent year's expenditures	5,303,760	-	-	-	-	5,303,760
Unassigned:	14,855,092	-	-	-	(17,347)	14,837,745
Total fund balances	51,923,709	509,220	2,542	2,821,770	235,608	55,492,849
Total liabilities, deferred inflows of resources, and fund balances	$ 56,458,856	$3,754,244	$ 476,078	$ 8,906,951	$ 1,293,926	$ 70,890,055

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

Cherokee County, North Carolina
Balance Sheet - Governmental Funds
June 30, 2025

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

Fund balances - total governmental funds	$ 55,492,849
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	45,956,132
Right-to-use assets used in governmental activities are not financial resources and therefore are not reported in the funds.	453,650
Net pension asset	47,547
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the statement of net position.	2,344,353
Contributions and pension administration costs for OPEB are deferred outflows of resources on the statement of net position.	81,340
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	54,978
Other long-term assets of opioid settlement receivables that are not available to pay for current-period expenditures and therefore are unavailable in the funds.	6,085,181
Net pension liability	(11,481,804)
Total OPEB liability	(3,261,472)
Total pension liability	(963,492)
Deferred inflows of resources for taxes and special assessments receivable	861,895
Pension related deferrals	3,093,447
OPEB related deferrals	(457,126)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(28,056,509)
Net position of governmental activities	$ 70,250,969

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

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2025

	Major				Nonmajor	
	General Fund	Capital Projects Fund	School Improvement Fund	Opioid Settlement Fund	Other Governmental Funds	Total
REVENUES						
Ad valorem taxes	$25,914,895	$ -	$ -	$ -	$ 2,740,706	$28,655,601
Local option sales tax	13,545,302	-	-	-	-	13,545,302
Other taxes and licenses	1,466,049	-	-	-	-	1,466,049
Unrestricted intergovernmental	2,116,029	-	-	-	-	2,116,029
Restricted intergovernmental	6,324,404	765,266	1,606,015	-	1,460,492	10,156,177
Permits and fees	2,467,171	-	-	-	5,989	2,473,160
Sales and services	5,847,833	-	-	-	98,688	5,946,521
Opioid settlement funds	-	-	-	773,682	-	773,682
Investment earnings	164,534	8,608	-	6,750	652	180,544
Miscellaneous	122,866	-	-	-	-	122,866
Total revenues	57,969,083	773,874	1,606,015	780,432	4,306,527	65,435,931
EXPENDITURES						
Current:						
General government	6,086,790	-	-	-	354,563	6,441,353
Public safety	17,738,937	33,588	-	-	2,709,043	20,481,568
Transportation	1,221,912	-	-	-	1,159,529	2,381,441
Environmental protection	2,893,833	3,750	-	-	-	2,897,583
Economic and physical development	1,459,717	-	-	-	-	1,459,717
Human services	13,662,684	568,053	-	-	219,442	14,450,179
Cultural and recreational	696,547	163,703	-	-	-	860,250
Intergovernmental:						
Education	9,839,961	-	1,671,987	-	98,688	11,610,636
Debt service:						
Principal	365,639	-	-	-	-	365,639
Interest	32,970	-	-	-	-	32,970
Total expenditures	53,998,990	769,094	1,671,987	-	4,541,265	60,981,336
Excess (deficiency) of revenues over expenditures	3,970,093	4,780	(65,972)	780,432	(234,738)	4,454,595
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	-	-	-	-	9,785	9,785
Transfers to other funds	(9,785)	-	-	-	-	(9,785)
Lease liabilities issued	16,317	-	-	-	-	16,317
Proceeds from long-term debt	971	-	-	-	-	971
Insurance recovery	488,161	495,277	-	-	-	983,438
Total other financing sources (uses)	495,664	495,277	-	-	9,785	1,000,726
Net change in fund balances	4,465,757	500,057	(65,972)	780,432	(224,953)	5,455,321
Fund balances, beginning as previously reported	47,457,952	9,163	68,514	3,971	460,561	48,000,161
Prior period adjustment	-	-	-	2,037,367	-	2,037,367
Fund balances, beginning as restated	47,457,952	9,163	68,514	2,041,338	460,561	50,037,528
Fund balances, ending	$51,923,709	$ 509,220	$ 2,542	$ 2,821,770	$ 235,608	$55,492,849

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, 2025

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

Net changes in fund balances - total governmental funds		$ 5,455,321
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 and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.		
Capital outlay expenditures which were capitalized	5,616,559	
Depreciation expense for governmental assets	(3,104,888)	
		2,511,671
Right-to-use assets capital outlay expenditures which were capitalized	16,317	
Amortization expense for intangible assets	(147,426)	
		(131,109)
Cost of capital assets disposed of during the year, not recognized on modified accrual basis		(682,497)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities		2,344,353
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the statement of activities		81,340
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Amount of donated assets		26,570
Change in unavailable revenue for tax revenues		169,257
Change in unavailable revenue - other receivables		(714,732)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
New long-term debt issued		(17,288)
Principal payments on long-term debt		365,639
Change in accrued interest payable		8,434
Change in landfill closure costs		(112,283)
Change in litigation settlement		2,928,571
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(265,682)
Pension expense		(3,419,015)
OPEB plan expense		(266,524)
Total changes in net position of governmental activities		$ 8,282,026

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

Exhibit 6

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2025

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
Ad valorem taxes	$ 25,566,806	$25,566,806	$25,914,895	$ 348,089
Local option sales tax	11,873,472	12,028,472	13,545,302	1,516,830
Other taxes and licenses	1,503,800	1,503,800	1,466,049	(37,751)
Unrestricted intergovernmental	2,170,000	2,170,000	2,116,029	(53,971)
Restricted intergovernmental	6,252,941	7,179,929	6,324,404	(855,525)
Permits and fees	2,499,210	2,499,210	2,467,171	(32,039)
Sales and services	4,993,842	4,993,842	5,847,833	853,991
Investment earnings	121,500	121,500	164,071	42,571
Miscellaneous	124,500	128,770	122,866	(5,904)
Total revenues	55,106,071	56,192,329	57,968,620	1,776,291
EXPENDITURES				
Current:				
General government	6,417,856	6,719,329	6,012,576	706,753
Public safety	16,780,397	19,162,004	17,738,937	1,423,067
Transportation	1,466,966	1,895,270	1,221,912	673,358
Environmental protection	2,752,765	3,072,602	2,893,833	178,769
Economic and physical development	1,372,414	1,501,976	1,459,717	42,259
Human services	15,826,769	16,138,161	13,662,684	2,475,477
Cultural and recreational	716,810	867,582	696,547	171,035
Education	8,837,764	11,609,305	9,839,961	1,769,344
Debt service:				
Principal retirement	207,134	390,834	365,639	25,195
Interest and fees	9,350	29,850	32,970	(3,120)
Contingency	400,912	-	-	-
Total expenditures	54,789,137	61,386,913	53,924,776	7,462,137
Revenues over (under) expenditures	316,934	(5,194,584)	4,043,844	9,238,428
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(125,000)	(243,170)	(134,785)	108,385
Lease liabilities issued	-	-	16,317	16,317
Proceeds from long-term debt issued	-	-	971	971
Insurance recovery	15,000	58,474	488,161	429,687
Increase in fund balance	(5,054,656)	(5,054,656)	-	5,054,656
Total other financing sources (uses)	(5,164,656)	(5,239,352)	370,664	5,610,016
Fund balance appropriated	4,847,722	10,433,936	-	(10,433,936)
Net change in fund balances	$ -	$ -	4,414,508	$ 4,414,508
Fund balances, beginning			47,296,659	
Fund balances, ending			$51,711,167	

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

Exhibit 7

Cherokee County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2025

	Custodial Funds
ASSETS	
Cash and cash equivalents	$ 57,777
LIABILITIES AND NET POSITION	
LIABILITIES	
Due to primary government	2,014
Total liabilities	2,014
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	55,763
Total fiduciary net position	$ 55,763

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

Exhibit 8

Cherokee County, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2025

		Custodial Funds
ADDITIONS		
Ad valorem taxes collected for other governments	$	141,304
Collection on behalf of inmates		321,886
Collections for civil judgments		22,016
Total additions		485,206
DEDUCTIONS		
Tax distributions to other governments		141,304
Payments on behalf of inmates		320,639
Payments to satisfy civil judgments		22,016
Total deductions		483,959
Net increase (decrease) in fiduciary net position		1,247
Net position, beginning		54,516
Net position, ending	$	55,763

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

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I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Discretely Presented Component Unit

Cherokee County Tourism Development Authority

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (the County) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type-activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. The County had no business-type activities.

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 nonmajor 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. The Tax Revaluation Fund is a legally budgeted fund under North Carolina General Statutes and is consolidated into the General Fund in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54.

Capital Projects Fund. This fund accounts for the financial resources to be used for acquisition and construction for major capital facilities and capital projects within the County.

School Improvement Fund. This fund, which is reported as a capital project fund, is used to account for the construction of new school facilities and is financed by grant monies from the Needs-Based State Public School Building Capital Fund and transfers from the General Fund.

Opioid Settlement Fund. In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a $26 billion-dollar nationwide settlement related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The opioid settlement funds may support programs or services that serve persons with Opioid Use Disorder (OUD) or any co-occurring Substance Use Disorder (SUD) or mental health condition.

The County reports the following fund types:

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: the Municipal Tax Fund, which accounts for ad valorem and vehicle property taxes that are billed and collected by the County for various municipalities within the County but that are not revenues to the County, the Jail Inmate Pay Fund, which holds cash deposited for the benefit of incarcerated inmates, and the Sheriff's Civil Executions Fund, which accounts for monies collected by the Sheriff's office for civil judgments.

Nonmajor Funds. The County maintains eight legally budgeted nonmajor funds. The Emergency Telephone System Fund, Fire District Fund, Bear Paw Service District Fund, Representative Payee Fund, Fines and Forfeitures Fund, Deed of Trust Fund, and the Sheriff Grant Fund are reported as nonmajor special revenue funds. The Airport Improvement Projects Fund is reported as a nonmajor capital project fund.

During the course of operations, the County has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. Activity occurs during the year involving transfers of resources between funds, which are reported at gross amounts as transfers in/out. While these balances are reported in the fund financial statements, certain eliminations are made for the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Transfers between the funds included in governmental activities are eliminated so that only net amounts are included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only net amounts are included as transfers in the business-type activities column. In accordance with North Carolina General Statutes (NCGS), 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 custodial 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, (including lease and subscription liabilities), 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. Issuances of general long-term debt and acquisitions from leases and information technology subscriptions are reported as other financing sources.

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

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, 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 is both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Special Revenue Funds (excluding the Grant Project Funds). All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Grant Project Funds and the Capital Project Funds, which lapse at the end of each respective project.

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the County and the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper, bankers' acceptances, and mutual fund shares when the mutual fund is certified by the Local Government Commission. The County and the Authority's investments are generally reported at fair value.

North Carolina Capital Management Trust (NCCMT) Government Portfolio is an SEC-registered money market mutual fund that is certified by the Local Government Commission under the provisions of G.S. 159-30(c)(8) and the North Carolina Administrative Code, Title 20, Chapter 03, Section .0700. The Government Portfolio is a 2a-7 fund that invests in treasuries, government agencies, and repurchase agreements collateralized by treasuries. It is rated AAAm by S&P and AAA-mf by Moody's Investor Services and reported at fair value.

2. Cash and Cash Equivalents

The County pools money 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. The Authority considers demand deposits and investments with a maturity date of 90 days or less at time of purchase to be cash and cash equivalents.

3. Restricted Assets

Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. The unexpended grant proceeds that are restricted by revenue source are also classified as restricted assets. Money in the Opioid Settlement Fund is classified as restricted assets because its use is restricted per North Carolina's Memorandum of Agreement (MOA) between the state and local governments for the settlement funds.

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2024. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. **Leases Receivable**

The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

6. **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. For the Opioid Settlement receivable, the County has estimated an uncollectable allowance using the term over which the amounts are to be paid and the possibility of bankruptcies or going concern issues of the corporations' party to the settlement. The initial allowance estimate has been established as 10.00% of the present value of the outstanding receivable balance discounted at 3.00%.

7. **Inventories and Prepaid Items**

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

8. **Capital Assets**

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

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

The County's capital assets also include certain right-to-use assets. These right-to-use assets arise in association with agreements where the County reports a lease (only applies when the County is the lessee) or agreements where the County reports a Subscription Based Information Technology Agreement (SBITA).

The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right-to-use lease assets are amortized on a straight-line basis over the life of the related lease.

The right-to-use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right-to-use subscription assets are amortized on a straight-line basis over the subscription term.

Capital assets are depreciated/amortized over their useful lives on a straight-line basis as follows:

Asset Class	Estimated Useful Lives
Land improvements	10 - 20
Buildings	50
Other improvements	10 - 25

Equipment	10
Software	4
Computer and electronic equipment	4
Vehicles and motorized equipment	4
Right-to-use assets:	
Leased land and buildings	Lease Term
Leased equipment, furniture and fixtures	Lease Term
IT subscriptions	Subscription Term

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

Asset Class	Estimated Useful Lives
Buildings	50
Other improvements	10 - 25
Furniture and fixtures	7
Equipment	5
Vehicles	5

9. Unearned Revenue

The County reports unearned revenue on its government-wide and fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the County and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized.

10. Deferred Outflows/Inflows of Resources

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

11. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities on the statement of net position.

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

12. Compensated Absences

The County and the Authority recognize a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria above, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is recorded as incurred in the government-wide fund financial statements. A liability for compensated absences is recorded in the governmental funds, of the County, only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits where applicable.

The vacation policy of the County provides for the accumulation of up to thirty (30) days earned vacation leave, with such leave being fully vested when earned. Vacation leave over thirty days is transferred to an employee's sick leave balance at the end of each calendar year.

The vacation policy of the Authority provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The Authority considers 100% of vacation leave to be a short-term liability.

The County and the Authority's sick leave policies provide 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. Any unused sick leave accumulated for employees who leave the County or the Authority before retirement is forfeited.

13. Opioid Settlement Funds

The County, through a Memorandum of Agreement (MOA) with the State, is a party to certain opioid lawsuit and bankruptcy settlements. The amounts received and to be received are treated as exchange-like transactions. Per the MOA, the County created a special revenue fund, the Opioid Settlement Fund, to account for all activity. Unspent funds are reported as restricted.

14. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Prepaid items - portion of fund balance that is not an available resource because it represents payments to vendors for costs applicable to future accounting periods, which are not spendable resources.

Leases - portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

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

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute" defined as follows: "*Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.*" Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

Restricted for general government - portion of fund balance restricted by revenue source for future capital improvements.

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

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

Restricted for human services - portion of fund balance restricted by revenue source for the social services Share the Warmth Shareholder Grant and the portion of fund balance that can only be used to benefit beneficiaries under the Social Security's Representative Payee Program.

Restricted for opioid settlement - portion of fund balance that is restricted by revenue source for certain opioid abatement and remediation activities.

Restricted for school capital outlay - portion of fund balance restricted by revenue source for school capital outlay.

Restricted for school capital projects - portion of fund balance restricted by revenue source for school capital projects.

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

Committed for tax revaluation - portion of fund balance that can only be used for tax revaluation.

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

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

Committed for human services - social services - portion of fund balance that can only be used for adoption promotion, foster child assistance, social services trust expenditures, and lawsuit settlement payments.

