

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

Basic Financial Statements

June 30, 2005

(with Independent Auditors' Report thereon)

**Cherokee County, North Carolina
Annual Financial Report
For the Fiscal Year Ended June 30, 2005**

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Introductory Section

CHEROKEE COUNTY
Elected Officials

COMMISSIONERS

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

SHERIFF

R. Keith Lovin

REGISTER OF DEEDS

Daphne Dockery

CLERK OF COURT

Gerald Breedlove

Appointed Officials

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

FINANCIAL SECTION

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Turner, Ennis, Hatchett & Roberts

CERTIFIED PUBLIC ACCOUNTANTS, P. A.

Independent Auditor's Report

To the Board of Commissioners
Cherokee County, North Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statement are the responsibility of Cherokee County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina as of June 30, 2005, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2005 on our consideration of Cherokee County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Cherokee County, North Carolina. The combining and individual nonmajor fund schedules, as well as the accompanying schedule of expenditures of federal and State awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, and the statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Turner, Ennis, Hatchett & Roberts

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

November 30, 2005

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, 2005. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

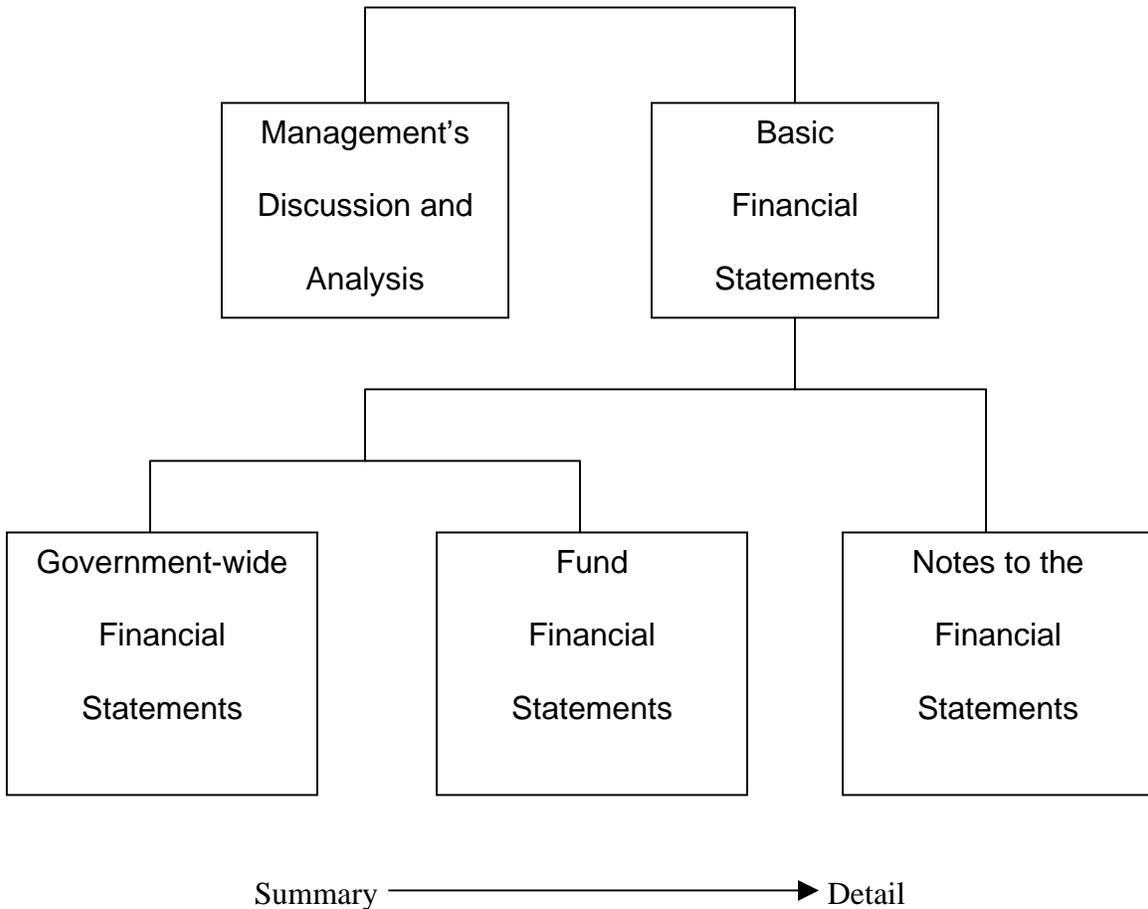
- The assets of Cherokee County exceeded its liabilities at the close of the fiscal year by \$2,239,654 (net assets).
- The government's total assets increased by \$4,284,851.
- Total assets of the County were \$25,960,476.
- As of the close of the current fiscal year, Cherokee County's governmental funds reported combined ending fund balances of \$ 9,650,238 an increase of \$2,843,484 in comparison with the prior year.
- Approximately 61 percent of the fund balance, or \$5,934,364 , is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$4,555,874, an increase of \$621,5710 over the prior year. The unreserved fund balance is about 17.7% of the total general fund expenditures for the fiscal year.
- Cherokee County issued new debt during the year. One financing was for \$3.5 million for renovation for schools. The financing was called a QZAB financing and it is for zero percent interest for 14 years. The second financing was for \$310,000 and the proceeds were used for asset acquisitions for the county.
- The octennial revaluation of county property was completed and the new property values were used in this years tax assessments. The higher valuations resulted in the tax rate decreasing from \$0.57 to \$0.52. The valuation increased from \$1,417,500,000 to \$2,185,800,000.
-

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

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

Government-wide Financial Statements

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

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

The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities

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

Fund Financial Statements

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

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

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

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

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

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

Government-Wide Financial Analysis

Cherokee County's Net Assets

Figure 2

	Activities	
	2005	2004
Current and other assets	\$ 12,636,437	\$ 10,552,650
Capital assets	13,324,039	11,122,975
Total assets	<u>\$ 25,960,476</u>	<u>\$ 21,675,625</u>
Long-term liabilities outstanding	\$ 19,013,244	\$ 19,914,227
Other liabilities	4,707,578	2,935,410
Total liabilities	<u>23,720,822</u>	<u>22,849,637</u>
Net assets:		
Invested in capital assets, net of related debt	7,713,915	6,310,615
Restricted	364,185	973,433
Unrestricted	(5,838,446)	(8,458,060)
Total net assets	<u>\$ 2,239,654</u>	<u>\$ (1,174,012)</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Cherokee County exceeded liabilities by \$2,239,654 as of June 30, 2005. The County's net assets increased by \$3,413,666 for the fiscal year ended June 30, 2005.

One of the largest portions of net assets \$7,713,915 reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Cherokee County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Cherokee County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

There is a negative unrestricted balance \$5,838,446. This is a result of the County debt for school Construction and water and sewer improvements. The assets, which were acquired, are carried on the books of other governmental units.

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

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

Cherokee County Changes in Net Assets
Figure 3

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 3,779,429	\$ 3,677,443
Operating grants and contributions	3,815,613	3,602,114
Capital grants and contributions	6,825,693	432,029
General revenues:		
Property taxes	12,575,575	9,426,450
Other taxes	6,996,613	6,337,141
Grants and contributions not restricted to specific programs	781,965	848,691
Other	334,684	633,336
Total revenues	<u>35,109,572</u>	<u>24,957,204</u>
Expenses:		
General government	2,969,339	2,681,550
Public safety	6,706,403	5,662,434
Transportation	43,034	104,436
Economic and physical development	5,573,512	883,920
Human services	7,823,065	6,877,393
Cultural and recreation	438,684	416,638
Education	6,161,492	8,020,283
Interest on long-term debt	484,082	557,547
Environmental protection	1,496,295	1,146,790
Total expenses	<u>31,695,906</u>	<u>26,350,991</u>
Increase (Decrease) in net assets	3,413,666	(1,393,787)
Net assets, July 1	<u>(1,174,012)</u>	<u>219,775</u>
Net assets, June 30	<u>\$ 2,239,654</u>	<u>\$ (1,174,012)</u>

Governmental activities. Governmental activities increased the County's net assets by \$3,413,666. Key elements of this change are as follows:

- Increase Property tax revenues of \$3,149,000
- Increase in the County's tax collection rate.

Financial Analysis of the County's Funds

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

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

The general fund is the chief operating fund of Cherokee County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$4,555,847 while total fund balance was \$8,215,948. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 17.7 percent of total General Fund expenditures, while total fund balance represents 32 percent of that same amount.

At June 30, 2005, the governmental funds of Cherokee County reported a combined fund balance of \$9,650,238 a 42 percent increase from last year. The primary reason for this increase is the Proceeds from the QZAB financing of \$3,500,000 in the School capital project Fund.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues by \$2,519,000 a ten percent change.

Capital Asset and Debt Administration

Capital assets. Cherokee County's capital assets for its governmental type activities as of June 30, 2005, totals \$13,324,039 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles. Major capital asset transactions during the year include the extension of the runway at the airport and purchase of vehicles for Sheriff & EMT Depts.

Cherokee County's Capital Assets

Figure 4

CHEROKEE COUNTY'S CAPITAL ASSETS (net of depreciation)

	Governmental Activities	
	2005	2004
Land	\$ 4,226,135	\$ 4,144,488
Buildings	1,800,578	1,880,090
Improvements	4,725,928	2,028,372
Equipment	495,114	603,932
Computers & Other Electronic Equipmnet	461,217	219,073
Vehicles and motorized equipment	893,662	538,548
Construction in progress	721,405	1,708,472
Total	\$ 13,324,039	\$ 11,122,975

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

Long-term Debt.

Cherokee County's Outstanding Debt

Figure 5

	Governmental Activities	
	2005	2004
Special obligation bonds	-	-
Installment Purchases	\$ 19,063,697	\$ 17,404,351
Capital leases	129,188	177,445
Other:		
Landfill closure obligations	2,119,384	1,938,379
Vacation payable	396,884	354,824
Pension benefit	49,909	39,228
Total	\$ 21,759,062	\$ 19,914,227

Cherokee County issued new debt during the year. The first loan was for \$3,500,000, which was used for school facility improvements. The second loan was \$310,000 for vehicles.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt ceiling for Cherokee County is \$174,860,000.

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

Budget Highlights for the Fiscal Year Ending June 30, 2006

Governmental Activities: The County's property revaluation will continue to increase as new building and development continue at a good rate. The County is setting new records for septic permits and at June 30, 2005 had the largest backlog ever. Sales tax collections are expected to increase with the improved economy. The County will use these increases in revenues to finance programs currently in place. The County plans to start construction of the new detention facility and complete work on widening the runway at the airport.

Budgeted expenditures in the General Fund are expected to rise approximately 8% to \$27,855,970. The largest increments are in employee compensation, including funding compensation and benefits adjustments. In addition the county plans to open the new EMS station that is under construction at June 30, 2005.

Requests for Information

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

Basic Financial Statements

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Cherokee County, North Carolina
Statement of Net Assets
June 30, 2005

		<u>Primary Government</u>
		<u>Governmental Activities</u>
ASSETS		
Cash and cash equivalents	\$	8,165,785
Investments		401,010
Receivables (net)		1,546,014
Due from other governments		2,500,989
Prepaid items		
Restricted cash and cash equivalents		-
Deferred charge - issuance costs		22,639
Capital assets:		
Land, improvements, and construction in progress		4,947,540
Other capital assets, net of depreciation		8,376,499
Total capital assets		<u>13,324,039</u>
Total assets		<u>25,960,476</u>
LIABILITIES		
Accounts payable and accrued expenses		1,354,171
Unearned revenue		518,504
Accrued interest payable		89,085
Liabilities to be paid from restricted assets		-
Long-term liabilities:		
Due within one year		2,203,240
Due in more than one year		19,555,822
Total liabilities		<u>23,720,822</u>
NET ASSETS		
Invested in capital assets, net of related debt		7,713,915
Restricted for:		
Debt Service		364,185
Unrestricted (deficit)		<u>(5,838,446)</u>
Total net assets	\$	<u>2,239,654</u>

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

Carolina County, North Carolina
Statement of Activities
For the Year Ended June 30, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
Primary government:					
Governmental Activities:					
General government	\$ 2,969,339	\$ 458,650	\$ -	\$ 36,318	\$ (2,474,371)
Public safety	6,706,403	1,171,847	815,904	82,986	(4,635,666)
Transportation	43,034	113,410	-	1,346,517	1,416,893
Economic and physical development	5,573,512	279,947	-	4,235,298	(1,058,267)
Environmental Protection	1,496,295	955,510	38,605	-	(502,180)
Human services	7,823,065	800,065	2,886,363	17,471	(4,119,166)
Cultural and recreation	438,684	-	-	1,000,613	561,929
Education	6,161,492	-	74,741	106,490	(5,980,261)
Interest on long-term debt	484,082	-	-	-	(484,082)
Total governmental activities	<u>31,695,906</u>	<u>3,779,429</u>	<u>3,815,613</u>	<u>6,825,693</u>	<u>(17,275,171)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purpose					12,575,575
Local option sales tax					6,185,277
Other taxes and licenses					811,336
Grants and contributions not restricted to specific programs					781,965
Investment earnings, unrestricted					210,541
Miscellaneous, unrestricted					124,143
Total general revenues					<u>20,688,837</u>
Change in net assets					3,413,666
Net assets-beginning					<u>(1,174,012)</u>
Net assets-ending					<u>\$ 2,239,654</u>

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

Exhibit 3

Cherokee County, North Carolina
 Balance Sheet
 Governmental Funds
 June 30, 2005