Committed for general government - capital outlay - portion of fund balance that can only be used for the following future capital outlay expenditures: repairs and maintenance to the Cherokee County Fairgrounds and general building repairs and maintenance.

Committed for public safety - capital outlay - portion of fund balance that can only be used for rescue equipment expenditures for fire departments and armory renovations.

Committed for economic and physical development - portion of fund balance that can only be used for the cooperative extension.

Committed for working capital - portion of fund balance that can only be used to comply with the County's fund balance policy.

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

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

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

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

15. Defined Benefit Pension and OPEB Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due, and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. The County is required by State law to administer a public employee retirement system, a single employer defined benefit pension plan, to provide benefits to certain sworn law enforcement offices, the Law Enforcement Officers' Special Separation Allowance (LEOSSA). Investments for all plans are reported at fair value.

For purposes of measuring the net Healthcare Benefits Plan (OPEB: HCB) liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Healthcare Benefit Plan (HCB) and additions to/deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with the benefit terms. Investments for all plans are reported at fair value.

16. **Estimates**

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

E. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of $14,758,120 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds	$ 81,351,470
Less accumulated depreciation	(35,395,338)
Net capital assets	45,956,132
Right-to-use assets used in governmental activities are not financial resources and are therefore not reported in the funds	894,232
Less accumulated amortization	(440,582)
Net right-to-use assets	453,650
Net pension asset	47,547
Contributions to the pension plan in the current fiscal year	2,344,353
Contributions and pension administration costs for OPEB are deferred outflows of resources on the statement of net position	81,340
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	54,978
Other long-term assets of opioid settlement receivables that are not available to pay for current-period	6,085,181
Deferred inflows of resources for taxes and special assessments receivable	861,895
Pension related deferrals	3,093,447
OPEB related deferrals	(457,126)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, IT subscription liabilities, and installment financing	(699,868)
Compensated absences	(1,871,781)
Total OPEB liability	(3,261,472)
Landfill closure costs	(7,896,520)
Litigation settlement	(17,571,429)
Total pension liability	(963,492)
Net pension liability	(11,481,804)
Accrued interest payable	(16,911)
Total adjustment	$ 14,758,120

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of $2,826,705 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	$ 5,632,876
Depreciation and amortization expense, the allocation of those assets over their useful lives that is recorded on the statement of activities, but not in the fund statements	(3,252,314)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(682,497)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities - it affects only the government-wide statement of net position	(17,288)
Principal payments on debt owed are recorded as a use of funds on the fund statements, but again affect only the statement of net position in the government-wide statements	365,639
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	2,344,353
Contributions to the OPEB plan in the current fiscal year are not included on the statement of activities	81,340
Change in the current fiscal year landfill closure cost is not included on the statement of activities	(112,283)
Change in the current fiscal year litigation settlement is not included on the statement of activities	2,928,571
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
OPEB expense	(266,524)
County's portion of collective pension expense	(3,419,015)
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	8,434
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(265,682)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Fair value of assets donated that is not recorded in the fund statements but is recorded in the government-wide statements	26,570
Change in deferred inflows of resources - taxes receivable - at end of year	155,294
Change in deferred inflows of resources - other receivable - at end of year	(714,732)
Change in accrued taxes receivable at end of year	13,963
Total adjustment	$ 2,826,705

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

The audited financial statements were not submitted timely as required by State law, G.S. 159-34(a). The delay was primarily due to Finance Office staff turnover and vacancies, which increased workloads, along with increased grant activity, greater demand for County services, and the implementation of new accounting requirements. The delayed prior-year audit further compounded the timing of the current-year submission. Additional time was also needed by the audit firm due to the early retirement of key audit staff and implementation of GASB Statement No. 101, *Compensated Absences.* Management and the Board will continue working with the audit firm to ensure timely audit submission in future years.

2. Contractual Violations

None Noted.

B. Deficit in Fund Balance of Individual Funds Not Appropriated in Subsequent Year's Budget Ordinance

None Noted.

C. Excess of Expenditures over Appropriations

None Noted.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2025, the County's deposits had a carrying amount of $52,699,546 and a bank balance of $52,847,729. Of the bank balance, $316,198 was covered by federal depository insurance, and $52,531,531 in deposits was covered by collateral held under the Pooling Method. At June 30, 2025, Cherokee County had $1,475 cash on hand.

Also, at June 30, 2025, the deposits of the Authority, had a carrying value of $1,813,920 and a bank balance of $2,049,525. Of the bank balance $250,000 was covered by federal depository insurance, and $1,799,525 was covered by collateral held under the Pooling Method.

Restricted cash and cash equivalents consisted of the following as of June 30, 2025:

Governmental Activities			
General Fund	Tax revaluation	$	214,665
EMS Station Capital Projects Fund	Unexpended grant proceeds		3,590,541
Opioid Settlement Fund	Unexpended settlement proceeds		2,821,770
Sheriff Grant Fund	Unexpended grant proceeds		275,122
Total Governmental Activities Restricted Cash		$	6,902,098

2. Investments

As of June 30, 2025, the County had the following investments and maturities:

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months	6 - 12 Months
NC Capital Management Trust:				
Government Portfolio	Fair Value - Level 1	$ 747,149	N/A	N/A
Total		$ 747,149		

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

Level of fair value hierarchy: Level 1 debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

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

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2025.

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

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

Year Levied	Deferred Value	Tax	Interest	Total
2022	$ 132,150,240	$ 806,116	$ 245,865	$ 1,051,981
2023	134,107,910	818,058	175,882	993,940
2024	135,023,350	823,642	102,955	926,597
2025	135,167,060	824,519	28,858	853,377
		$ 3,272,335	$ 553,560	$ 3,825,895

4. **Receivables**

Receivables at the government-wide level at June 30, 2025, were as follows:

	Accounts Receivable	Taxes Receivable	Accrued Interest	Lease	Total
Governmental Activities:					
General	$ 3,818,261	$ 950,084	$ 54,978	$ 437,555	$ 5,260,878
Other governmental	1,334,232	89,655	-	-	1,423,887
Total receivables	5,152,493	1,039,739	54,978	437,555	6,684,765
Allowance for doubtful accounts	(54,174)	(177,844)	-	-	(232,018)
Total governmental activities	$ 5,098,319	$ 861,895	$ 54,978	$ 437,555	$ 6,452,747

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

Local option sales tax	$ 3,751,712
Scrap tire tax	14,416
Solid waste disposal tax	6,568
Utility sales tax	7,154
Sales tax refund	336,243
Total	$ 4,116,093

In July 2022, the County entered into a lease with Cellco Partnership dba Verizon Wireless (tenant). Under the lease, the tenant pays the County in exchange for the use of the County's real property located at 9285 US Highway 64, Murphy, NC. The lessee was required to make monthly fixed payments of $1,100 per month for 56 months; $1,265 per month for 60 months; $1,455 per month for 60 months; $1,673 per month for 60 months; and $1,924 per month for 60 months. There are no variable components in the lease. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 4.85%.

The County recognized revenue of $1,735 and $11,465 of interest revenue under the lease for the fiscal year ended June 30, 2025.

In July 2022, the County entered into a lease with Murphy Health and Fitness, LLC (tenant). Under the lease, the tenant pays the County in exchange for the use of the County's real property located at 695 Connahetta Street, Murphy, NC. The lessee was required to make monthly fixed payments of $1,500 per month for 231 months. There are no variable components in the lease. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 4.85%.

The County recognized revenue of $7,986 and $10,014 of interest revenue under the lease for the fiscal year ended June 30, 2025.

Discretely presented component unit

Cherokee County Tourism Development Authority's receivables consist of occupancy taxes of $156,780 at June 30, 2025. Management expects all accounts receivable to be collected; therefore, no allowance for doubtful accounts has been recorded.

5. **Capital Assets**

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2025, was as follows:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Governmental Activities:					
Capital assets not being depreciated					
Land	$ 7,931,498	$ -	$ -	$ 401,174	$ 7,530,324
Construction in progress	1,306,401	2,082,388	(908,731)	98,064	2,381,994
Total capital assets not being depreciated	9,237,899	2,082,388	(908,731)	499,238	9,912,318
Capital assets being depreciated					
Land improvements	3,699,643	-	-	16,646	3,682,997
Buildings	32,338,903	16,309	-	-	32,355,212
Other improvements	17,037,137	285,621	47,058	267,164	17,102,652
Equipment	5,646,787	842,963	-	267,094	6,222,656
Software	290,339	-	-	-	290,339
Computers and electronic equipment	2,345,541	313,396	861,673	250,903	3,269,707
Vehicles and motorized equipment	7,971,024	2,102,452	-	1,557,887	8,515,589
Total capital assets being depreciated	69,329,374	3,560,741	908,731	2,359,694	71,439,152
Less accumulated depreciation for:					
Land improvements	724,203	184,566	-	10,473	898,296
Buildings	11,047,657	605,786	-	-	11,653,443
Other improvements	11,249,512	602,285	-	202,771	11,649,026
Equipment	3,040,955	440,489	-	184,481	3,296,963
Software	282,142	2,342	-	-	284,484
Computers and other electronic equipment	1,838,139	361,439	-	244,653	1,954,925
Vehicles and motorized equipment	6,284,277	907,981	-	1,534,057	5,658,201
Total accumulated depreciation	34,466,885	3,104,888	-	2,176,435	35,395,338
Total capital assets being depreciated, net	34,862,489				36,043,814
Capital assets being amortized					
Right-to-use assets:					
Leased land and buildings	248,504	-	-	-	248,504
Leased equipment, furniture and fixtures	9,970	16,317	-	-	26,287
IT subscriptions	619,441	-	-	-	619,441
Total capital assets being amortized	877,915	16,317	-	-	894,232
Less accumulated amortization for:					
Right-to-use assets:					
Leased land and buildings	49,701	16,567	-	-	66,268
Leased equipment, furniture and fixtures	6,297	3,187	-	-	9,484
IT subscriptions	237,158	127,672	-	-	364,830
Total accumulated amortization	293,156	147,426	-	-	440,582
Total capital assets being amortized, net	584,759				453,650
Governmental activities capital assets, net	$ 44,685,147				$ 46,409,782

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

General government	$ 535,714
Public safety	1,377,003
Transportation	456,973
Economic and physical development	28,059
Human services	209,616
Environmental protection	523,672
Cultural and recreational	121,277
Total depreciation expense	$ 3,252,314

Construction commitments

The County has the following active construction projects as of June 30, 2025:

Project	Spent-to-date	Remaining Commitment
Rock Gym ADA Bathrooms	$ 163,703	$ 54,567
New Airfield Lighting, Signage, and Navaids	829,048	122,161
Total	$ 992,751	$ 176,728

Discretely presented component unit

Capital asset activity for the Cherokee County Tourism Development Authority for the year ended June 30, 2025, was as follows:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Capital assets being depreciated					
Buildings	$ 162,551	$ -	$ -	$ -	$ 162,551
Building improvements	54,626	-	-	-	54,626
Total capital assets being depreciated	217,177	-	-	-	217,177
Less accumulated depreciation for:					
Buildings	27,092	3,251	-	-	30,343
Building improvements	5,646	2,001	-	-	7,647
Total accumulated depreciation	32,738	5,252	-	-	37,990
Total capital assets being depreciated, net	184,439				179,187
Component unit capital assets, net	$ 184,439				$ 179,187

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2025, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	$ 1,690,176	$ 991,075	$ 2,681,251
Other governmental	331,552	41,452	373,004
Total governmental activities	$ 2,021,728	$ 1,032,527	$ 3,054,255

Discretely presented component unit

As of June 30, 2025, the Cherokee County Tourism Development Authority's payables consisted of vendor payables.

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2025, was 15.04% of compensation for law enforcement officers and 13.60% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were $2,340,826 for the year ended June 30, 2025.

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

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

At June 30, 2025, the County reported a liability of $11,481,804 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2025, the County's proportion was 0.17032% (measured as of June 30, 2024), which was a decrease of 0.01908% from its proportion as of June 30, 2024 (measured as of June 30, 2023).

For the year ended June 30, 2025, the County recognized pension expense of $3,300,057. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,012,047	$ 13,528
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,560,944	-
Changes in proportion and differences between County contributions and proportionate share of contributions	112,208	623,407
County contributions subsequent to the measurement date	2,340,826	-
Total	$ 6,026,025	$ 636,935

$2,340,826 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	$ 995,685
2027	2,038,929
2028	190,148
2029	(176,498)
2030	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.05 percent
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The assumptions used in the December 31, 2023 actuarial valuation was based on the experience study prepared as of December 31, 2019, and adopted by the Board of Trustees on January 28, 2021.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2025 are summarized in the following table:

Asset Class	**Long-Term Expected Real Rate of Return**
Fixed Income	0.9%
Global Equity	6.5%
Real Estate	5.9%
Alternatives	8.2%
Opportunistic Fixed	5.0%
Inflation Sensitive	2.7%
Total	

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022 and is part of the asset liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
County's proportionate share of the net pension liability (asset)	$ 20,346,093	$ 11,481,804	$ 4,189,707

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

b. <u>Law Enforcement Officers' Special Separation Allowance</u>

1. Plan Description

Cherokee County administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2023, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	40
Total	42

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

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

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2023 valuation. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.28 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality Rates:

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths After Retirement *(Healthy):* Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

Deaths After Retirement *(Disabled Members at Retirement):* Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 years for all ages.

Deaths After Retirement *(Survivors of Deceased Members):* Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are Set Forward 3 years. Rates for female members are Set Forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

Deaths Prior to Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

4. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid $13,215 in benefits during the reporting period.

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

At June 30, 2025, the County reported a total pension liability of $963,492. The total pension liability was measured as of December 31, 2024 based on a December 31, 2023 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the County recognized pension expense of $124,803.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 126,086	$ 78,991
Changes of assumptions	79,705	98,565
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	$ 205,791	$ 177,556

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	$ 28,919
2027	7,517
2028	(12,048)
2029	14,291
2030	(6,169)
Thereafter	(4,275)

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 4.28 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.28 percent) or 1-percentage-point higher (5.28 percent) than the current rate:

	1% Decrease (3.28%)	Discount Rate (4.28%)	1% Increase (5.28%)
Total Pension Liability	$ 1,049,129	$ 963,492	$ 886,132

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

Total pension liability as of December 31, 2023	$ 966,756
Changes for the year:	
Service cost	61,302
Interest on the total pension liability	38,406
Differences between expected and actual experience in the measurement	(66,641)
Changes of assumptions or other inputs	(23,116)
Benefit payments	(13,215)
Net changes	(3,264)
Total pension liability as of December 31, 2024	$ 963,492

Changes of assumptions. Since the Prior Measurement Date, the Discount Rate has changed from 4.00% to 4.28% due to a change in the Municipal Bond Rate.

Changes in Benefit Terms. There are no changes in benefit terms since the Prior Measurement Date.

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2019.

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

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

The County contributed $110,674 for the year ended June 30, 2025. No amounts were forfeited.

d. Registers of Deeds' Supplemental Pension Fund

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

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were $3,527 for the year ended June 30, 2025.

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

At June 30, 2025, the County reported an asset of $47,547 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2025, the Board's proportion was 0.4126% (measured as of June 30, 2024), which was an increase of 0.0091% from its proportion as of June 30, 2024 (measured as of June 30, 2023).