	Major Funds					Total Governmental Funds
	General	Waterline Extension	Detention Center	School Improvement	Total Non-Major Funds	
ASSETS						
Cash and cash equivalents	\$ 6,198,825	\$ -	\$ -	\$ -	\$ 1,966,959	\$ 8,165,784
Restricted Cash					-	-
Investments	37,237				363,773	401,010
Receivables, net:						-
Taxes	540,027				111,082	651,109
Accounts	470,345			152,508	39,337	662,190
Due from other governments	2,240,063	220,045			40,881	2,500,989
Due from other Funds	885,538					885,538
Total assets	<u>\$ 10,372,036</u>	<u>\$ 220,045</u>	<u>\$ -</u>	<u>\$ 152,508</u>	<u>\$ 2,522,032</u>	<u>\$ 13,266,621</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,153,643	\$ 142,345	\$ -	\$ -	\$ 58,184	\$ 1,354,172
Due to other funds	-	306,256	356,999	152,508	69,775	885,538
Deferred revenue Taxes	747,087				111,081	858,168
Unearned revenue	255,358				263,146	518,504
Total liabilities	<u>2,156,088</u>	<u>448,601</u>	<u>356,999</u>	<u>152,508</u>	<u>502,186</u>	<u>3,616,381</u>
Fund balances:						
Reserved for:						
School Capital Outlay	93,929					93,929
Encumbrances	233,950				33,078	267,028
State statute	3,332,195				22,723	3,354,918
Unreserved:						
Designated for subsequent Years' expenditures	-					-
Designated for Health Department	153,622					153,622
Designated for School Capital Outlay	525,766					525,766
Undesignated	3,876,486	(228,556)	(356,999)		1,964,045	5,254,976
Total fund balances	<u>8,215,948</u>	<u>(228,556)</u>	<u>(356,999)</u>	<u>-</u>	<u>2,019,846</u>	<u>9,650,238</u>
Total liabilities and fund balances	<u>\$ 10,372,036</u>	<u>\$ 220,045</u>	<u>\$ -</u>	<u>\$ 152,508</u>	<u>\$ 2,522,032</u>	<u>\$ 13,266,620</u>

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

Exhibit 3.1

**Cherokee County, North Carolina
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2005**

Total Fund Balances for Governmental Funds (Exhibit 3)	<u>9,650,238</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	13,324,039
Deferred Costs of loans are not financial resources and therefore are not reported in the funds	22,639
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.	232,717
Liabilities for earned but deferred revenues in fund statements.	858,168
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	(21,848,147)
Net assets of governmental activities	<u>\$ 2,239,654</u>

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

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Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2005

	Major Funds					Total Governmental Funds
	General Fund	Waterline Extension	Detention Center	School Improvement Fund	Total Non- Major Funds	
REVENUES						
Ad valorem taxes	\$ 11,329,599	\$ -	\$ -	\$ -	\$ 1,050,902	\$ 12,380,501
Local option sales tax	6,185,277					6,185,277
Other taxes and licenses	660,824			-	191,360	852,184
Unrestricted intergovernmental	781,965				-	781,965
Restricted intergovernmental	4,084,326	3,586,747		152,507	1,711,964	9,535,544
Restricted Other					1,000,613	1,000,613
Grants					530,973	530,973
Permits and fees	1,351,327					1,351,327
Sales and services	1,933,655			-	-	1,933,655
Investment earnings	165,622			7,300	37,619	210,541
Miscellaneous	156,591			-	-	156,591
Total revenues	<u>26,649,186</u>	<u>3,586,747</u>	<u>-</u>	<u>159,807</u>	<u>4,523,431</u>	<u>34,919,171</u>
EXPENDITURES						
Current:						
General government	2,681,428			-	223,720	2,905,148
Public safety	6,036,926		467,022	-	1,146,710	7,650,658
Transportation	58,134			-	1,119,987	1,178,121
Economic and physical development	588,074	3,815,303		-	1,168,339	5,571,716
Environmental Protection	1,162,702			-	348,183	1,510,885
Human services	7,819,852			-	-	7,819,852
Cultural and recreational	419,500				21,878	441,378
Education	4,260,632			1,900,860		6,161,492
Principal retirement	2,129,483			-	-	2,129,483
Interest and other charges	516,954			-	-	516,954
Total Expenditures	<u>25,673,685</u>	<u>3,815,303</u>	<u>467,022</u>	<u>1,900,860</u>	<u>4,028,817</u>	<u>35,885,687</u>
Excess (deficiency) of Revenues over Expenditures	<u>975,501</u>	<u>(228,556)</u>	<u>(467,022)</u>	<u>(1,741,053)</u>	<u>494,614</u>	<u>(966,516)</u>
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	392,427		108,315	16,652	325,869	843,263
Transfers to other funds	(450,835)			-	(392,428)	(843,263)
Debt issued	310,000			3,500,000	-	3,810,000
Total other financing sources (uses)	<u>251,592</u>	<u>-</u>	<u>108,315</u>	<u>3,516,652</u>	<u>(66,559)</u>	<u>3,810,000</u>
Net change in fund balance	1,227,093	(228,556)	(358,707)	1,775,599	428,055	2,843,484
Fund balances-beginning	6,988,855	-	1,708	(1,775,599)	1,591,791	6,806,755
Fund balances-ending	<u>\$ 8,215,948</u>	<u>\$ (228,556)</u>	<u>\$ (356,999)</u>	<u>\$ -</u>	<u>\$ 2,019,846</u>	<u>\$ 9,650,239</u>

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

**Cherokee County, North Carolina
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2005**

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

Net changes in fund balances - total governmental funds	\$ 2,843,484
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,205,737
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	195,074
 The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,592,212)
 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.	-
	(238,417)
 Total changes in net assets of governmental activities	<u>\$ 3,413,666</u>

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

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 10,894,722	\$ 11,294,722	\$ 11,329,599	\$ 34,877
Local option sales tax	5,557,970	6,278,808	6,185,277	(93,531)
Other taxes and licenses	124,000	609,525	660,824	51,299
Unrestricted intergovernmental	844,480	720,706	781,965	61,259
Restricted intergovernmental	3,605,006	4,548,041	4,084,326	(463,715)
Permits and fees	892,002	1,276,435	1,351,327	74,892
Sales and services	2,274,182	1,871,356	1,933,655	62,299
Investment earnings	80,000	150,000	165,622	15,622
Miscellaneous	99,681	141,586	156,591	15,005
Total revenues	<u>24,372,043</u>	<u>26,891,179</u>	<u>26,649,186</u>	<u>(241,993)</u>
Expenditures				
Current:				
General government	2,904,190	2,816,163	2,681,428	134,735
Public safety	5,433,777	6,314,097	6,036,926	277,171
Transportation	62,535	62,535	58,134	4,401
Economic and physical development	577,937	627,905	588,074	39,831
Environmental Protection	1,123,426	1,171,356	1,162,702	8,654
Human services	7,193,962	8,149,476	7,819,852	329,624
Cultural and recreational	401,107	430,303	419,500	10,803
Intergovernmental:				
Education	3,896,369	4,364,838	4,260,632	104,206
Debt service:				
Principal retirement			2,129,483	
Interest and other charges			516,954	
Total Debt Service	2,704,805	2,646,437	<u>2,646,437</u>	-
Total expenditures	<u>24,298,108</u>	<u>26,583,110</u>	<u>25,673,685</u>	<u>909,425</u>
Revenues over (under) expenditures	<u>73,935</u>	<u>308,069</u>	<u>975,501</u>	<u>667,432</u>
Other financing sources (uses):				
Contingency	-	(24,871)	-	24,871
Transfers from other funds	293,575	293,575	392,427	98,852
Transfers to other funds	(361,228)	(450,835)	(450,835)	0
Installment purchase obligations issued	311,200	369,565	310,000	(59,565)
Total other financing sources (uses)	<u>243,547</u>	<u>187,434</u>	<u>251,592</u>	<u>64,158</u>
Net Change in Fund Balance	<u>\$ 317,482</u>	<u>\$ 495,503</u>	<u>\$ 1,227,093</u>	<u>\$ 731,590</u>
Fund balances:				
Beginning of year			<u>6,988,855</u>	
End of year, June 30			<u>\$ 8,215,948</u>	

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

**Cherokee County, North Carolina
Statement of Fiduciary Net Assets
For the Year Ended June 30, 2005**

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 69,107
LIABILITIES AND NET ASSETS	
Liabilities:	
Miscellaneous Liabilities	\$ 55,474
Intergovernmental Payables	13,633
Total liabilities	<u>69,107</u>
Net Assets	<u>\$ -</u>

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

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Cherokee County, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2005

I. Summary of Significant Accounting Policies.

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

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

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

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

The County reports the following major governmental funds:

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

School Improvement Capital Find This fund accounts for Construction funds for School Improvements.

Water line Extension Fund This fund accounts for Construction funds for the Andrews –Murphy waterline project.

Detention Center Capital Fund This fund account for Construction of a new detention facility.

The County does not have any enterprise funds.

The County reports the following fund types:

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

Measurement Focus, Basis of Accounting

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

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

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

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

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

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

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

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

C. Budgetary Data

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

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

D. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

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

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

2. Cash and Cash Equivalents

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

3. Ad Valorem Taxes Receivable - In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2004.

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

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

6. Capital Assets

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

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

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

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

7. Long-term Obligations

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

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

8. Compensated Absences

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

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

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

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

Fund Balances

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

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

The governmental fund types classify fund balances as follows:

Reserved

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

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

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

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2004-2005 budget ordinance.

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

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

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

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

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance

The Water Line Extension Fund and the Detention Center had a deficit Fund Balance as of June 30, 2005. The Water Line Extension Fund was corrected on July 12, 2005 when the County executed a budgeted NC Drinking Water State Revolving Fund promissory note.

The Detention Center Capital Project Fund is scheduled to be corrected with loan Proceeds from a financing that is scheduled to close in December 2005.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

At June 30, 2005, the County's deposits had a carrying amount of \$8,233,431 and a bank balance of \$8,678,792. Of the bank balance, \$234,174 was covered by federal depository insurance, and \$8,444,618 in interest bearing deposits were covered by collateral held under the Pooling Method.

At June 30, 2005, Cherokee County had \$1,050 cash on hand.

2. Investments

The County's investments are categorized to give an indication of the level of custodial risk assumed by the entity at year-end. In the following table, Column A includes investments that are insured or registered or for which the securities are held by the County or their agents in the entity's name. Column B includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the County's. Column C includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the County's name. The County's, investments in the North Carolina Capital Management Trust are exempt from risk categorization because the County does not own any identifiable securities in these mutual funds. At June 30, 2005, the County's investment balances were as follows:

As of June 30, 2005 The County had the following Investment Maturities:

Investment Type	Fair Value	Less than 6 Months
Commercial Paper	363,773	363,773
NC Capital Management Trust:		
Cash Portfolio	37,237	N/A
TOTAL	\$ 401,010	\$ 363,773

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County had no formal policy on managing credit risk. As of June 30, 2005, the County's investments in commercial paper were rated A1+ by Standard & Poor's, and P1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2005.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County’s \$363,773 investment in commercial paper is uninsured and unregistered investment for which the securities are held by the counterparty, or by its trust department but not in the County’s name. The County had no policy on custodial credit risk.

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

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

Year Levied	Tax	Interest	Total
2002	\$ 137,948	\$ 32,763	\$ 170,711
2003	135,496	19,986	155,482
2004	376,572	21,653	398,225
2005	377,546	-	377,546
Total	<u>\$ 1,027,562</u>	<u>\$ 74,402</u>	<u>\$ 1,101,964</u>

4. Receivables

Receivables at the government-wide level at June 30, 2005, were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 643,078	\$ 1,238,913	\$ 2,240,063	\$ 4,122,054
Other Governmental	191,845	111,082	260,926	563,853
Total receivables	834,923	1,349,995	2,500,989	4,685,907
Allowance for doubtful accounts	(172,733)	(698,886)	-	(871,619)
 Total-governmental activities	 \$ 662,190	 \$ 651,109	 \$ 2,500,989	 \$ 3,814,288

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

Local option sales tax	\$1,866,832
State of NC- other	555,847
Other County Governments	19,481
Town of Andrews	58,829
Total	<u>\$2,500,989</u>

5. Capital Assets

Primary Government

Capital Asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balances	Increases	Transfer	Decreases	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 4,144,488	\$ 81,647	\$ -	\$ -	\$ 4,226,135
Construction in progress	1,708,472	2,029,123	(3,016,190)		721,405
Total capital assets not being depreciated	5,852,960	2,110,770	(3,016,190)	-	4,947,540
Capital assets being depreciated:					
Buildings	4,136,792	-		-	4,136,792
Other Improvements	3,399,265	11,251	3,016,190	-	6,426,706
Equipment	1,463,599	37,682		-	1,501,281
Computers & other Electronic Equipment	1,264,794	346,988		-	1,611,782
Vehicles and motor equipment	2,378,333	564,616		173,488	2,769,461
Total capital assets being depreciated	12,642,783	960,537	3,016,190	173,488	16,446,021
Less accumulated depreciation for:					
Buildings	2,256,702	79,512		-	2,336,214
Other improvements	1,370,893	329,885		-	1,700,778
Equipment	859,667	146,500		-	1,006,167
Computers & other Electronic Equipment	1,045,721	104,844		-	1,150,565
Vehicles and motor equipment	1,839,785	204,827		168,814	1,875,798
Total accumulated depreciation	7,372,768	865,568	-	168,814	8,069,522
Total capital assets being depreciated, net	5,270,015				8,376,499
Governmental activity capital assets, net	\$ 11,122,975				\$ 13,324,039

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

Construction commitments

General government	\$ 148,438
Public safety	228,213
Transportation	57,048
Economic and physical development	1,634
Human services	119,878
Environmental Protection	302,442
Cultural and recreational	7,917
Total depreciation expense	\$ 865,569

The County has active construction projects as of June 30, 2005. The projects include school construction, airport improvements, and water & sewer improvement projects. At June 30, 2005, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Airport Improvements	164,117	1,673,258
School Sewer Improvements	-	114,574
Detention Facility	467,021	-
Total	631,139	1,787,832

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2005, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	\$ 738,222	\$ 584,401	\$ 1,322,623
Other Governmental	31,548	-	31,548
Total-governmental activities	\$ 769,770	\$ 584,401	\$ 1,354,171

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.94% and 4.78%, respectively, of annual covered payroll. The contribution requirements of members and of Cherokee County are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2005, 2003, and 2002 were \$294,119, \$277,329, and \$252,196 respectively. The contributions made by the County equaled the required contributions for each year.