For the year ended June 30, 2025, the County recognized pension expense of $7,370. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,044	$ 850
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	18,362	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,608
County contributions subsequent to the measurement date	3,527	-
Total	$ 22,933	$ 2,458

$3,527 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	$ 7,839
2027	7,376
2028	1,667
2029	66
2030	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	3.00 percent, net of pension plan investment expense, including inflation

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

The assumptions used for the December 31, 2023 actuarial valuation are based on the experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

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

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

The information in the preceding table is based on 30-year expectations developed with the consulting actuary as part of a study conducted in early 2022, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 3.00%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.00 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00 percent) or 1-percentage-point higher (4.00 percent) than the current rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
County's proportionate share of the net pension (liability) asset	$ 31,504	$ 47,547	$ 61,061

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

e. <u>Pension Liabilities, Expense, and Related Deferred Outflows of Resources and Deferred Inflows of Resources</u>

The net pension liability (asset) for LGERS and RODSPF was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2024, with an actuarial valuation date of December 31, 2023. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	**RODSPF**	**LEOSSA**	**Total**
Proportionate Share of Net Pension Liability (Asset)	$11,481,804	$ (47,547)	n/a	$11,434,257
Proportion of the Net Pension Liability (Asset)	0.17032%	0.41263%	n/a	n/a
Total Pension Liability	n/a	n/a	$ 963,492	$ 963,492
Pension Expense	$ 3,300,057	$ 7,370	$ 111,588	$ 3,419,015

At June 30, 2025, the County reported deferred outflows and inflows of resources related to pensions from the following:

<u>Deferred Outflows of Resources</u>	**LGERS**	**RODSPF**	**LEOSSA**	**Total**
Differences between expected and actual experience	$ 2,012,047	$ 1,044	$ 126,086	$ 2,139,177
Changes of assumptions	-	-	79,705	79,705
Net difference between projected and actual earnings on pension plan investments	1,560,944	18,362	-	1,579,306
Changes in the proportion and differences between County contributions and proportionate share of contributions	112,208	-	-	112,208
County contributions (LGERS, RODSPF)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	2,340,826	3,527	-	2,344,353

Deferred Inflows of Resources				
Differences between expected and actual experience	$ 13,528	$ 850	$ 78,991	$ 93,369
Changes of assumptions	-	-	98,565	98,565
Changes in proportion and differences between County contributions and proportionate share of contributions	623,407	1,608	-	625,015

f. Other Postemployment Benefit

Healthcare Benefits

Plan Description. Under the terms of a County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The County Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. The HCB plan provides healthcare benefits to retirees. Full-time employees and elected officials that retire (under early, normal or disabled retirement conditions) from the North Carolina Local Government Employees' Retirement System (NCLGERS), and have thirty (30) years of service with the County immediately prior to retirement are eligible to continue coverage in the County's Group Health Plan. The County pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the County's group rates. Retirees who qualify for coverage receive the same benefits as active employees. The County will provide coverage to eligible retirees through the Group Health Plan until the retiree reaches Medicare eligibility age. Benefits end once the retiree reaches Medicare eligibility age. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2024, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive members entitled to but not yet receiving benefits	-
Active plan members	289
Total	297

Total OPEB Liability

The County's total OPEB liability of $3,261,472 was measured as of June 30, 2024 and was determined by a biennial actuarial valuation as of June 30, 2024.

Actuarial assumptions and other inputs. The total OPEB liability was determined based on an actuarial valuation as of June 30, 2024, using the following key actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	0.75 percent
Salary increases	3.25 to 8.41 percent, including wage inflation (General Employees)
	3.25 to 7.90 percent, including wage inflation (Law Enforcement Officers)
Discount	3.65 percent
Healthcare cost trend rates:	
Pre-Medicare medical and prescription drug	7.00 percent for 2024 decreasing to an ultimate rate of 4.50% by 2034
Dental	3.50 percent

The County selected a Municipal Bond Index Rate equal to the Bond Buyer 20 Year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

Changes in the Total OPEB Liability

Total OPEB Liability as of June 30, 2023	$ 3,181,291
Changes for the year	
Service cost	181,206
Interest	121,300
Differences between expected and actual experience	(153,969)
Changes in assumptions or other inputs	10,783
Net benefit	(79,139)
Net changes	80,181
Total OPEB Liability as of June 30, 2024	$ 3,261,472

Since the Prior Measurement Date, the Discount Rate has changed from 3.65% to 3.93% due to a change in the Municipal Bond Index Rate.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2024 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2024 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.93 percent) or 1-percentage-point higher (4.93 percent) than the current discount rate:

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Total OPEB liability	$ 3,678,595	$ 3,261,472	$ 2,897,466

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	$ 2,822,568	$ 3,261,472	$ 3,796,494

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year end June 30, 2025, the County recognized OPEB expense of $266,524. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 235,111	$ 809,590
Changes of assumptions	442,452	325,099
Benefit payments and administrative costs made subsequent to the measurement date	81,340	-
Total	$ 758,903	$ 1,134,689

$81,340 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2026	$ (34,865)
2027	(34,865)
2028	(34,865)
2029	(65,992)
2030	(96,042)
Thereafter	(190,497)

g. **Other Employment Benefits**

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits.

Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to his/her 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 payrolls, 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.

The County also provides a $15,000 death benefit to full-time employees. For the fiscal year ended June 30, 2025, the County made contributions for death benefits of $5,655.

h. **Deferred Compensation Plan**

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

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

State and federal laws and regulations require the County to place a final cover on its Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $7,896,520 reported as landfill closure and postclosure care liability at June 30, 2025 represents a cumulative amount reported to-date based on the use of 59.28 percent of the total estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and post closure care in 2024. The County expects to close the landfill facility in approximately 2030. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

4. **Deferred Outflows and Inflows of Resources**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience (Pensions, OPEB)	$ 2,374,288	$ 902,959
Net difference between projected and actual investment earnings (Pensions, OPEB)	1,579,306	-
Change in proportion and difference between employer contributions and proportionate share of contributions (Pensions)	112,208	625,015
Change in assumptions (Pensions, OPEB)	522,157	423,664
Contributions to pension plan subsequent to measurement date (LGERS, RODSPF)	2,344,353	-
Benefit payments for the OPEB plan paid subsequent to the measurement date	81,340	-
Prepaid taxes not yet earned (General)	-	385,693
Leases (General)	-	402,687
Taxes receivable, net (General), less penalties	-	772,240
Taxes receivable, net (Special Revenue)	-	89,655
Opioid settlement receivables, net (Special Revenue - restricted)	-	6,085,181
Total	$ 7,013,652	$ 9,687,094

5. **Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners Joint Risk Management Agency.

Through these pools, the County obtains property coverage equal to the replacement cost of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of $2 million per occurrence; auto physical damage for owned autos at actual cash value; crime coverage of $250,000 per occurrence; and workers' compensation coverage up to the statutory limits.

All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County. The pools are audited annually by certified public accountants, and audited financial statements are available to the County upon request.

Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of $500,000, up to a $2 million limit for liability coverage, and single occurrence losses in excess of $750,000 for worker's compensation.

Through the captive, the Liability and Property Pool is reinsured for $2 million of annual aggregate losses in excess of $250,000 per occurrence for property, auto physical damage and crime coverage, with additional limits of $498 million purchased through a group of commercial carriers through the multi-state public entity captive.

For medical and dental insurance, the County is reinsured through a commercial carrier for individual losses in excess of $85,000 and aggregate annual losses in excess of $2,926,596.

In accordance with G.S. 159-29, County's employees who have access to $100 or more of the County's funds at any given time are performance bonded through commercial crime coverage with a $250,000 occurrence limit. Individuals holding positions requiring statutory bonds are covered elsewhere. The Chief Financial Officer is bonded for $1,000,000. The Tax Collector is bonded for $100,000. The Register of Deeds is bonded for $10,000. The Sheriff is bonded for $25,000.

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.

Discretely presented component unit

Cherokee County Tourism Development Authority

In accordance with G.S. 159-29, the Chief Financial Officer of Cherokee County Tourism Development Authority is performance bonded through a commercial surety bond for $80,000. This bond is a separate individual bond to protect the Authority and that names the Authority as obligee or beneficiary. This bond is in addition to the bond on the Chief Financial Officer that names the County as obligee.

6. **Claims, Judgments and Contingent Liabilities**

At June 30, 2025, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters cannot be reasonably estimated. As a result, no amount has been accrued as a loss contingency at this time.

7. **Long-Term Obligations**

a. **Leases**

The County has entered into agreements to lease certain property and equipment under GASB 87. The related right-to-use assets are discussed in more detail in the Capital Asset section III.A.5. of this note.

Serviced by the County's General Fund

In July 2021, County entered into a 15-year lease agreement for 125' X 125' section of property for placement of a necessary communications tower to be used by emergency services and law enforcement. An initial lease liability was recorded in the amount of $248,504 and requires five annual payments of $18,000; followed by five annual payments of $20,700; then five annual payments of $23,804. The lease liability is measured at a discount rate of 3.25%.	$	197,943
In July 2021, County entered into a 57-month lease agreement for a postage meter to be used by the Social Services department. An initial lease liability was recorded in the amount of $9,970 and requires monthly payments of $189. The lease liability is measured at a discount rate of 3.25%.		1,678

In March 2025, County entered into a 4-year lease agreement for a large-format specialty printer to be used by the Land Records - Geographic Information Systems (GIS) department. An initial lease liability was recorded in the amount of $16,317 and requires monthly payments of $395. The lease liability is measured at a discount rate of 7.50%.	15,434
	$ 215,055

The future minimum lease obligations and the net present value of these payments as of June 30, 2025, were as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 16,947	$ 7,488	$ 24,435
2027	18,633	6,802	25,435
2028	19,418	6,016	25,434
2029	19,052	5,198	24,250
2030	16,117	4,583	20,700
2031 - 2035	101,832	14,089	115,921
2036 - 2040	23,056	749	23,805
Total	$ 215,055	$ 44,925	$ 259,980

b. Subscriptions

The County has entered into Subscription-Based Information Technology Arrangements (SBITAs) under GASB 96. The related right-to-use assets are discussed in more detail in the Capital Asset section III.A.5. of this note.

Serviced by the County's General Fund

In July 2022, the County entered into a five-year subscription for the use of Huntress Labs Inc.'s security awareness training software. An initial subscription liability was recorded in the amount of $37,606. The County is required to make annual fixed payments of $8,250. The subscription has an interest rate of 4.85%.	$ 15,373
In July 2022, the County entered into a five-year subscription for the use of Logan Systems, Inc.'s permanent record software. An initial subscription liability was recorded in the amount of $231,396. The County is required to make monthly fixed payments of $4,333. The subscription has an interest rate of 4.85%.	98,925
In August 2022, the County entered into a five-year subscription for the use of Service Commander Software, Inc.'s jury management software. An initial subscription liability was recorded in the amount of $11,713. The County is required to make annual fixed payments of $2,600. The subscription has an interest rate of 5.50%.	4,800
In September 2022, the County entered into a five-year subscription for the use of GoTo's remote monitoring and management software. An initial subscription liability was recorded in the amount of $23,420. The County is required to make annual fixed payments of $5,220. The subscription has an interest rate of 5.73%.	9,607
In August 2022, the County entered into a five-year subscription for the use of Environmental Systems Research Institute, Inc.'s GIS mapping software. An initial subscription liability was recorded in the amount of $57,666. The County is required to make annual fixed payments of $12,800. The subscription has an interest rate of 5.50%.	23,633
In July 2022, the County entered into a 50-month subscription for the use of CureMD.com, Inc.'s health information software. An initial subscription liability was recorded in the amount of $35,835. The County is required to make monthly fixed payments of $793. The subscription has an interest rate of 4.85%.	10,773
In July 2022, the County entered into a five-year subscription for the use of Information Inc's daysheets hosting software. An initial subscription liability was recorded in the amount of $20,914. The County is required to make annual fixed payments of $4,588. The subscription has an interest rate of 4.85%.	8,549

In November 2022, the County entered into a five-year subscription for the use of Xcomm's IT communications software. An initial subscription liability was recorded in the amount of $15,676. The County is required to make annual fixed payments of $3,570. The subscription has an interest rate of 6.95%.	6,459
In May 2023, the County entered into a four-year subscription for the use of Zix's secure email software. An initial subscription liability was recorded in the amount of $50,381. The County is required to make annual fixed payments of $14,126. The subscription has an interest rate of 8.23%.	13,052
In November 2022, the County entered into a five-year subscription for the use of DroneSense's comprehensive drone management system. An initial subscription liability was recorded in the amount of $14,930. The County is required to make annual fixed payments of $3,400. The subscription has an interest rate of 6.95%.	6,152
In June 2023, the County entered into a five-year subscription for the use of LeadsOnline's investigation data management software. An initial subscription liability was recorded in the amount of $16,200. The County is required to make annual fixed payments of $3,773. The subscription has an interest rate of 8.25%.	6,706
In January 2023, the County entered into a five-year subscription for the use of SurTec's Casper intelligence gathering solutions software. An initial subscription liability was recorded in the amount of $17,184. The County is required to make annual fixed payments of $3,951. The subscription has an interest rate of 7.50%.	7,094
In January 2023, the County entered into a five-year subscription for the use of WasteWORKS' waste management software. An initial subscription liability was recorded in the amount of $11,526. The County is required to make annual fixed payments of $2,650. The subscription has an interest rate of 7.50%.	4,758
	$ 215,881

At June 30, 2025, the future minimum subscription obligations and the net present value of these payments were:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2026	$ 115,723	$ 10,721	$ 126,444
2027	100,158	4,231	104,389
Total	$ 215,881	$ 14,952	$ 230,833

c. <u>Installment Purchases</u>

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

Governmental Activities

Serviced by the County's General Fund

On November 30, 2005, the County entered into a $565,507 direct placement contract with North Carolina Department of Environmental and Natural Resources for water improvements. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 30 annual principal payments of $28,275, plus interest at 2.205%, and matures on May 1, 2026.	$ 28,275
On December 28, 2010, the County entered into a $1,216,000 direct placement contract with Branch Banking & Trust Company for the acquisition of the Department of Social Services Building. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 15 annual principal payments of $81,066, plus interest at 5.50%, and matures on December 28, 2025.	81,076

On December 28, 2010, the County entered into a $184,000 direct placement contract with Branch Banking & Trust Company for the acquisition of the Department of Social Services Building. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 15 annual principal payments of $12,266, plus interest at 5.50%, and matures on December 28, 2025.	12,275
On December 21, 2010, the County entered into a $1,282,886 direct placement contract with Bank of America, N.A. for the Andrews High School Renovation. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 30 semi-annual payments of $42,763, plus interest at 5.67%, and matures on December 21, 2025. This is a Qualified School Construction Bond and interest paid is refundable.	42,762
On July 7, 2023, the County entered into a $172,945 direct placement contract with Axon Enterprises, Inc. for the purchase of tasers and docks for the Sheriffs Department. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 5 annual payments of $34,589, including interest at 0%, and matures on September 7, 2027.	103,767
On December 1, 2024, the County entered into a $971 direct placement contract with Axon Enterprises, Inc. for the purchase of an additional taser and dock for the Sheriffs Department. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 5 annual payments of $194, including interest at 0%, and matures on November 1, 2028.	777
	$ 268,932

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

	Governmental Activities	
	Principal	Interest
Year Ending June 30,		
2026	$ 199,171	$ 6,949
2027	34,783	-
2028	34,783	-
2029	195	-
Total	$ 268,932	$ 6,949

Debt Related to Capital Activities - Of the total Governmental Activities debt listed, only $226,170 relates to assets the County holds title to. There is no unspent restricted cash related to this debt at June 30, 2025.

d. Litigation Settlement

In 2018 and 2019, twenty-six (26) separate lawsuits were filed against Cherokee County and former county employees regarding the use of Custody and Visitation Agreements by the Cherokee County Department of Social Services to place children outside of their parent's homes until they were 18 years old without Court approval. The suits alleged violations of the Constitutional rights of the parents and the children involved, as well as violations of state law regarding abused, neglected and dependent juveniles. On June 29, 2022, the Cherokee County Board of Commissioners approved a settlement agreement to resolve the pending actions against the County. Cherokee County and the NCACC Liability and Property Pool will pay a global settlement. Cherokee County will pay $24.5 million over a period of 8 years, with the first payment due February 15, 2023, in the amount of $4 million, and the seven remaining annual payments in the amount of $2,928,571 due on July 15, 2024 through July 15, 2030.