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2003, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>27</u>
Total	<u>27</u>

2. Summary of Significant Accounting Policies:

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

Method Used to Value Investments. Investments are reported at fair value. Short-term money market debt instruments, deposits, and repurchase agreements, are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price. At June 30, 2005 there were no investments.

3. Contributions.

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

The annual required contribution for the current year was determined as part of the December 31, 2003 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases of 5.9% to 9.8% per year. Both (a) and (b) included an inflation component of 3.750%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2003 was 27 years.

3 Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of Net Pension APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2003	\$10,658	00%	\$ 29,125
6/30/2004	\$10,103	00%	\$ 39,228
6/30/2005	\$10,681	00%	\$ 49,909

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2003 were \$38319, which consisted of \$31,269 from the County and \$7,050 from the law enforcement officers.

d. Deferred Compensation Plan

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

e. Registers of Deeds' Supplemental Pension Fund

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

Funding Policy. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2005, the County's required and actual contributions were \$13,256.

f. Other Postemployment Benefits - Cherokee County

According to a County resolution, the County provides health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least ten years of creditable service with the County. The County pays the cost of coverage for these benefits up to \$200 per month. Also, retirees can purchase coverage for their dependents at the County's group rates. Currently no retiree is eligible for postretirement health benefits. For the fiscal year ended June 30, 2005, the County made no payments for postretirement health benefit premiums. The County obtains health care coverage through private insurers.

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the

employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2005, the County made contributions to the State for death benefits of \$9,160. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 90% and 10% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

2. Closure and Postclosure Care Costs – Cherokee County Landfill Facility

State and federal laws and regulations require the County to place a final cover on its Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,119,384 as landfill closure and postclosure care liability at June 30, 2005 represents a cumulative amount reported to-date based on the use of 59 percent of the total estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,009,259 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2004. The County expects to close the landfill facility in approximately 2030. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

3. Deferred / Unearned Revenues

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

	Unearned or Deferred Revenue	Full Accrual Unearned Revenue
Prepaid taxes not yet earned	\$ 245,332	\$ 245,332
Grants received not yet earned	273,172	273,172
Taxes receivable (net)	<u>858,168</u>	<u>-</u>
Total	<u>\$ 1,376,672</u>	<u>\$ 518,504</u>

4. Risk Management

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

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

5. Long-Term Obligations

a. Capital Leases

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

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

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

CHEROKEE COUNTY, NC Notes to Basic Financial Statements

For Cherokee County, the future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005 were as follows:

2006	54,494
2007	54,494
2008	<u>27,247</u>
Total minimum lease payments	\$ <u>136,235</u>
Less: amount representing interest	<u>7,047</u>
Present value of the minimum lease payments	\$ <u><u>129,188</u></u>

Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2005:

	Balance			Balance June 30, 2005	Current Portion of Balance
	June 30, 2004	Increases	Decreases		
Installment purchases	\$ 17,404,351	\$ 3,810,000	\$ 2,150,655	\$ 19,063,696	\$ 2,153,068
Capital Lease	177,445	-	48,258	129,187	50,172
Landfill closure costs	1,938,379	181,006	-	2,119,385	
Vacation payable	354,824	337,518	295,457	396,885	
Pension benefit obligation	39,228	10,681		49,909	
Total	<u>\$ 19,914,227</u>	<u>\$ 4,339,205</u>	<u>\$ 2,494,370</u>	<u>\$ 21,759,062</u>	<u>\$ 2,203,240</u>

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

b. Installment Purchases

	June 30, 2004	Additions	Retirements	June 30, 2005
Installment purchase, 30 semi-annual payments of \$446,541 including interest at an annual rate of 3.79% through August 2011	\$5,783,055		\$680,290	\$5,102,765
Installment purchase, 180 monthly payments of \$334 including interest at an annual rate of 8.0% through April 2011	21,075		2,415	18,660
Installment purchase, 30 semi-annual payments of \$163,122 including interest at an annual rate of 3.83% through June 2013	2,463,901		234,096	2,229,805
Installment purchase, 20 semi-annual payments of \$79,699 including interest at an annual rate of 3.27% through August 2007	523,122		143,454	379,668
Installment purchase, 12 semi-annual payments of \$125,000 plus interest at an annual rate of 3.32% through December 2009	1,375,000		250,000	1,125,000
Installment purchase, 16 quarterly payments of \$135,645 plus interest at an annual rate of 2.74% through December 2007	1,899,024		542,578	1,356,446
Installment purchase, 8 annual payments of \$9,620 including interest at an annual rate of 5.89% through September 2005	15,705		8,695	7,010
Installment purchase, 60 quarterly payments of \$6,663, including interest at an annual rate of 5.07% through June 2016.	238,512		14,841	223,671

Installment purchase, 8 annual payments of \$46,522, including interest at an annual rate of 4.25% through May 2013.	310,000		310,000
Installment purchase, 32 semi annual principal payments of \$58,333 plus including interest at an annual rate of 4.33% through June 2017	1,575,000	116,667	1,458,333
Installment purchase, 20 quarterly payments of \$22,642, including interest at an annual rate of 3.77% through October 2006	187,057	84,719	102,338
Installment purchase, 1 payments of \$3,250,000, on December 18, 2016 at 0% interest	3,250,000		3,250,000
Installment purchase, 1 payments of \$3,500,000, on July 16, 2018 at 0% interest	3,500,000		3,500,000
Installment purchase, 12 quarterly payments of \$24,234, including interest at an annual rate of 3.99% through July 2004	23,994	23,994	-
Installment purchase, 14 semi annual payments of \$25,298, including interest at an annual rate of 4.59% through April 2005.	48,906	48,906	-
	<u>\$17,404,351</u>	<u>\$3,810,000</u>	<u>\$2,150,655</u>
			<u>\$19,063,696</u>

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

CHEROKEE COUNTY, NC Notes to Basic Financial Statements

The county has used installment purchases for other equipment, vehicles, and software.

The following table summarizes the annual requirements to amortize the installment purchase debt outstanding at June 30, 2005. At June 30, 2005 Cherokee County had a NC Drinking Water State Revolving Loan Fund authorized in the amount of \$862,835. There were no draws on this amount until the subsequent year.

YR.	Current Maturities on Outstanding Debt		
	Principal	Interest	Total
June-06	2,153,068	443,343	2,596,411
June-07	2,116,501	366,394	2,482,895
June-08	1,796,502	291,541	2,088,043
June-09	1,488,841	231,704	1,720,545
June-10	1,407,531	174,685	1,582,216
10-15	3,033,831	277,457	3,311,288
15-19	7,067,422	19,679	7,087,101
Total	19,063,696	1,804,803	20,868,499

C. Interfund Balances and Activity

Transfers to/from other funds at June 30, 2005, consists of the following:

From the General fund to the Airport improvement Fund to accumulate resources for the construction of airport improvements	\$149,666
From the General fund to the Detention Center Construction Fund to Purchase land for the new Detention Center	108,315
From the General Fund to the School Improvement Fund for Water	16,652
From the General Fund to the Victims Advocate Fund for program expenses	1,466
From the General Fund to the Debt Service fund to accumulate funds to retire QZAB debt	174,736
From the Landfill Construction Fund to the General Fund for Debt service	387,078
From the Economic Development Fund to the General fund for Administration Expenses	5,349
Total	\$843,262

Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2005 is as follows:

Receivable Entity	Payable Entity	Due From	Due to
General Fund		\$885,538	\$
	Victim Advocate		15,266
	Scattered House Sites		32,631
	Wellness Center Capital Project		21,878
	School Renovations		152,508
	Detention Center Capital Project	-	356,999
	Andrews Murphy Water interconnect Project	-	306,256
	Total	<u>\$885,538</u>	<u>\$885,538</u>

IV. Related Organization

The Board of Commissioners of Cherokee County is responsible for appointing the members of the board for the Cherokee County Rural Development Authority (CCRDA), but the County’s accountability for this organization does not extend beyond making these appointments. The Authority exists to sell home sites and finances these sales with loans secured by the property sold. The County is not responsible for the debt issued by the Authority and the Authority’s debt is not included in determining the County’s legal debt limit. In the year ended June 30, 2005 the CCRDA ceased operations and transferred their remaining assets to the County.

V. Joint Ventures

1. Nantahala Regional Library - The County participates in a joint venture to operate the Nantahala Regional Library with two other local governments. The County appoints three members to the board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library’s continued existence depends on the participating government’s continued funding. None of the participating governments has any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2005. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$160,000 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library’s office at 101 Blumenthal Street, Murphy, NC, 28906.

2. Smoky Mountain Center for Mental Health Developmental Disability and Substance Abuse Service - The County participates in a joint venture to operate the Smoky Mountain Center for Mental Health Developmental Disability and Substance Abuse Services with six other local governments. The County appoints one member to the board of the Center. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating government's continued funding. None of the participating governments has any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2005. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$45,000 to the Center to supplement its activities. Complete financial statements for the Center can be obtained from the Center's offices at P. O. Box 280, Dillsboro, NC, 28725.

VI. Jointly Governed Organization

The County, in conjunction with seven other counties and sixteen municipalities, established the Southwestern Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$13,733 to the Council during the fiscal year ended June 30, 2005. The County was the sub recipient of a grant for \$146,098 from the U.S. Department of Health and Human Services and the Division of Aging of the North Carolina Department of Human Resources, which was passed through the Commission.

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

VII. Benefit Payments Issued by the State

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

CHEROKEE COUNTY, NC Notes to Basic Financial Statements

	<u>Federal</u>	<u>State</u>
Temporary Assistance for Needy Families	\$ 64,288	\$ -
Medicaid	23,125,774	10,927,707
WIC	522,330	
Food Stamp Program	1,895,641	-
Payments to Elderly and Disabled	-	178,267
Adoption Assistance	66,801	19,250
Energy Assistance	<u>72,470</u>	<u>-</u>
Total	<u>\$25,747,304</u>	<u>\$11,125,224</u>

VIII. Summary Disclosure of Significant Commitments and Contingencies

Federal and State Assisted Programs

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

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Required Supplemental Financial Data

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a)/c)
12/31/1999	\$ -	\$ 13,524	13,524	0.00%	\$ 428,549	3.16%
12/31/2000	\$ -	\$ 46,395	46,395	0.00%	\$ 421,179	11.02%
12/31/2001	\$ -	\$ 57,170	57,170	0.00%	\$ 521,685	10.96%
12/31/2002	\$ -	\$ 41,301	41,301	0.00%	\$ 550,543	7.50%
12/31/2003	\$ -	\$ 38,894	38,894	0.00%	\$ 569,554	6.83%
12/31/2004	\$ -	\$ 47,780	47,780	0.00%	\$ 672,611	7.10%

Notes to the Required Schedules:

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

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

General Fund

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

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 11,182,986	\$
Penalties and interest		146,613	
Total	<u>11,294,722</u>	<u>11,329,599</u>	<u>34,877</u>
Local option sales taxes:			
Article 39 one percent		2,896,763	
Article 40 one - half of one percent		1,085,225	
Article 42 one - half of one percent		1,074,832	
Article 44 one - half of one percent		1,128,457	
Total	<u>6,278,808</u>	<u>6,185,277</u>	<u>(93,531)</u>
Other taxes and licenses:			
Deed stamp excise tax		481,604	
Car Rental Tax		5,222	
Occupancy Tax		126,931	
Franchise Tax		3,409	
State Drug Tax		40,848	
Civil licenses		2,810	
Total	<u>609,525</u>	<u>660,824</u>	<u>51,299</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes-outside sources		781,794	
Fuel tax reimbursements		171	
Total	<u>720,706</u>	<u>781,965</u>	<u>61,259</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Restricted intergovernmental:			
Victims Advocate Grant		\$ 17,585	\$
Social Services		1,549,548	
Senior Center		370,335	
Criminal Justice Grant		41,388	
Other Grants		577,698	
US Forest Serv. Timber Receipts		74,741	
Health Dept. Medicaid		184,460	
Health Dept. state revenues		536,636	
Health Dept. grants		156,425	
White goods tax grant		10,023	
Tire Disposal tax grant		28,582	
Juvenile Crime Prevention		90,726	
Public School Build. Capital Fund		106,490	
Court facility fees		54,226	
Federal Drug Seizure		273,645	
ABC bottles taxes		11,819	
Total	4,548,041	4,084,326	(463,715)
Permits and fees:			
Building permits & inspections		367,575	
Landfill user fees		672,725	
Register of deeds		300,938	
Fire inspections		3,190	
Fire arms permits		6,900	
Water & Septic permits		-	
Total	1,276,435	1,351,327	74,892
Sales and services:			
Rents		54,684	
Landfill tipping fees		265,843	

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Sales and Services continued:			
Health Dept. Fees		\$ 613,504	\$
Transportation fees		115,512	
Election fees		-	
Jail fees		175,813	
Ambulance fees		509,185	
Other sales		116,380	
Personnel Fees		81,690	
Vehicle tax collection fees		1,044	
Total	<u>1,871,356</u>	<u>1,933,655</u>	<u>62,299</u>
Investment earnings	<u>150,000</u>	<u>165,622</u>	<u>15,622</u>
Miscellaneous:			
ABC Store distributions	29,000	30,733	-
Other	112,586	125,858	-
Total	<u>141,586</u>	<u>156,591</u>	<u>15,005</u>
Total revenues	<u>26,891,179</u>	<u>26,649,186</u>	<u>(241,993)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits		69,254	
Other operating expenditures		59,698	
Total	<u>132,383</u>	<u>128,952</u>	<u>3,431</u>
Administration:			
Salaries and employee benefits		112,737	
Other operating expenditures		18,735	
Capital Outlay		714	
Total	<u>134,398</u>	<u>132,186</u>	<u>2,212</u>