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

	Governmental Activities	
	Principal	Interest
Year Ending June 30,		
2026	$ 2,928,571	$ -
2027	2,928,572	-
2028	2,928,571	-
2029	2,928,572	-
2030	2,928,571	-
2031 - 2032	2,928,572	-
Total	$ 17,571,429	$ -

e. **Long-term Obligation Activity**

Primary Government

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2025:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Government Activities:					
Direct placement installment purchases	$ 509,878	$ 971	$ 241,917	$ 268,932	$ 199,171
Lease liabilities	212,999	16,317	14,261	215,055	16,947
IT subscription liabilities	325,342	-	109,461	215,881	115,723
Landfill closure costs	7,784,237	112,283	-	7,896,520	-
Litigation settlement	20,500,000	-	2,928,571	17,571,429	2,928,571
Compensated absences	1,606,099	1,297,763	1,032,081	1,871,781	976,058
Net pension liability (LGERS)	12,543,597	-	1,061,793	11,481,804	-
Total pension obligation (LEOSSA)	966,756	-	3,264	963,492	-
Total OPEB liability	3,181,291	80,181	-	3,261,472	-
Total government activities	$ 47,630,199	$ 1,507,515	$5,391,348	$ 43,746,366	$ 4,236,470

Net pension liability, total pension liability, and net other postemployment liability for governmental activities are all typically liquidated in the General Fund. Compensated absences for governmental activities typically have been liquidated in the General Fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

At June 30, 2025, the County had a legal debt margin of $320,433,569.

Discretely presented component unit

The following is a summary of changes in the Authority's long-term obligations for the fiscal year ended June 30, 2025:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Government Activities:					
Compensated absences	1,316	10,021	6,590	4,747	2,300
Total government activities	$ 1,316	$ 10,021	$ 6,590	$ 4,747	$ 2,300

C. **Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2025, consisted of the following:

Due to the General Fund from:	
Fire District Fund	$ 8,753
Bear Paw Service District Fund	220
Custodial Municipal Tax Fund	2,014
Airport Improvement	318,775
School Improvement	466,776
Total	$ 796,538

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

Transfers to/from other funds June 30, 2025, consisted of the following:

From the General Fund to the Airport Improvement Fund for the County match contribution per grant agreement	$ 9,785
From the General Fund to the Revaluation Fund to provide resources for the next property revaluation	$ 125,000
Total	$ 134,785

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

D. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2025, was computed as follows:

Capital assets, net of accumulated depreciation	$ 46,409,782
Less capital debt:	
Gross debt (excluding compensated absences)	18,271,297
Less:	
School debt related to assets to which the County does not hold title	42,762
Total capital debt	18,228,535
Net investment in capital assets	$ 28,181,247

E. Fund Balance

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

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

Total fund balance - General Fund	**$ 51,923,709**
Less:	
Inventories	26,873
Prepaid items	64,084
Stabilization by State statute	8,676,718
Public safety	270,701
School capital outlay	7,199,616
Tax revaluation	212,542
School capital outlay	1,028,808
Education	3,342,844
Human services - social services	3,062,637
General government - capital outlay	5,854
Public safety - capital outlay	28,280
Economic and physical development	4,996
Appropriated fund balance in 2026 budget	5,303,760
Working capital/ fund balance policy	7,806,036
Remaining fund balance	14,889,960

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

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The County had no outstanding encumbrances at year-end.

IV. Opioid Settlement Funds

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a $26 billion nationwide settlement related to multiple opioid lawsuits. These funds are disbursed to each participating State over an 18-year period according to an allocation agreement reached with participating States. The majority of the funds must be used for opioid abatement and remediation activities and programs and the distribution of the funds is front loaded. The North Carolina MOA between the State and local governments allocates funds 15% to the State, 80% to local governments, and 5% to a County incentive fund.

The County received $773,682 in the current fiscal year, had no expenditures, and, per the MOA, accounts for the amounts in a special revenue fund, the Opioid Settlement Fund (major fund).

In July 2025, Secondary Opioid Manufacturer Settlements were reached with Lavigne Inc., Anneal Pharmaceuticals LLC, Aponte Corp., Hikma Pharmaceuticals USA, Indivior Inc., Sun Pharmaceutical Industries Inc., and Zydus Pharmaceuticals Inc. A settlement was also reached with Purdue Pharma L.P.'s bankruptcy plan for $7.4 billion. The Secondary Settlements are subject to the terms of the existing MOA with the State.

V. Joint Ventures

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 governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements. In accordance with the intergovernmental agreement between the participating governments, the County appropriated $217,645 to the Library to supplement its activities for the fiscal year ended June 30, 2025. Complete financial statements for the Library can be obtained from the Library's office at 101 Blumenthal Street, Murphy, NC 28906.

Tri-County Community College

The County has a commitment to help fund Tri-County Community College with two other local governments. The County appoints eight members to the board of the College. The County has an ongoing financial responsibility for the joint venture because the College's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the College, so no equity interest has been reflected in the financial statements. The County has an ongoing financial responsibility for the college because of statutory responsibilities to provide funding for the College's facilities. The County contributed $961,530 during the fiscal year June 30, 2025. Complete financial statements for the College may be obtained from the College's administrative offices at 21 Campus Circle, Murphy, NC 28906.

VI. Jointly Governed Organizations

Southwestern North Carolina Planning and Economic Development Commission

The County, in conjunction with six other counties, seventeen municipalities, and the Eastern Band of Cherokee Indians, established the Southwestern North Carolina Planning and Economic Development Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. The County paid membership fees of $23,613 to the Commission during the fiscal year ended June 30, 2025. The County was the subrecipient of a grant for $340,574 from the Division of Aging of the North Carolina Department of Human Resources, which was passed through the Commission.

Vaya Health

The County participates in a jointly governed organization to operate Region 1 of Vaya Health with six other county governments. Vaya Health is a public managed care organization that oversees Medicaid, federal, state and local funding for services and supports related to mental health, substance use disorder and intellectual/developmental disabilities. Each county within the region appoints up to two members to the Regional Board, one of whom must be an elected county commissioner and one of whom may be either a county commissioner, county manager, social services director, public health director, or law enforcement representative. The County does not have an ongoing financial interest or ongoing financial responsibility. The County contributed $75,000 to Vaya Health during the fiscal year ended June 30, 2025.

VII. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

The County has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies 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 monies.

VIII. Change in Accounting Principle

For the year ended June 30, 2025, the financial statements include the adoption of GASB Statement No. 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This change restated and reduced beginning net position of governmental activities in the government-wide statements by $657,579.

In the prior fiscal year, the County received money from the Opioid Settlement. At that time, the appropriate accounting and financial reporting guidance was thought to be that for government-mandated and voluntary non-exchange transactions, as such revenue recognition could only occur when all eligibility requirements were met. The incurrence of qualifying expenditures was among the eligibility requirements. The County did not incur any qualifying expenditures during the fiscal year ended June 30, 2024. Accordingly, no revenue was recognized. See Note IV, Opioid Settlement Funds, for further discussion of this nationwide settlement.

During the fiscal year ending June 30, 2025, the conclusion for the appropriate accounting and financial reporting guidance evolved. Instead of a single approach being applicable to the activity, there was realization that the approach needed to be more nuanced. Based on the facts and circumstances of the different distribution methods of the funds, it was determined that the appropriate guidance is either that for exchange and exchange-like transactions or that for government-mandated or voluntary nonexchange transactions.

After reviewing the method through which the County received the resources, it was determined that the activity should have followed the guidance for exchange and exchange-like transactions. As a result, during fiscal year ending June 30, 2025, it was necessary for the County to record prior period adjustments for a change in accounting principle.

As an exchange/exchange-like transaction the County should have recognized revenue when they obtained a legal claim to the resources. For the opioid settlement the County obtains a claim to the resources on an accrual basis as settlements are finalized. On the modified accrual basis of accounting the resources must also be measurable and available for revenue recognition to occur.

In the prior years, the County received cash payments totaling $2,037,367. This amount qualified for revenue recognition on both an accrual and modified accrual basis of accounting. It was also necessary to determine if any additional revenue should have been recognized on an accrual basis during the fiscal year ended June 30, 2024. Given that settlements had reached $26 billion in fiscal year 2023, it was necessary to determine the portion of that amount related to the County and recognize an additional prior period adjustment for that amount.

Following are the prior period adjustments:

Accrual Basis of Accounting:		
Governmental Activities Net position, beginning as previously reported		$ 53,789,158
Prior period adjustment - change in accounting principle:		
Capital asset understatement	84	
GASB 101 Compensated absences	(657,579)	
Revenue for cash received	2,037,367	
County's share of North Carolina's unpaid aggregate settlements through fiscal year ended June 2024, net of allowance for uncollectible accounts of 613,931.	6,799,913	
Net prior period adjustment		8,179,785
Governmental Activities Net position, beginning as restated		$ 61,968,943

Modified Accrual Basis of Accounting:	Opioid Settlement Fund	Total Governmental Funds
Fund balances, beginning, as previously reported	$ 3,971	$ 48,000,161
Prior period adjustment - change in accounting principle:		
Revenue for cash received that was measurable and available	2,037,367	2,037,367
Fund balances, beginning as restated	$ 2,041,338	$ 50,037,528

IX. New Accounting Pronouncements

Pronouncements effective for the 2025 Financial Statements:

In June 2022, the GASB issued Statement No. 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures.* The objective of this Statement is to provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

Pronouncements issued, but not yet effective, which will be adopted by the County in future years. As of the date of this report, the County has not determined the financial impact of implementing the following Statements:

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements.* The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets.* The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

X. <u>Significant Effects of Subsequent Events</u>

The County has evaluated events and transactions that occurred between June 30, 2025 and July 15, 2026, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2025.

1. In July 2025, the Board accepted the sole bid in the amount of $485,000 for the 59 Hiwassee Street property.
2. In August 2025, the Board awarded the bid for the Senior/VA facility project to Place Services, Inc., the lowest bid, in the amount of $8,776,634. They also amended the Capital Project Ordinance and approved a budget amendment in the amount of $6,593,288 for this project.
3. In August 2025, the Board awarded the bid for the EMS Station 2 renovation project to Wells and West, Inc., the lowest bid, in the amount of $1,088,000. They also amended the Capital Project Ordinance and approved a budget amendment in the amount of $633,500 for this project.
4. In August 2025, the Board approved a Memorandum of Agreement between Cherokee County and Integrated Care of Greater Hickory for Substance Use Disorder Treatment Program. The program will be funded with opioid settlement dollars, and is 3-year phased approach. Services will include peer support specialists, treatment of substance use disorder, mobile medical services, and recovery housing placement.
5. In October 2025, the Board approved a Grant Project Ordinance for the Opioid Settlement Program.
6. In October 2025, the Board awarded the Airport Rotating Beacon and Obstruction Lights project to R.G. Tenney Electric, Inc. in the amount of $439,100.
7. In October 2025, the Board deeded the respective properties to Wolf Creek VFD and Culberson VFD.
8. In January 2026, the Board approved a proposal for furnishings for Senior/VA Facility in the amount of $344,906.
9. In January 2026, the Board approved a Capital Project Ordinance for Andrews Elementary School roof replacement and related engineering services and signed an agreement with REI Engineers.
10. In January 2026, the Board approved a Resolution to Convey old armory property to TCCC.
11. In February 2026, the Board accepted Sheriff Dustin Smith's resignation and declared a vacancy in the Office of Sheriff.
12. In February 2026, the Board approved a contract extension for the county attorney, extending the contract through July 1, 2029 and adding an additional $15,000 base salary for providing services to DSS.
13. In February 2026, the Board appointed Chris Ellington Wood as Sheriff.
14. In February 2026, the Board accepted resignations of Commissioners Cal Stiles and Dan Eichenbaum.
15. In March 2026, the County completed a budget revision for payout of former county attorney contract and interim counsel costs in the amount of $183,615.
16. In March 2026, the Board signed a Representation agreement with Teague Campbell to serve as Interim County Attorney.

Required Supplementary Financial Data

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

Local Governmental Employees' Retirement System

- Schedule of Proportionate Share of Net Pension Liability (Asset)
- Schedule of Contributions

Register of Deeds' Supplemental Pension Fund

- Schedule of Proportionate Share of Net Pension Liability (Asset)
- Schedule of Contributions

Law Enforcement Officers' Special Separation Allowance

- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

Other Postemployment Benefits

- Schedule of Changes in the Total OPEB Liability and Related Ratios

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
County's proportion of the net pension liability (asset) %	0.1703%	0.1894%	0.1914%	0.1741%	0.1809%	0.1776%	0.1833%	0.1814%	0.1960%	0.1753%
County's proportionate share of the net pension liability (asset) $	$11,481,804	$12,543,597	$10,797,129	$ 2,669,531	$ 6,463,970	$ 4,849,298	$ 4,349,215	$ 2,771,748	$ 4,160,625	$ 786,781
County's covered-employee payroll	$16,021,589	$17,149,387	$15,177,779	$12,971,650	$12,284,289	$11,915,323	$11,400,549	$10,989,470	$11,208,552	$10,145,989
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	71.66%	73.14%	71.14%	20.58%	52.62%	40.70%	38.15%	25.22%	37.12%	7.75%
Plan fiduciary net position as a percentage of the total pension liability **	83.30%	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%

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

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 2,340,826	$ 2,083,069	$ 1,962,740	$ 1,733,334	$ 1,325,298	$ 1,110,737	$ 934,147	$ 866,150	$ 814,234	$ 763,586
Contributions in relation to the contractually required contribution	2,340,826	2,083,069	1,962,740	1,733,334	1,325,298	1,110,737	934,147	866,150	814,234	763,586
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
County's covered-employee payroll	$14,776,563	$16,021,589	$17,149,387	$15,177,779	$12,971,650	$12,284,289	$11,915,323	$11,400,549	$10,989,470	$11,208,552
Contributions as a percentage of covered- employee payroll	15.84%	13.00%	11.44%	11.42%	10.22%	9.04%	7.84%	7.60%	7.41%	6.81%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
County's proportion of the net pension liability (asset) %	0.4126%	0.4035%	0.3951%	0.3720%	0.3687%	0.3406%	0.4001%	0.3629%	0.3823%	0.3797%
County's proportionate share of the net pension liability (asset) $	$ (47,547)	$ (48,492)	$ (52,317)	$ (71,480)	$ (84,487)	$ (67,235)	$ (66,275)	$ (61,938)	$ (71,484)	$ (87,985)
Plan fiduciary net position as a percentage of the total pension liability **	133.61%	135.74%	139.04%	156.53%	173.62%	164.11%	153.31%	153.77%	160.17%	197.29%

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

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 3,527	$ 3,550	$ 3,601	$ 4,530	$ 4,465	$ 3,530	$ 3,237	$ 3,424	$ 3,153	$ 3,124
Contributions in relation to the contractually required contribution	3,527	3,550	3,601	4,530	4,465	3,530	3,237	3,424	3,153	3,124
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Cherokee County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Beginning balance	$ 966,756	$ 706,894	$ 771,531	$ 777,973	$ 394,606	$ 371,464	$ 372,964	$ 367,600	$ 338,197
Service cost	61,302	55,375	65,269	66,418	43,666	32,465	37,738	29,990	34,449
Interest on the total pension liability	38,406	30,182	17,259	14,981	12,864	13,494	11,685	14,066	11,960
Changes of benefit terms		-	-	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(66,641)	162,534	68	(59,338)	64,591	(34,792)	(27,798)	(63,368)	-
Changes of assumptions or other inputs	(23,116)	24,986	(138,279)	(24,973)	262,246	13,450	(16,734)	31,067	(10,615)
Benefit payments	(13,215)	(13,215)	(8,954)	(3,530)	-	(1,475)	(6,391)	(6,391)	(6,391)
Other changes		-	-	-	-	-	-	-	-
Ending balance of the total pension liability	$ 963,492	$ 966,756	$ 706,894	$ 771,531	$ 777,973	$ 394,606	$ 371,464	$ 372,964	$ 367,600

The amounts presented for each fiscal year were determined as of the prior December 31.

Cherokee County, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total pension liability	$ 963,492	$ 966,756	$ 706,894	$ 771,531	$ 777,973	$ 394,606	$ 371,464	$ 372,964	$ 367,600
Covered payroll	2,173,688	2,138,987	1,839,506	1,624,075	1,687,189	1,459,468	1,529,513	1,399,494	1,521,291
Total pension liability as a percentage of covered payroll	44.33%	45.20%	38.43%	47.51%	46.11%	27.04%	24.29%	26.65%	24.16%

Notes to the schedule:

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

Cherokee County, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	$ 181,206	$ 180,183	$ 267,201	$ 265,125	$ 209,009	$ 191,659	$ 146,446	$ 160,159
Interest	121,300	113,298	79,809	69,540	113,638	101,799	77,865	68,178
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(153,969)	(68,223)	(276,248)	93,358	(803,597)	137,932	389,971	(28,429)
Changes of assumptions	10,783	(42,513)	(425,214)	219,455	447,790	140,766	17,857	(156,930)
Benefit payments	(79,139)	(43,161)	(62,688)	(139,473)	(106,642)	(195,026)	(209,860)	(33,326)
Net change in total OPEB liability	80,181	139,584	(417,140)	508,005	(139,802)	377,130	422,279	9,652
Total OPEB liability - beginning	3,181,291	3,041,707	3,458,847	2,950,842	3,090,644	2,713,514	2,291,235	2,281,583
Total OPEB liability - ending	$ 3,261,472	$ 3,181,291	$ 3,041,707	$ 3,458,847	$ 2,950,842	$ 3,090,644	$ 2,713,514	$ 2,291,235
Covered payroll	13,748,600	13,191,654	13,191,654	11,249,347	11,249,347	9,974,969	9,974,969	9,903,685
Total OPEB liability as a percentage of covered payroll	23.72%	24.12%	23.06%	30.75%	26.23%	30.98%	27.20%	23.14%

Notes to the Schedule:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal year	Rate
2018	3.56%
2019	3.89%
2020	3.50%
2021	2.21%
2022	2.16%
2023	3.54%
2024	3.65%
2025	3.93%

Combining and Individual Fund Statements and Schedules

Major Governmental Funds

The County has the following major governmental funds:

General Fund – This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

Special Revenue Funds:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Opioid Settlement Fund – In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a $26 billion-dollar nationwide settlement related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The opioid settlement funds may support programs or services that serve persons with Opioid Use Disorder (OUD) or any co-occurring Substance Use Disorder (SUD) or mental health condition.

Capital Project Funds:

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

Capital Projects Fund – This fund accounts for the financial resources used for the acquisition and construction of major capital facilities and capital projects within the County. Current projects accounted for in this fund include the construction of a main EMS station; a new EMS station to serve the western portion of the County; a new building to house the Senior Center and Veterans Services; and the installation of air conditioning and insulation in the Rock Gym, along with the renovation and addition of ADA-compliant bathrooms. These projects are financed by grant funds from the State Capital Infrastructure Fund (SCIF). The fund also accounts for the permitting and construction of a new Mechanic's Building to be utilized by the Cherokee County Solid Waste Department in Marble, North Carolina, which is financed by insurance proceeds and the County.

School Improvement Fund – This fund is used to account for the construction of new school facilities (i.e. School of Innovation and Technology).

Cherokee County, North Carolina
General Fund - Consolidated
Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2025

	General Fund	Revaluation Fund	Eliminations	Total
REVENUES				
Ad valorem taxes	$ 25,914,895	$ -	$ -	$ 25,914,895
Local option sales tax	13,545,302	-	-	13,545,302
Other taxes and licenses	1,466,049	-	-	1,466,049
Unrestricted intergovernmental	2,116,029	-	-	2,116,029
Restricted intergovernmental	6,324,404	-	-	6,324,404
Permits and fees	2,467,171	-	-	2,467,171
Sales and services	5,847,833	-	-	5,847,833
Investment earnings	164,071	463	-	164,534
Miscellaneous	122,866	-	-	122,866
Total revenues	57,968,620	463	-	57,969,083
EXPENDITURES				
Current:				
General government	6,012,576	74,214	-	6,086,790
Public safety	17,738,937	-	-	17,738,937
Transportation	1,221,912	-	-	1,221,912
Environmental protection	2,893,833	-	-	2,893,833
Economic and physical development	1,459,717	-	-	1,459,717
Human services	13,662,684	-	-	13,662,684
Cultural and recreational	696,547	-	-	696,547
Intergovernmental:				
Education	9,839,961	-	-	9,839,961
Debt service:				
Principal	365,639	-	-	365,639
Interest	32,970	-	-	32,970
Total expenditures	53,924,776	74,214	-	53,998,990
Excess (deficiency) of revenues over expenditures	4,043,844	(73,751)	-	3,970,093
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	125,000	(125,000)	-
Transfers to other funds	(134,785)	-	125,000	(9,785)
Lease liabilities issued	16,317	-	-	16,317
Proceeds from long-term debt	971	-	-	971
Insurance recovery	488,161	-	-	488,161
Total other financing sources (uses)	370,664	125,000	-	495,664
Net change in fund balances	4,414,508	51,249	$ -	4,465,757
FUND BALANCES				
Fund balances, beginning	47,296,659	161,293		47,457,952
Fund balances, ending	$ 51,711,167	$ 212,542		$ 51,923,709

Exhibit 4

A legally budgeted Revaluation Fund is consolidated into the General Fund for reporting purposes.

Cherokee County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance Over (Under)
REVENUES			
Ad valorem taxes:			
Current year taxes		$ 25,683,520	
Penalties and interest		231,375	
Total	$ 25,566,806	25,914,895	$ 348,089
Local option sales taxes:			
Article 39 one percent		5,770,231	
Article 40 one-half of one percent		3,011,968	
Article 42 one-half of one percent		2,921,253	
Article 44 one-half of one percent		336,825	
Article 46 one-quarter of one percent		1,505,025	
Total	12,028,472	13,545,302	1,516,830
Other taxes and licenses:			
Register of deeds - excise tax		571,510	
Car rental tax		5,840	
Local occupancy tax		823,842	
Solid waste disposal tax		29,091	
Franchise tax		32,961	
Civil licenses		2,805	
Total	1,503,800	1,466,049	(37,751)
Unrestricted intergovernmental:			
Payments in lieu of taxes		2,011,734	
Beer and wine tax		104,295	
Total	2,170,000	2,116,029	(53,971)
Restricted intergovernmental:			
ABC bottle fees		15,844	
Court facility fees		28,580	
Controlled substance tax		31,567	
Health department grants		18,750	
Health department state revenues		735,596	
Juvenile Crime Prevention		106,076	
Other grants		461,561	
Transportation ROAP		145,898	
Senior Center		219,915	
Social Services		4,110,889	
Tire disposal tax grant		62,411	
Transportation		359,428	
US Forest Service Timber		27,889	
Total	7,179,929	6,324,404	(855,525)

Cherokee County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance Over (Under)
Permits and fees:			
Building permits		389,873	
Fire arm permits		30,890	
Fire inspections		8,565	
Landfill user fees		1,576,650	
Precious metal permits		580	
Register of deeds		229,173	
Water and septic permits		231,440	
Total	2,499,210	2,467,171	(32,039)
Sales and services:			
Ambulance fees		2,383,444	
Aviation gas sales		98,610	
Health department fees		971,740	
Landfill tipping fees		374,381	
Jet fuel sales		328,762	
Other sales		167,793	
Personnel fees		134,252	
Rents, concessions, and fees		59,090	
Sheriff & jail fees		1,115,404	
Transportation fees		214,357	
Total	4,993,842	5,847,833	853,991
Investment earnings	121,500	164,071	42,571
Miscellaneous:			
ABC Store distributions		70,384	
Other		52,482	
Total	128,770	122,866	(5,904)
Total revenues	56,192,329	57,968,620	1,776,291
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits		311,554	
Operating expenditures		61,448	
Total	415,036	373,002	42,034
Administration:			
Salaries and employee benefits		277,560	
Operating expenditures		4,227	
Total	286,127	281,787	4,340
Board of Elections:			
Salaries and employee benefits		279,997	
Operating expenditures		80,570	
Total	417,532	360,567	56,965

Cherokee County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance Over (Under)
Information technology:			
Salaries and employee benefits		435,410	
Operating expenditures		340,368	
Capital outlay		83,633	
Total	947,916	859,411	88,505
Finance:			
Salaries and employee benefits		527,783	
Operating expenditures		129,425	
Total	795,399	657,208	138,191
Tax assessor:			
Salaries and employee benefits		469,366	
Operating expenditures		148,969	
Total	646,567	618,335	28,232
Tax collector:			
Salaries and employee benefits		193,025	
Operating expenditures		158,222	
Total	359,023	351,247	7,776
Land records (GIS):			
Salaries and employee benefits		236,259	
Operating expenditures		29,200	
Capital outlay		16,317	
Total	301,274	281,776	19,498
Register of deeds:			
Salaries and employee benefits		200,195	
Operating expenditures		369,848	
Total	687,883	570,043	117,840
Public buildings:			
Salaries and employee benefits		530,997	
Operating expenditures		239,731	
Capital outlay		258,657	
Total	1,208,267	1,029,385	178,882
Court facilities:			
Operating expenditures		39,891	
Total	47,955	39,891	8,064
Central services:			
Salaries and employee benefits		9,072	
Operating expenditures		580,852	
Total	606,350	589,924	16,426
Total general government	6,719,329	6,012,576	706,753

Cherokee County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance Over (Under)
Public safety:			
Sheriff:			
Salaries and employee benefits		3,707,900	
Operating expenditures		757,605	
Capital outlay		476,983	
Total	5,162,982	4,942,488	220,494
Jail:			
Salaries and employee benefits		2,056,818	
Operating expenditures		1,754,997	
Capital outlay		30,281	
Total	3,891,299	3,842,096	49,203
Ambulance service:			
Salaries and employee benefits		4,145,891	
Operating expenditures		606,743	
Capital outlay		1,456,799	
Total	6,813,545	6,209,433	604,112
911 addressing:			
Salaries and employee benefits		93,159	
Operating expenditures		19,674	
Total	119,658	112,833	6,825
Emergency communications:			
Salaries and employee benefits		818,041	
Operating expenditures		125,740	
Capital outlay		41,932	
Total	1,246,162	985,713	260,449
Emergency management:			
Salaries and employee benefits		220,242	
Operating expenditures		369,786	
Capital outlay		47,568	
Total	816,269	637,596	178,673
Code enforcement:			
Salaries and employee benefits		449,585	
Operating expenditures		28,070	
Total	496,131	477,655	18,476
Fire inspections:			
Salaries and employee benefits		55,730	
Operating expenditures		5,249	
Total	64,420	60,979	3,441

Cherokee County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance Over (Under)
Medical examiner:			
Operating expenditures		52,700	
Total	85,000	52,700	32,300
Animal control:			
Operating expenditures		282,081	
Total	282,134	282,081	53
Special appropriations:			
NC Forest Service - fire protection		65,578	
Fire department rescue		69,785	
Total	184,404	135,363	49,041
Total public safety	19,162,004	17,738,937	1,423,067
Transportation:			
Airport:			
Salaries and employee benefits		130,992	
Operating expenditures		345,199	
Capital outlay		12,577	
Total	574,935	488,768	86,167
Public transportation:			
Salaries and employee benefits		467,739	
Operating expenditures		121,084	
Capital outlay		144,321	
Total	1,320,335	733,144	587,191
Total transportation	1,895,270	1,221,912	673,358
Environmental protection:			
Solid waste:			
Salaries and employee benefits		1,388,851	
Operating expenditures		779,952	
Capital outlay		725,030	
Total	3,072,602	2,893,833	178,769
Total environmental protection	3,072,602	2,893,833	178,769
Economic and physical development:			
Economic development:			
Operating expenditures		117,327	
Total	128,907	117,327	11,580
Cooperative extension:			
Salaries and employee benefits		183,700	
Operating expenditures		55,639	
Capital outlay		27,271	
Grants		3,004	
Total	294,955	269,614	25,341

Cherokee County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance Over (Under)
Soil and water conservation:			
Salaries and employee benefits		134,734	
Total	134,982	134,734	248
Special appropriations:			
Cherokee County Board of Tourism		803,060	
Soil and Water Conservation District		134,982	
Total	943,132	938,042	5,090
Total economic and physical development	1,501,976	1,459,717	42,259
Human services:			
Health department:			
Administration:			
Salaries and employee benefits		917,675	
Operating expenditures		260,408	
Capital outlay		173,990	
Total		1,352,073	
Women, infants, and children:			
WIC - Breastfeeding		26,710	
WIC - Administration		21,205	
WIC - Client services		119,653	
WIC - Nutritional education		47,658	
Total		215,226	
Environmental health:			
Salaries and employee benefits		439,621	
Operating expenditures		21,622	
Total		461,243	
Food and lodging:			
Salaries and employee benefits		229,414	
Operating expenditures		4,126	
Total		233,540	
Health programs:			
Health promotion:			
Salaries and employee benefits		24,829	
Operating expenditures		100	
Total		24,929	
Preparedness and planning:			
Salaries and employee benefits		27,430	
Total		27,430	
Immunization:			
Salaries and employee benefits		99,016	
Operating expenditures		171,634	
Total		270,650	