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
General government, Continued:			
Finance:			
Salaries and employee benefits		\$ 140,481	\$
Other operating expenditures		61,539	
Capital outlay		8,168	
Total	231,513	210,188	21,325
Tax Assessor:			
Salaries and employee benefits		305,574	
Other operating expenditures		48,335	
Capital outlay		8,469	
Total	379,657	362,378	17,279
Land Records:			
Salaries and employees benefits		129,981	
Operating expenditures		57,348	
Capital outlay		19,452	
Total	242,791	206,781	36,010
Tax Collector:			
Salaries and employee benefits		149,455	
Operating expenditures		40,970	
Capital outlay		-	
Total	193,641	190,425	3,216
Court Facilities:			
Operating expenditures		31,829	
Capital outlay		-	
Total	32,550	31,829	721
Board of Elections			
Salaries and employee benefits		94,498	
Other operating expenditures		59,614	
Capital outlay		15,075	
Total	177,722	169,187	8,535

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
General government, Continued:			
Register of deeds:			
Salaries and employee benefits		\$ 139,604	\$
Other operating expenditures		315,930	
Capital outlay		453	
Total	453,539	455,987	(2,448)
Public buildings/maintenance:			
Salaries and employee benefits		146,020	
Operating expenditures		167,059	
Capital outlay		13,297	
Total	345,568	326,376	19,192
Central services:			
Salaries and employee benefits		\$ 30,572	\$
Operating expenditures		108,353	
Insurance and bonds		313,484	
Capital outlay		631	
Total	478,555	453,040	25,515
Special Appropriations:			
WNC Development Assoc		-	
Region A		14,100	
Total	13,846	14,100	(254)
Total general government	2,816,163	2,681,428	134,735
Public Safety:			
Sheriff:			
Salaries and employee benefits		1,190,632	
Other operating expenditures		397,677	
Capital outlay		255,034	
Total	1,916,934	1,843,343	73,591

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Public safety continued:			
Criminal Justice:			
Salaries and employee benefits		\$ 19,347	\$
Other operating expenditures		21,261	
Capital outlay		-	
Total	50,870	40,608	10,262
Victim Advocate			
Salaries and employee benefits		\$ 18,596	\$
Other operating expenditures		2,539	
Capital outlay		-	
Total	21,135	21,135	-
Jail:			
Salaries and employee benefits		846,712	
Other operating expenditures		803,528	
Capital outlay		39,765	
Total	1,697,694	1,690,005	7,689
Emergency communications:			
Salaries and employee benefits		377,398	
Other operating expenditures		20,715	
Capital outlay		678	
Total	401,167	398,791	2,376
Emergency management:			
Salaries and employee benefits		71,211	
Other operating expenditures		8,505	
Capital outlay		159,273	
Total	261,385	238,989	22,396
Ambulance service:			
Salaries and employee benefits		694,002	
Other expenditures		129,762	
Capital outlay		324,185	
Total	1,337,446	1,147,949	189,497

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Public safety, Continued:			
Fire inspection:			
Salaries and employee benefits		\$ 50,314	\$
Other operating expenditures		29,914	
Assistance to local fire departments		6,587	
Capital outlay		-	
Total	87,330	86,815	515
Building inspection:			
Salaries and employee benefits		261,597	
Other operating expenditures		22,527	
Capital outlay		15,493	
Total	318,311	299,617	18,694
Medical examiner:			
Other operating expenditures		29,000	
Total	32,000	29,000	3,000
Special appropriations:			
NC Forest Service-Fire protection		42,796	
Valley River Humane Society		59,600	
Valley River Rescue Squad		40,000	
Cherokee County Rescue Squad		40,000	
Total	189,825	182,396	7,429
Total public safety	6,314,097	5,978,648	335,449

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Transportation:			
Airport:			
Other operating expenditures		\$ 58,134	\$
Capital outlay		-	
Total transportation	62,535	58,134	4,401
Economic and physical development:			
Economic Development:			
Salaries and employee benefits		58,476	
Other operating expenditures		17,114	
Grants		3,362	
Total	83,755	78,952	4,803
Cooperative Extension:			
Salaries and employee benefits		119,468	
Other operating expenditures		17,901	
Capital outlay		-	
Grants		19,052	
Total	194,789	156,421	38,368
Soil and water:			
Salaries and employee benefits		75,176	
Total	75,176	75,176	-
Tourism authorities:			
Cherokee County Board of Tourism	118,000	124,556	(6,556)

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Economic Development:			
Continued:			
Special appropriations:			
Town of Andrews-water		\$ -	\$
Town of Murphy-water and sewer		80,469	
Soil and water conservation district		70,000	
Hiawassee River Coalition		2,500	
Total	156,185	152,969	3,216
Total economic and physical development	627,905	588,074	39,831
Environmental protection:			
Solid waste:			
Salaries and employee benefits		680,757	
Operating expenditures		326,453	
Capital outlay		155,491	
Total environmental protection:	1,171,356	1,162,702	8,654
Human services:			
Health:			
Administration:			
Salaries and employee benefits		1,455,757	
Other operating expenditures		305,040	
Capital outlay		17,388	
Total	1,808,796	1,778,186	30,610
Health programs:			
Health promotion		1,794	
Bio Terrorism		42,133	
Immunization		291	
Communicable disease		1,931	
Adult health		13,967	

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Human Services, Health Programs			
Continued:			
Maternal health		\$ 53,324	\$
Breast and Cervical Cancer		8,392	
School Based Clinic		80,799	
School Nurse Initiative		98,630	
Family planning		73,961	
WIC		3,392	
Child Health		9,150	
Child Service Coordinator		731	
Smart Start		2,504	
Medication Management		-	
Environmental Health		96,870	
Total	576,831	487,869	88,962
Mental Health:			
Smoky Mountain Center	50,000	50,000	-
Social services:			
Administration:			
Salaries and employee benefits		1,956,237	
Other operating expenditures		152,055	
Capital outlay		41,180	
Total	2,173,869	2,149,472	24,397
Social Service programs:	2,443,984	2,374,662	69,322
Total Social Services	4,617,853	4,524,134	93,719
Senior Center:			
Salaries and employee benefits		400,516	
Operating expenditures		208,269	
Capital outlay		61,633	
Total	779,998	670,418	109,580