Cherokee County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance Over (Under)
Communicable disease:			
Salaries and employee benefits		96,195	
Operating expenditures		1,668	
Total		97,863	
Andrews clinic:			
Salaries and employee benefits		81,429	
Operating expenditures		8,865	
Total		90,294	
Breast feeding peer counseling:			
Salaries and employee benefits		25,263	
Operating expenditures		613	
Total		25,876	
Family planning:			
Salaries and employee benefits		79,501	
Operating expenditures		32,397	
Total		111,898	
Child health:			
Salaries and employee benefits		34,434	
Operating expenditures		11,238	
Capital outlay		5,710	
Total		51,382	
School nurse initiative:			
Operating expenditures		100,000	
Total		100,000	
Medication management:			
Salaries and employee benefits		12,507	
Total		12,507	
Total health programs		812,829	
Total health department	3,433,337	3,074,911	358,426
Social services:			
Administration:			
Salaries and employee benefits		4,820,883	
Operating expenses		3,651,003	
Capital outlay		100,826	
Total		8,572,712	
Programs:			
Operating expenses		939,533	
Total		939,533	
Total social services	11,584,422	9,512,245	2,072,177

Cherokee County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance Over (Under)
Senior citizens program:			
Salaries and employee benefits		399,733	
Operating expenses		256,173	
Total	699,776	655,906	43,870
Mental health:			
Operating expenses		75,000	
Total	75,000	75,000	-
Veterans service officer:			
Salaries and employee benefits		129,755	
Operating expenses		5,166	
Total	135,874	134,921	953
Special appropriations:			
Industrial Opportunities, Inc.		60,000	
State of Franklin Health Council		14,000	
H.A.V.E.N. Children's Advocacy Center		10,000	
Juvenile Crime Prevention Programs		125,701	
Total	209,752	209,701	51
Total human services	16,138,161	13,662,684	2,475,477
Cultural and recreational:			
Library:			
Operating expenditures		217,645	
Total	275,862	217,645	58,217
Parks and recreation:			
Salaries and employee benefits		201,448	
Operating expenditures		201,110	
Capital outlay		20,000	
Total	535,035	422,558	112,477
Museum:			
Salaries and employee benefits		56,344	
Total	56,685	56,344	341
Total cultural and recreation	867,582	696,547	171,035
Education:			
Public schools:			
Public schools - current		6,864,452	
Public schools - capital outlay		1,990,273	
Public schools - SRS USFS Timber		23,706	
Total	10,647,775	8,878,431	1,769,344
Community college:			
Community college - current		961,530	
Total	961,530	961,530	-
Total education	11,609,305	9,839,961	1,769,344

Cherokee County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance Over (Under)
Debt service:			
Principal retirements		365,639	
Interest and fees		32,970	
Total debt service	420,684	398,609	22,075
Total expenditures	61,386,913	53,924,776	7,462,137
Revenues over (under) expenditures	(5,194,584)	4,043,844	9,238,428
OTHER FINANCING SOURCES (USES)			
Transfers to other funds:			
Revaluation Fund	(125,000)	(125,000)	-
Airport Improvement Fund	(69,900)	(9,785)	60,115
Capital Projects Fund	(48,270)	-	48,270
Total net transfers	(243,170)	(134,785)	108,385
Lease liabilities issued	-	16,317	16,317
Proceeds from long-term debt issued	-	971	971
Insurance recovery	58,474	488,161	429,687
Increase in fund balance	(5,054,656)	-	5,054,656
Total other financing sources (uses)	(5,239,352)	370,664	5,610,016
Revenues and other sources over (under) expenditures	(10,433,936)	4,414,508	14,848,444
Appropriated fund balance	10,433,936	-	(10,433,936)
Net change in fund balance	$ -	4,414,508	$ 4,414,508
Fund balance, beginning as previously reported		47,296,659	
Prior period adjustment		-	
Fund balance, beginning		47,296,659	
Fund balance, ending		$ 51,711,167	

Cherokee County, North Carolina
Revaluation Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance Over (Under)
REVENUES			
Investment earnings	$ 300	$ 463	$ 163
Total revenues	300	463	163
EXPENDITURES			
Current:			
General government:			
Salaries and employee benefits		72,074	
Operating expenditures		2,140	
Total expenditures	125,821	74,214	51,607
Revenues over (under) expenditures	(125,521)	(73,751)	51,770
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund	125,000	125,000	-
Total other financing sources (uses)	125,000	125,000	-
Revenues and other sources over (under) expenditures	(521)	51,249	51,770
Appropriated fund balance	521	-	(521)
Net change in fund balance	$ -	51,249	$ 51,249
Fund balance, beginning		161,293	
Fund balances, ending		$ 212,542	

Cherokee County, North Carolina
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, 2025

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Over (Under)
REVENUES					
Restricted intergovernmental:					
State Capital Infrastructure Fund (SCIF) grant					
Emergency Medical Service (EMS) Station #1	$ 1,240,000	$ 1,240,000	$ -	$ 1,240,000	$ -
Emergency Medical Service (EMS) Station #2	500,000	3,864	33,588	37,452	(462,548)
Senior Center / Veterans Services Facility	3,350,000	-	567,975	567,975	(2,782,025)
Rock Gym Air Conditioning and Insulation	41,000	41,000	-	41,000	-
State Directed Grant (Session Law 2023-134)					
Rock Gym ADA Bathroom Project	170,000	-	163,703	163,703	6,297
Investment earnings	18,400	5,635	8,608	14,243	(4,157)
Total revenues	5,319,400	1,290,499	773,874	2,064,373	(3,242,433)
Expenditures:					
Public safety:					
Emergency Medical Services (EMS) Station #1 Project:					
Construction	2,443,365	2,390,212	-	2,390,212	53,153
Planning and design	48,750	40,177	-	40,177	8,573
Emergency Medical Services (EMS) Station #2 Project:					
Construction	1,162,505	3,864	-	3,864	1,158,641
Planning and design	44,700	-	33,588	33,588	11,112
Contingency	5,000	-	-	-	5,000
Environmental protection:					
Solid Waste Mechanic's Building Replacement Project					
Construction	538,400	-	-	-	538,400
Planning and design	15,820	-	3,750	3,750	12,070
Human services:					
Senior Center Veterans Services Facility Project:					
Construction	9,048,125	-	344	344	9,047,781
Planning and design	819,248	231	567,709	567,940	251,308
Land	248,183	245,468	-	245,468	2,715
Cultural and recreation:					
Rock Gym Air Conditioning and Insulation					
Construction	41,000	41,000	-	41,000	-
Rock Gym ADA Bathroom Project:					
Construction	218,270	-	163,703	163,703	54,567
Total expenditures	14,633,366	2,720,952	769,094	3,490,046	11,143,320
Revenues over (under) expenditures	(9,313,966)	(1,430,453)	4,780	(1,425,673)	7,888,293
OTHER FINANCING SOURCES (USES)					
Insurance recovery	495,276	-	495,277	495,277	1
Transfer from other funds:					
General Fund					
Emergency Medical Service (EMS) Station #1	1,252,115	1,194,148	-	1,194,148	(57,967)
Emergency Medical Service (EMS) Station #2	708,005	-	-	-	(708,005)
Senior Center / Veterans Services Facility	6,751,356	245,468	-	245,468	(6,505,888)
Rock Gym Air Conditioning and Insulation	-	-	-	-	-
Rock Gym ADA Bathroom Project	48,270	-	-	-	(48,270)
Solid Waste Mechanic's Building Replacement Project	58,944	-	-	-	(58,944)

Cherokee County, North Carolina
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, 2025

		Actual			
	Project Authorization	Prior Years	Current Year	Total to Date	Variance Over (Under)
Transfer to other funds:					
General Fund					
Landfill Phase 5 Construction Project	-	(82,982)	-	(82,982)	(82,982)
Total other financing sources (uses)	9,313,966	1,356,634	495,277	1,851,911	(7,462,055)
Revenues and other sources over (under) expenditures	-	(73,819)	500,057	426,238	426,238
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	$ -	$ (73,819)	500,057	$ 426,238	$ 426,238
Fund balance, beginning			9,163		
Fund balance, ending			$ 509,220		

Cherokee County, North Carolina
School Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2025

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Over (Under)
REVENUES					
Restricted intergovernmental:					
Needs-Based Public School Capital Fund	$ 15,000,000	$ 14,502,082	$ 497,918	$ 15,000,000	$ -
Repair and Renovation Lottery Fund	1,188,700	46,700	1,108,097	1,154,797	(33,903)
Investment earnings	-	2,542	-	2,542	2,542
Total revenues	16,188,700	14,551,324	1,606,015	16,157,339	(31,361)
Expenditures:					
Education:					
School of Innovation & Technology Project:					
Construction	17,017,002	16,531,617	381,857	16,913,474	103,528
Planning and design	1,482,998	1,482,368	44,827	1,527,195	(44,197)
Furniture and equipment	1,500,000	1,422,125	137,206	1,559,331	(59,331)
Land acquisition	822,300	822,300	-	822,300	-
Total School of Innovation & Technology Project	20,822,300	20,258,410	563,890	20,822,300	-
Andrews Middle School Roof Replacement:					
Construction	1,112,900	-	1,078,997	1,078,997	33,903
Planning and design	75,800	46,700	29,100	75,800	-
Total Andrews Middle School Roof Replacement	1,188,700	46,700	1,108,097	1,154,797	33,903
Total expenditures	22,011,000	20,305,110	1,671,987	21,977,097	33,903
Revenues over (under) expenditures	(5,822,300)	(5,753,786)	(65,972)	(5,819,758)	2,542
OTHER FINANCING SOURCES (USES)					
Transfer from other funds:					
General Fund	5,822,300	5,822,300	-	5,822,300	-
Total other financing sources (uses)	5,822,300	5,822,300	-	5,822,300	-
Revenues and other sources over (under) expenditures	-	68,514	(65,972)	2,542	2,542
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	$ -	$ 68,514	(65,972)	$ 2,542	$ 2,542
Fund balance, beginning			68,514		
Fund balance, ending			$ 2,542		

Cherokee County, North Carolina
Opioid Settlement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2025

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Over (Under)
REVENUES					
Other revenue:					
Opioid settlement funds	$ -	$ -	$ 773,682	$ 773,682	$ 773,682
Investment earnings	-	3,968	6,750	10,718	10,718
Total revenues	-	3,968	780,432	784,400	784,400
EXPENDITURES					
Human services:					
Professional services	-	-	-	-	-
Total expenditures	-	-	-	-	-
Revenues over (under) expenditures	-	3,968	780,432	784,400	(784,400)
OTHER FINANCING SOURCES (USES)					
Transfer from other funds:					
General Fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Appropriated fund balance	-	-	-		-
Revenues and other sources over (under) expenditures	$ -	$ 3,968	780,432	$ 784,400	$ (784,400)
Fund balance, beginning as previously reported			$ 3,971		
Prior period restatement - change in accounting principle			2,037,367		
Fund balance, beginning as restated			2,041,338		
Fund balance, ending			$2,821,770		

Nonmajor Governmental Funds

The County has the following nonmajor governmental funds:

Special Revenue Funds:

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

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

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

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

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

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

Deed of Trust Fee Fund – This fund accounts for five dollars of each fee collected by the Register of Deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.

Sheriff Grant Fund – This fund accounts for grant funds received for the Sheriff's Office and the related expenditures.

Capital Project Fund:

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 Western Carolina Regional Airport.

Cherokee County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 223,588	$ -	$ 223,588
Restricted cash and cash equivalents	275,122	-	275,122
Receivables, net			
Taxes	89,655	-	89,655
Accounts	12,900	681,551	694,451
Prepaid items	11,110	-	11,110
Total assets	612,375	681,551	1,293,926
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	8,374	357,419	365,793
Due to other funds	8,973	318,775	327,748
Unearned revenue	275,122	-	275,122
Total liabilities	292,469	676,194	968,663
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	89,655	-	89,655
Total deferred inflows of resources	89,655	-	89,655
Fund balances:			
Nonspendable:			
Prepaid items	11,110	-	11,110
Restricted:			
Stabilization by State statute	12,900	-	12,900
Public safety	176,259	-	176,259
Transportation	-	5,357	5,357
Human services	47,329	-	47,329
Education	-	-	-
Unassigned	(17,347)	-	(17,347)
Total fund balances	230,251	5,357	235,608
Total liabilities, deferred inflows of resources, and fund balances	$ 612,375	$ 681,551	$ 1,293,926

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2025

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Ad valorem taxes	$ 2,740,706	$ -	$ 2,740,706
Restricted intergovernmental	410,142	1,050,350	1,460,492
Permits and fees	5,989	-	5,989
Sales and services	98,688	-	98,688
Investment earnings	652	-	652
Total revenues	3,256,177	1,050,350	4,306,527
EXPENDITURES			
Current:			
General government	354,563	-	354,563
Public safety	2,709,043	-	2,709,043
Transportation	-	1,159,529	1,159,529
Human services	219,442	-	219,442
Intergovernmental:			-
Education	98,688	-	98,688
Total expenditures	3,381,736	1,159,529	4,541,265
Excess (deficiency) of revenues over expenditures	(125,559)	(109,179)	(234,738)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	9,785	9,785
Transfers to other funds	-	-	-
Total other financing sources (uses)	-	9,785	9,785
Net change in fund balances	(125,559)	(99,394)	(224,953)
Fund balances, beginning	355,810	104,751	460,561
Fund balances, ending	$ 230,251	$ 5,357	$ 235,608

Cherokee County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue Funds
June 30, 2025

	Emergency Telephone System Fund	Fire District Fund	Bear Paw Service District Fund	Representative Payee Fund	Fines and Forfeitures Fund	Deed of Trust Fund	Sheriff Grant Fund	Total Nonmajor Special Revenue Funds
ASSETS								
Cash and cash equivalents	$ 176,259	$ -	$ -	$ 47,329	$ -	$ -	$ -	$ 223,588
Restricted cash and cash equivalents	-	-	-	-	-	-	275,122	275,122
Receivables, net								
Taxes	-	87,491	2,164	-	-	-	-	89,655
Accounts	6,663	-	-	-	6,237	-	-	12,900
Prepaid items	-	10,890	220	-	-	-	-	11,110
Total assets	182,922	98,381	2,384	47,329	6,237	-	275,122	612,375
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	-	2,137	-	-	6,237	-	-	8,374
Due to other funds	-	8,753	220	-	-	-	-	8,973
Unearned revenue	-	-	-	-	-	-	275,122	275,122
Total liabilities	-	10,890	220	-	6,237	-	275,122	292,469
DEFERRED INFLOWS OF RESOURCES								
Property taxes receivable	-	87,491	2,164	-	-	-	-	89,655
Total deferred inflows of resources	-	87,491	2,164	-	-	-	-	89,655
Fund balances:								
Nonspendable:								
Prepaid items	-	10,890	220	-	-	-	-	11,110
Restricted:								
Stabilization by State statute	6,663	-	-	-	6,237	-	-	12,900
Public safety	176,259	-	-	-	-	-	-	176,259
Human services	-	-	-	47,329	-	-	-	47,329
Education	-	-	-	-	-	-	-	-
Unassigned	-	(10,890)	(220)	-	(6,237)	-	-	(17,347)
Total fund balances	182,922	-	-	47,329	-	-	-	230,251
Total liabilities, deferred inflows of resources, and fund balances	$ 182,922	$ 98,381	$ 2,384	$ 47,329	$ 6,237	$ -	$ 275,122	$ 612,375

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
For the Fiscal Year Ended June 30, 2025

	Emergency Telephone System Fund	Fire District Fund	Bear Paw Service District Fund	Representative Payee Fund	Fines and Forfeitures Fund	Deed of Trust Fund	Sheriff Grant Fund	Total Nonmajor Special Revenue Funds
REVENUES								
Ad valorem taxes	$ -	$ 2,392,132	$ 348,574	$ -	$ -	$ -	$ -	$ 2,740,706
Restricted intergovernmental	111,290	-	-	221,498	-	-	77,354	410,142
Permits and fees	-	-	-	-	-	5,989	-	5,989
Sales and services	-	-	-	-	98,688	-	-	98,688
Investment earnings	652	-	-	-	-	-	-	652
Total revenues	111,942	2,392,132	348,574	221,498	98,688	5,989	77,354	3,256,177
EXPENDITURES								
Current:								
General government	-	-	348,574	-	-	5,989	-	354,563
Public safety	239,557	2,392,132	-	-	-	-	77,354	2,709,043
Human services	-	-	-	219,442	-	-	-	219,442
Intergovernmental:								
Education	-	-	-	-	98,688	-	-	98,688
Total expenditures	239,557	2,392,132	348,574	219,442	98,688	5,989	77,354	3,381,736
Excess (deficiency) of revenues over expenditures	(127,615)	-	-	2,056	-	-	-	(125,559)
OTHER FINANCING SOURCES (USES)								
Transfers from other funds	-	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	(127,615)	-	-	2,056	-	-	-	(125,559)
Fund balances, beginning	310,537	-	-	45,273	-	-	-	355,810
Fund balances, ending	$ 182,922	$ -	$ -	$ 47,329	$ -	$ -	$ -	$ 230,251

Cherokee County, North Carolina
Emergency Telephone System Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance Over (Under)
REVENUES			
Restricted intergovernmental	$ 89,217	$ 111,290	$ 22,073
Investment earnings	600	652	52
Total revenues	89,817	111,942	22,125
EXPENDITURES			
Public safety			
Operating expenditures		157,199	
Capital outlay		82,358	
Total expenditures	394,339	239,557	154,782
Revenues over (under) expenditures	(304,522)	(127,615)	176,907
OTHER FINANCING SOURCES (USES)			
Transfer from other funds		-	
Transfer to other funds		-	
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	(304,522)	(127,615)	176,907
Appropriated fund balance	304,522	-	(304,522)
Revenues, other sources, and appropriated fund balance over (under) expenditures	$ -	(127,615)	$ (127,615)
Fund balance, beginning as previously reported		310,537	
Prior period adjustment		-	
Fund balance, beginning		310,537	
Fund balance, ending		$ 182,922	

Cherokee County, North Carolina
Fire District Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance Over (Under)
REVENUES			
Ad valorem taxes	$ 2,480,112	$ 2,392,132	$ (87,980)
Total revenues	2,480,112	2,392,132	(87,980)
EXPENDITURES			
Public safety:			
Collection Fees		7,779	
Bellview Fire District		111,130	
Brasstown Fire District		17,258	
Culberson Fire District		110,213	
Grape Creek Fire District		48,821	
Hanging Dog Fire District		86,321	
Hiwassee Fire District		303,911	
Wolf Creek Fire District		207,167	
Martins Creek Fire District		100,275	
Peachtree Fire District		347,636	
Murphy Rural Fire District		401,256	
Ranger Fire District		232,132	
Topton Fire District		2,977	
Unaka Fire District		41,830	
Valleytown Fire District		350,060	
Violet Fire District		23,366	
Total expenditures	2,480,112	2,392,132	87,980
Revenues over (under) expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfer from other funds		-	
Transfer to other funds		-	
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	-	-	-
Appropriated fund balance	-	-	-
Net change in fund balance	$ -	-	$ -
Fund balance, beginning		-	
Fund balance, ending		$ -	

Cherokee County, North Carolina
Bear Paw Service District
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance Over (Under)
REVENUES			
Ad valorem taxes	$ 349,290	$ 348,574	$ (716)
Total revenues	349,290	348,574	(716)
EXPENDITURES			
General government:			
Collection fees		186	
Bear Paw Service District		348,388	
Total expenditures	349,290	348,574	716
Revenues over (under) expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	-	-	-
Appropriated fund balance	-	-	-
Net change in fund balance	$ -	-	$ -
Fund balance, beginning		-	
Fund balance, ending		$ -	

Cherokee County, North Carolina
Representative Payee Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance Over (Under)
REVENUES			
Restricted intergovernmental	$ 290,000	$ 221,498	$ (68,502)
Total revenues	290,000	221,498	(68,502)
EXPENDITURES			
Current:			
Human services			
Payments made for the benefit of beneficiaries	290,000	219,442	70,558
Total expenditures	290,000	219,442	70,558
Excess (deficiency) of revenues over expenditures	-	2,056	2,056
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	-	2,056	2,056
Appropriated fund balance	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	$ -	2,056	$ 2,056
Fund balance, beginning as previously reported		45,273	
Prior period restatement		-	
Fund balance, beginning		45,273	
Fund balance, ending		$ 47,329	

Cherokee County, North Carolina
Fines and Forfeitures Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance Over (Under)
REVENUES			
Sales and services			
Penalties, fines and forfeitures	$ 120,000	$ 98,688	$ (21,312)
Total revenues	120,000	98,688	(21,312)
EXPENDITURES			
Current:			
Education			
Payments of penalties, fines and forfeitures to the Cherokee County Board of Education	120,000	98,688	21,312
Total expenditures	120,000	98,688	21,312
Excess (deficiency) of revenues over expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	-	-	-
Appropriated fund balance	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	$ -	-	$ -
Fund balance, beginning		-	
Fund balance, ending		$ -	

Cherokee County, North Carolina
Deed of Trust Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2025

	Final Budget	Actual	Variance Over (Under)
REVENUES			
Permits and fees			
Register of deeds	$ 8,000	$ 5,989	$ (2,011)
Total revenues	8,000	5,989	(2,011)
EXPENDITURES			
Current:			
General government			
Payments of fees collected to the State of North Carolina	8,000	5,989	2,011
Total expenditures	8,000	5,989	2,011
Excess (deficiency) of revenues over expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	-	-	-
Appropriated fund balance	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	$ -	-	$ -
Fund balance, beginning		-	
Fund balance, ending		$ -	

Cherokee County, North Carolina
Sheriff Grant Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2025

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Over (Under)
REVENUES					
Restricted intergovernmental:					
N.C. Department of Public Safety	$ 84,270	$ 60,014	$ -	$ 60,014	$ (24,256)
Dogwood Health Trust	400,000	47,524	77,354	124,878	(275,122)
Investment earnings	52	42	-	42	(10)
Total revenues	484,322	107,580	77,354	184,934	(299,388)
EXPENDITURES					
Public safety:					
Enforcing the Law					
Other operating expenses	20,531	8,546	-	8,546	11,985
Capital outlay	63,791	51,510	-	51,510	12,281
Medication-Assisted Treatment (MAT) Access					
Professional services	190,000	47,524	77,354	124,878	65,122
Total expenditures	484,322	107,580	77,354	184,934	299,388
Revenues over (under) expenditures	-	47,524	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfer from other funds:					
General Fund	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Appropriated fund balance	-	-	-		-
Revenues and other sources over (under) expenditures	$ -	$ 47,524	-	$ -	$ -
Fund balance, beginning as previously reported			-		
Prior period restatement - change in accounting principle			-		
Fund balance, beginning			-		
Fund balance, ending			$ -		

Cherokee County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds - Capital Project Funds
June 30, 2025

	Airport Improvement Project Fund	Total Nonmajor Capital Projects Funds
ASSETS		
Cash and cash equivalents	$ -	$ -
Receivables, net		
Accounts	681,551	681,551
Total assets	681,551	681,551
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	357,419	357,419
Due to other funds	318,775	318,775
Total liabilities	676,194	676,194
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	-	-
Prepaid taxes	-	-
Total deferred inflows of resources	-	-
Fund balances:		
Restricted:		
Stabilization by State statute	-	-
Transportation	5,357	5,357
Unassigned	-	-
Total fund balances	5,357	5,357
Total liabilities, deferred inflows of resources, and fund balances	$ 681,551	$ 681,551

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Capital Project Funds
June 30, 2025

	Airport Improvement Project Fund	Total Nonmajor Capital Projects Funds
REVENUES		
Restricted intergovernmental	$ 1,050,350	$ 1,050,350
Total revenues	1,050,350	1,050,350
EXPENDITURES		
Current:		
Transportation	1,159,529	1,159,529
Total expenditures	1,159,529	1,159,529
Revenues over (under) expenditures	(109,179)	(109,179)
OTHER FINANCING SOURCES (USES)		
Transfer from General Fund	9,785	9,785
Total other financing sources (uses)	9,785	9,785
Net change in fund balances	(99,394)	(99,394)
Fund balances, beginning	104,751	104,751
Fund balances, ending	$ 5,357	$ 5,357

Cherokee County, North Carolina
Airport Improvement Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2025

	Project Authorization	Actual Prior Years	Actual Current Year	Actual Total to Date	Variance Over (Under)
REVENUES					
Restricted intergovernmental:					
Grant-36237.41.16.1	143,660	141,744	-	141,744	(1,916)
Grant-36244.55.4.1	990,000	39,798	902,201	941,999	(48,001)
Grant-36237.41.17.1	52,015	52,014	-	52,014	(1)
Grant-36237.41.18.1	24,923	-	24,923	24,923	-
Grant-36237.41.18.2	149,922	-	56,422	56,422	(93,500)
Grant-36237.41.19.1	159,000	-	66,804	66,804	(92,196)
Total revenues	1,519,520	233,556	1,050,350	1,283,906	(235,614)
EXPENDITURES					
Transportation:					
Airfield lighting system (design/bid phase) 41.16.1	143,660	141,744	-	141,744	1,916
New airfield edge lighting, signage, and navaids 55.4.1	1,100,000	45,048	1,001,595	1,046,643	53,357
Resurface taxiway project 41.17.1	57,795	57,794	-	57,794	1
AWOS Relocation 41.18.1	24,923	-	24,923	24,923	-
AWOS Relocation 41.18.2	166,581	-	62,691	62,691	103,890
Rotating Beacon/Obstruction Light Replacement 41.19.1	174,900	-	70,320	70,320	104,580
Total expenditures	1,667,859	244,586	1,159,529	1,404,115	263,744
Revenues over (under) expenditures	(148,339)	(11,030)	(109,179)	(120,209)	(28,130)
OTHER FINANCING SOURCES (USES)					
Transfer from General Fund					
Grant-36237.55.4.1	110,000	110,000	-	110,000	-
Grant-36237.41.17.1	5,780	5,780	-	5,780	-
Grant-36237.41.18.1	-	-	-	-	-
Grant-36237.41.18.2	16,659	-	6,269	6,269	10,390
Grant-36237.41.19.1	15,900	-	3,516	3,516	12,384
Total other financing sources (uses)	148,339	115,780	9,785	125,565	22,774
Revenues and other sources over (under) expenditures	-	104,750	(99,394)	5,356	(5,356)
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	$ -	$ 104,750	(99,394)	$ 5,356	$ (5,356)
Fund balance, beginning			104,751		
Fund balance, ending			$ 5,357		

Custodial Funds

Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria.

- **Municipal Tax Fund** - which accounts for vehicle property taxes that are billed and collected by the County for the municipality within the County but that are not revenues to the County.

- **Jail Inmate Pay Fund** - which accounts for funds held by the County on the behalf of inmates while they are incarcerated.

- **Sheriff's Civil Executions Fund** - which accounts for monies collected by the Sheriff's Office for civil judgments.

Cherokee County, North Carolina
Combining Statement of Fiduciary Net Position
Custodial Funds
June 30, 2025

	Municipal Tax Fund	Jail Inmate Pay Fund	Sheriff's Civil Executions Fund	Custodial Funds
ASSETS				
Cash and cash equivalents	-	55,763	-	55,763
Prepaid expenses	2,014	-	-	2,014
Total assets	$ 2,014	$ 55,763	$ -	$ 57,777
LIABILITIES AND NET POSITION				
LIABILITIES				
Due to primary government	2,014	-	-	2,014
Due to other governments	-	-	-	-
Total liabilities	2,014	-	-	2,014
NET POSITION				
Restricted for:				
Individuals, organizations, and other governments	-	55,763	-	55,763
Total fiduciary net position	$ -	$ 55,763	$ -	$ 55,763

Cherokee County, North Carolina
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2025

	Municipal Tax Fund	Jail Inmate Pay Fund	Sheriff's Civil Executions Fund	Custodial Funds
ADDITIONS				
Ad valorem taxes collected for other governments	$ 141,304	$ -	$ -	$ 141,304
Collection on behalf of inmates	-	321,886	-	321,886
Collections for civil judgments	-	-	22,016	22,016
Total additions	141,304	321,886	22,016	485,206
DEDUCTIONS				
Tax distributions to other governments	141,304	-	-	141,304
Payments on behalf of inmates	-	320,639	-	320,639
Payments to satisfy civil judgments	-	-	22,016	22,016
Total deductions	141,304	320,639	22,016	483,959
Net increase (decrease) in fiduciary net position	-	1,247	-	1,247
Net position, beginning	-	54,516	-	54,516
Net position, ending	$ -	$ 55,763	$ -	$ 55,763

Other Schedules

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

Cherokee County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2025

Fiscal Year	Uncollected Beginning Balance	Additions	Collections And Credits	Uncollected Ending Balance
2024-2025	$ -	$ 25,951,000	$ 25,296,252	$ 654,748
2023-2024	580,523	-	401,920	178,603
2022-2023	131,569	-	80,333	51,236
2021-2022	31,756	-	14,865	16,891
2020-2021	17,163	-	8,129	9,034
2019-2020	17,987	-	7,661	10,326
2018-2019	14,059	-	5,484	8,575
2017-2018	12,250	-	4,822	7,428
2016-2016	10,308	-	2,842	7,466
2015-2016	8,059	-	2,282	5,777
2014-2015	7,142	-	7,142	-
	$ 830,816	$ 25,951,000	$ 25,831,732	950,084

Less: allowance for uncollectible accounts:	
General Fund	(177,844)
Ad valorem taxes receivable - net:	
General Fund	$ 772,240

<u>Reconcilement with revenues:</u>

Ad valorem taxes - General Fund	$ 25,914,895
Reconciling items:	
Interest collected	(189,687)
Release and adjustments	99,383
Taxes written off	7,141
Total reconciling items	(83,163)
Total collections and credits	$ 25,831,732

Cherokee County, North Carolina
Analysis of Current Tax Levy
County-Wide Levy
For the Fiscal Year Ended June 30, 2025

	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	$ 4,187,647,705	0.610	$ 25,544,651	$ 22,827,802	$ 2,716,849
Penalties	-		21,131	21,131	-
Total	4,187,647,705		25,565,782	22,848,933	2,716,849
Discoveries:					
Current year taxes	63,150,492	0.610	385,218	385,218	-
Total	63,150,492		385,218	385,218	-
Releases:					
Penalties	-		(452)	(452)	-
Taxes	(10,225,738)	0.610	(62,377)	(24,671)	(37,706)
Total property valuation	$ 4,240,572,459		(62,829)	(25,123)	(37,706)
Net levy			25,888,171	23,209,028	2,679,143
Unpaid (by taxpayer) taxes at June 30, 2025			654,748	650,237	4,511
Current year's taxes collected			$ 25,233,423	$ 22,558,791	$ 2,674,632
Current levy collection percentage			97.47%	97.20%	99.83%

Cherokee County, North Carolina
Schedule of Transfers
For the Fiscal Year Ended June 30, 2025

Operating Transfers From/To Other Funds	Transfers	
	From	To
General Fund	125,000	
Revaluation Fund		125,000
General Fund	9,785	
Airport Improvement Fund		9,785
	134,785	134,785

Compliance Section

Turner & Company CPAs P.A.

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

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of County Commissioners
Cherokee County, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprises the County's basic financial statements, and have issued our report thereon dated July 15, 2026. The financial statements of the Cherokee County Tourism Development Authority were not audited in accordance with *Government Auditing Standards.*

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Cherokee County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina
July 15, 2026

Turner & Company CPAs P.A.

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

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

To the Board of Commissioners
Cherokee County, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cherokee County, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina,* issued by the Local Government Commission, that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2025. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.

Murphy, North Carolina

July 15, 2026

Turner & Company CPAs P.A.

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

Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

To the Board of Commissioners
Cherokee County, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Cherokee County, North Carolina's, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina,* issued by the Local Government Commission, that could have a direct and material effect on each of the County's major State programs for the year ended June 30, 2025. The County's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2025.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's State programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina
July 15, 2026

I. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

• Material weakness(es) identified	X yes	___ no
• Significant deficiency(s)	___ yes	X none reported
Noncompliance material to financial statements noted	___ yes	X no

Federal Awards

Internal control over major federal programs:

• Material weakness identified	___ yes	X no
• Significant deficiency(s)	___ yes	X none reported

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

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

Identification of major Federal Programs:

Name of Federal Program or Cluster	ALN#
Medical Assistance Program (Title XIX Medicaid)	93.778
Foster Care Title IV-E	93.658

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000	
Auditee qualified as low-risk auditee	___ yes	X no

State Awards

Internal control over major State programs:

• Material weakness identified	___ yes	X no
• Significant deficiency(s)	___ yes	X none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	___ yes	X no
Dollar threshold used to determine a State major program:	$ 500,000	

Program Name
Medical Assistance Program (Medicaid; Title XIX)
Public School Building Capital Fund - Needs Based Lottery Proceeds
State Directed Grant (Session Law 2023-134)
State Aid to Airports

II. Financial Statement Findings

Finding: 2025-001

MATERIAL WEAKNESS

Criteria: G.S. 159-34(a) states that each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year.

Condition: The audited financial statements were not submitted by the original due date of December 31, 2025.

Effect: Pertinent information may be inaccessible by various external groups such as the North Carolina General Assembly, federal and state funding agencies, and other public associations.

Cause: The late submission of Cherokee County's audit report was largely due to considerable staff turnover, vacancies, and increased workloads within the Finance Office. In the prior fiscal year, the Finance Office experienced multiple turnovers in both an accountant position and a human resources position, and the resulting vacancies continued to place strain on existing employees and increase their workload. These staffing challenges, coupled with increasing grant activity, greater demand for County services, and the need to address new accounting requirements, delayed the submission of the prior year's audit, which compounded and further delayed the submission of the current year's audit. Additional time was also required by the audit firm due to the early retirement of key audit staff, as well as to implement GASB Statement No. 101, *Compensated Absences.* Management and the Board will continue to work with the audit firm to ensure timely submission in future years.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2024-001.

Recommendation: The County should implement procedures to ensure that required reporting is completed timely.

Views of responsible officials and planned corrective actions: The County agrees with this finding.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

CHEROKEE COUNTY
75 Peachtree Street
Murphy, NC 28906
828-837-5527

Corrective Action Plan
For the Fiscal Year Ended June 30, 2025

II. Financial Statement Findings

Finding: 2025-001

Name of contact person: Candy R. Anderson, CPA, CGMA, Chief Financial Officer

Corrective Action: The County has continued to improve existing procedures to ensure that financial data that is collected and reviewed is reported timely. An additional staff position has been added to the Finance Department to assist with the existing workload. The County has filled the vacant accountant position. Also, the County has hired, on a part-time basis, a retired former employee of the Cherokee County Finance Office with 25 years of experience to assist in catching up the workload. Staff training is ongoing.

Proposed Completion Date: Ongoing

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.

CHEROKEE COUNTY
75 Peachtree Street
Murphy, NC 28906
828-837-5527

Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2025

Finding: 2024-001

Status: This finding is repeated as 2025-001

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2025

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
Federal Awards:					
U.S. Department of Agriculture					
Passed-through the N.C. Department of Health and Human Services:					
Division of Social Services:					
Administration:					
SNAP Cluster					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	XXXX	$ 424,478	$ 3,497	$ -
Passed-through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for Women, Infants, & Children (Note 5)	10.557	XXXX	134,970	-	-
Total U.S. Department of Agriculture			**559,448**	**3,497**	**-**
U.S. Department of Justice					
Directed programs:					
Public Safety Partnership and Community Policing Grant	16.710	XXXX	108,969	-	-
Total U.S. Department of Justice			**108,969**	**-**	**-**
U.S. Department of Transportation					
Passed-through the N.C. Department of Transportation:					
Airport Improvement Program					
Project 36237.41.18.1	20.106	XXXX	24,923	-	-
Project 36237.41.18.2	20.106	XXXX	56,422	-	-
Project 36237.41.19.1	20.106	XXXX	66,804	-	-
Total Airport Improvement Program			148,149	-	-
Formula Grants for Other than Urbanized Areas					
Project 36233.22.26.1	20.509	XXXX	119,576	7,472	-
Total Formula Grants for Other than Urbanized Areas			119,576	7,472	-
Transit Services Programs Cluster:					
Enhanced Mobility of Seniors and Individuals with Disabilities					
Project 51001.30.13.2	20.513	XXXX	45,000	-	-
Total Transit Services Programs Cluster			45,000	-	-
State and Community Highway Safety					
Governor's Highway Safety Program					
Project 24-06-46	20.600	XXXX	2,516	-	-
Project 25-06-41	20.600	XXXX	4,258	-	-
Total U.S. Department of Transportation			**319,499**	**7,472**	**-**
U. S. Department of Homeland Security					
Passed-through N.C. Department of Public Safety:					
Division of Emergency Management					
Homeland Security Grant Program	97.067	XXXX	21,370	-	-
Emergency Management Performance Grants (EMPG)	97.042	XXXX	20,625	-	-
Total U. S. Department of Homeland Security			**41,995**	**-**	**-**
U.S. Department of Health & Human Services					
Administration on Aging					
Passed-through Southwest Commission Council of Governments:					
Division of Aging and Adult Services:					
Aging Cluster:					
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers	93.044	XXXX	69,094	69,093	-
			69,094	69,093	-

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2025

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
Special Programs for the Aging - Title III C					
Nutrition Services	93.045	XXXX	66,695	66,694	-
Nutrition Services - ARPA	93.045	XXXX	56,177	-	-
			122,872	66,694	-
Nutrition Services Incentive Program	93.053	XXXX	12,821	-	-
Total Aging Cluster			204,787	135,787	-
Passed-through the N.C. Department of Health and Human Services:					
Division of Social Services:					
TANF - Work First	93.558	XXXX	288,879	-	-
MaryLee Allen Promoting Safe and Stable Families Program	93.556	XXXX	21,282	-	-
Foster Care and Adoption Cluster (Note 4 and 5)					
Foster Care Title IV-E	93.658	XXXX	468,091	16,877	-
Foster Care Title IV-E - Benefit Payments	93.658	XXXX	99,304	35,795	-
Adoption Assistance	93.659	XXXX	9,620	-	-
Total Foster Care and Adoption Cluster (Note 4 and 5)			577,015	52,672	-
Child Support Enforcement	93.563	XXXX	184,049	(198)	-
Refugee and Entrant Assistance - State Replacement Designee Administered Programs	93.566	XXXX	196	-	-
Low-Income Home Energy Assistance:					
Weatherization Assistance and Heating and Air Repair	93.568	XXXX	24,128	-	-
Total Low-Income Home Energy Assistance			24,128	-	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood:					
Administrative and Services	93.674	XXXX	12,311	3,078	-
Benefit Payments	93.674	XXXX	1,229	-	-
Total John H. Chafee Foster Care Program for Successful Transition to Adulthood			13,540	3,078	-
Stephanie Tubbs Jones Child Welfare Services Program:					
- Permanency Planning - Families for Kids	93.645	XXXX	8,698	-	-
Social Service Block Grant - Other Service and Training	93.667	XXXX	109,099	-	-
Social Services Block Grant:					
State In Home Service Fund	93.667	XXXX	27,760	-	-
State Adult Day Care	93.667	XXXX	21,263	-	-
State Child Protective Services	93.667	XXXX	80,299	-	-
Total Social Service Block Grant			238,421	-	-
Division of Child Development and Early Education:					
Subsidized Child Care (Note 5)					
Child Care Development Fund Cluster:					
Division of Social Services:					
Child Care Development Mandatory and Match Fund - Administration	93.596	XXXX	79,898	-	-
Passed-through the N.C. Department of Health and Human Services:					
Division of Medical Assistance:					
Division of Social Services:					
Administration:					
Medical Assistance Program (Note 5)	93.778	XXXX	1,350,672	132,970	-
Total Medical Assistance Program			1,350,672	132,970	-
Division of Social Services:					
Administration:					
Children's Health Insurance Program - N.C. Health Choice (Note 5)	93.767	XXXX	90,438	29,002	-
Total Children's Health Insurance Program - N.C. Health Choice			90,438	29,002	-

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
Passed-through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Public Health Emergency Preparedness	93.069	XXXX	27,735	-	-
Project Grants & Cooperative Agreements for Tuberculosis Control Programs	93.116	XXXX	50	-	-
Family Planning Services	93.217	XXXX	35,862	-	-
Immunization Cooperation Agreements	93.268	XXXX	10,489	-	-
Temporary Assistance for Needy Families	93.558	XXXX	1,896	-	-
HIV Care Formula Grants - Ryan White Care Act	93.917	XXXX	1,033	-	-
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967	XXXX	63,052	-	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	XXXX	100	-	-
Preventive Health and Health Services Block Grant	93.991	XXXX	30,741	-	-
Maternal and Child Health Services Block Grant	93.994	XXXX	31,674	4,349	-
Passed-through the N.C. Department of Health and Human Services:					
Division of Insurance:					
Medicare Improvements for Patients Providers Act	93.071	XXXX	3,089	-	-
CDAP - State Health Insurance Assistance Program	93.324	XXXX	6,406	-	-
Total U.S. Department of Health and Human Services			**3,294,130**	**357,660**	**-**
Total federal awards			**4,324,041**	**368,629**	**-**
State Awards:					
N.C. Department of Administration					
Veterans Service		XXXX	-	2,273	-
Total N.C. Department of Administration			**-**	**2,273**	**-**
N.C. Department of Agriculture					
Veterinary - Spay and Neuter Program		XXXX	-	16,847	16,847
Total N.C. Department of Agriculture			**-**	**16,847**	**16,847**
N.C. Department of Environmental Quality					
Division of Waste Management					
Community Waste Reduction and Recycling Grant Program		XXXX	-	30,187	-
Scrap Tire Program		XXXX	-	7,501	-
Total N.C. Department of Environmental Quality			**-**	**37,688**	**-**
N.C. Department of Health and Human Services					
Division of Aging and Adult Services					
Senior Center General Purpose Funding		XXXX	-	3,755	-
Division of Social Services					
Administration					
State Child Welfare - State Protective Services		XXXX	-	61,927	-
Emergency PLMT FC		XXXX	-	4,490	-
Direct Benefit Payments					
State Foster Home		XXXX	-	64,953	-
State Foster Home Fund (SFHF) Maximization		XXXX	-	50,600	-
Foster Care at Risk Maximization		XXXX	-	16,801	-
Foster Care Kinship		XXXX	-	10,650	-
State-Family Foster Max		XXXX	-	4,128	-
Total Division of Social Service			-	213,549	-
Division of Public Health					
Child Health		XXXX	-	9,329	-
Communicable Disease Pandemic Recovery-SFRF		XXXX	-	1,734	-
DPH Aid-to-Counties		XXXX	-	89,813	-

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2025

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
Family Planning - State		XXXX	-	13,276	-
Food and Lodging Fees		XXXX	-	13,691	-
General Communicable Disease Control		XXXX	-	11,066	-
Healthy Communities		XXXX	-	3,785	-
High Risk Maternity Clinics		XXXX	-	5,858	-
School Health Center		XXXX	-	44,440	-
School Nurse Funding Initiative		XXXX	-	100,000	-
State Fiscal Recovery Funds		XXXX	-	50,000	-
Tuberculosis Control		XXXX	-	1,680	-
Total Division of Public Health			-	344,672	-
Total N. C. Department of Health and Human Services			**-**	**561,976**	**-**
N.C. Office of State Budget and Management					
State Capital and Infrastructure Fund (SCIF) Directed Grant		XXXX	-	33,588	-
State Directed Grant (Session Law 2023-134)		XXXX	-	567,744	-
Register of Deeds-Current Appropriations Act, Session Law 2023-134		XXXX	-	2,714	-
Passed-through the Southwestern Commission Council of Government					
State Directed Grant (Session Law 2023-134)		XXXX	-	163,703	-
Total N.C. Office of State Budget and Management			**-**	**767,749**	**-**
N.C. Department of Public Instruction					
Public School Building Capital Fund - Repair and Renovation Lottery Fund		XXXX	-	1,108,097	1,108,097
Public School Building Capital Fund - Needs Based Lottery Proceeds		XXXX	-	497,918	497,918
Total N.C. Department of Public Instruction			**-**	**1,606,015**	**1,606,015**
N.C. Department of Public Safety					
Division of Emergency Management					
Local Emergency Shelter Capacity		XXXX	-	38,659	-
Capacity Building Competitive Grant		XXXX	-	29,078	-
Division of Juvenile Justice and Delinquency Prevention					
Juvenile Crime Prevention Programs		XXXX	-	106,076	98,127
Total N.C. Department of Public Safety			**-**	**173,813**	**98,127**
N.C. Department of Transportation					
State Aid to Airports					
Project 36244.55.4.1		XXXX	-	1,001,596	-
Rural Operating Assistance Program (ROAP)					
- ROAP Elderly and Disabled Transportation Assistance Program		XXXX	-	68,916	-
- ROAP Rural General Public Program		XXXX	-	67,990	-
- ROAP Work First Transitional - Employment		XXXX	-	8,992	-
Total ROAP Cluster			-	145,898	-
Total N.C. Department of Transportation			**-**	**1,147,494**	**-**
Total State awards			**-**	**4,313,855**	**1,720,989**
Total federal and State awards			**$ 4,324,041**	**$ 4,682,484**	**$ 1,720,989**

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Cherokee County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2025. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Cherokee County, it is not intended to and does not present the financial position, changes in net position or cash flows of Cherokee County.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

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

Note 4: Cluster of Programs

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

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients

Note 5: 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 basic financial statements because they are not revenues and expenditures of the County.

Program Title	ALN No.	Federal	State
Special Supplemental Nutrition Program for Women Infant and Children	10.557	614,963	-
Supplemental Nutrition Assistance Program	10.551	9,346,896	-
AFDC Payments and Penalties	93.560	(50)	696
Temporary Assistance for Needy Families - Payments and Penalties	93.558	31,648	-
Temporary Assistance for Needy Families - Special Children Adoption	93.558	27,307	-
Adoption Assistance	93.659	324,706	87,208
Medical Assistance Program	93.778	70,986,589	24,412,605
Child Welfare Services Adoption		-	192,591
State / County Special Assistance Program (Domiciliary Care)		-	162,657