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Human Services, Health Programs			
Continued:			
Special appropriations:			
Industrial Opportunities Inc.		\$ 27,250	\$
State of Franklin Health Council		16,000	
Food Distribution Program		3,400	
Family Resource Center		52,512	
Haven Child Advocacy		97,573	
Juvenile Crime Prevention Programs		109,510	
REACH		3,000	
Cherokee County Youth Endowment		-	
Total	315,998	309,245	6,753
Total Human Services	8,149,476	7,819,852	329,624
Cultural and recreational:			
Library operating expenditures	160,000	160,000	-
Parks and recreation:			
Salaries and employee benefits		113,140	
Operating expenditures		52,561	
Capital outlay		21,167	
Total	195,171	186,868	8,303
Museum:			
Salaries and employee benefits		30,132	
Total	30,132	30,132	-
Special appropriations:			
River Walk Trail		7,500	
Valleytown Cultural Arts		-	
Fireworks		-	
Andrews Recreation Park		35,000	
Total	45,000	42,500	2,500
Total cultural and recreational	430,303	419,500	10,803

Cherokee County, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures, Continued:			
Education:			
Public schools--current expense		\$ 3,442,671	\$
Public schools capital outlay:			
County appropriations		441,731	
Community college--current		327,000	
Community college --capital outlay		49,230	
Total education	4,364,838	4,260,632	104,207
Debt service:			
Principal retirement		2,198,911	
Interest and fees		505,804	
Total debt service	2,646,437	2,704,715	(58,278)
Total expenditures	26,583,110	25,673,685	909,426
Revenues over expenditures	308,069	975,501	667,432
Other financing sources (uses):			
Appropriated fund balance	-		-
Contingency	(24,871)		24,871
Transfer to Debt Service	(174,736)	(174,736)	-
Transfer to Airport Improvement	(149,666)	(149,666)	-
Transfer to Victims Advocate Fund Fund	(1,466)	(1,466)	-
Transfer to School Improvement Fund	(16,652)	(16,652)	-
Transfer to Jail Capital Projects Fund	(108,315)	(108,315)	-
Transfer from Landfill Construction Fund	293,575	387,078	93,503
Transfer from Economic Dev Fund	-	5,349	5,349
Debt Issued	369,565	310,000	(59,565)
Total other financing sources(uses)	187,434	251,592	64,158
Increase in Fund Balance	\$ 495,503	1,227,093	\$ 731,590
Fund balance:			
Beginning, July 1		6,988,855	
Ending June 30		\$ 8,215,948	

Special Revenue Funds

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

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

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

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

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

Economic Development Fund – This fund accounts for the grant funds used to expand water & sewer to a new commercial location in the county.

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

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

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

Cherokee County, North Carolina
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2005

	Special Revenue Funds								Total Nonmajor Special Revenue Funds	Capital Projects Funds			Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
	Emergency Telephone System Fund	Fire District Fund	Revalu - ation Fund	Debt Service Fund	Economic Development Fund	Scattered Housing II Fund	Victim Advocate Grant	Bear Paw Service District		Airport Improvements	Wellness Center	Landfill Cell 2		
Assets														
Cash and cash equivalents	\$ 106,529	\$ 25,904	\$ 142,429	\$ 412	\$ -	\$ -	\$ -	\$ 3,721	278,995	\$ 408,390	\$ 1,279,574	\$ -	1,687,964	\$ 1,966,959
Restricted cash - loan proceeds									-				-	-
Investments				363,773					363,773					363,773
Taxes receivable (net)	-	96,238	-	-	-	-	-	14,844	111,082	-	-	-	-	111,082
Accounts Receivable	22,723	-	-	-	-	-	16,614	-	39,337	-	-	-	-	39,337
Due from other Governments	-	-	-	-	-	40,881	-	-	40,881	-	-	-	-	40,881
Prepays	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 129,252	\$ 122,142	\$ 142,429	\$ 364,185	\$ -	\$ 40,881	\$ 16,614	\$ 18,565	\$ 834,068	\$ 408,390	\$ 1,279,574	\$ -	\$ 1,687,964	\$ 2,522,032
Liabilities and Fund Balances														
Liabilities:														
Accounts payable and accrued liabilities	\$ 4,274	\$ 25,904	\$ -	\$ -	\$ -	\$ 8,250	\$ 1,348	\$ 3,722	43,498	\$ 14,686	\$ -	\$ -	14,686	\$ 58,184
Due to other funds	-	-	-	-	-	32,631	15,266	-	47,897	-	21,878	-	21,878	69,775
Deferred revenue	-	96,238	-	-	-	-	-	14,843	111,081	-	-	-	-	111,081
Unearned Revenues									-	263,146		263,146	263,146	263,146
Total liabilities	4,274	122,142	-	-	-	40,881	16,614	18,565	202,476	14,686	285,024	-	299,710	502,186
Fund balances:														
Reserved for encumbrances	-	-	33,078	-	-	-	-	-	33,078	-	-	-	-	33,078
Reserved by state statute	22,723	-	-	-	-	-	-	-	22,723	-	-	-	-	22,723
Unreserved, undesignated	102,255	-	109,351	364,185	-	-	-	-	575,791	393,704	994,550	-	1,388,254	1,964,045
Total fund balances	124,978	-	142,429	364,185	-	-	-	-	631,592	393,704	994,550	-	1,388,254	2,019,846
Total liabilities and fund balances	\$ 129,252	\$ 122,142	\$ 142,429	\$ 364,185	\$ -	\$ 40,881	\$ 16,614	\$ 18,565	\$ 834,068	\$ 408,390	\$ 1,279,574	\$ -	\$ 1,687,964	\$ 2,522,032

Cherokee County, North Carolina
 Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Fiscal Year Ended June 30, 2005

									Capital Projects Funds					
	Emergency Telephone System Fund	Fire District Fund	Revaluation Fund	Debt Service Fund	Econ. Development Fund	Scattered Housing II Fund	Victim Advocate Grant	Bear Paw Service District	Total Nonmajor Governmental Funds	Airport Improvements	Wellness Center	Landfill Cell# 2	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:														
Ad valorem taxes	\$ -	\$ 841,807	\$ -			\$ -	\$ -	\$ 209,095	\$ 1,050,902	\$ -	\$ -	\$ -	\$ -	\$ 1,050,902
Other taxes and licenses	191,360	-	-			-	-	-	191,360				-	191,360
Restricted intergovernmental Grants	85,500	-	-			279,947	-	-	365,447	1,346,517			1,346,517	1,711,964
Restricted other	-				496,044		34,929		530,973				-	530,973
Investment earnings	2,804	-	3,528	11,227	-	-	-	-	17,559		1,000,613		1,000,613	1,000,613
Total revenues	<u>279,664</u>	<u>841,807</u>	<u>3,528</u>	<u>11,227</u>	<u>496,044</u>	<u>279,947</u>	<u>34,929</u>	<u>209,095</u>	<u>2,156,241</u>	<u>1,346,517</u>	<u>1,016,428</u>	<u>4,245</u>	<u>2,367,190</u>	<u>4,523,431</u>
Expenditures:														
Current:														
General government	-	-	14,625	-		-		209,095	223,720				-	223,720
Public safety	268,508	841,807	-	-		-	36,395	-	1,146,710				-	1,146,710
Economic Development	-	-	-	-	888,392	279,947	-	-	1,168,339				-	1,168,339
Capital Outlay										1,119,987	21,878	348,183	1,490,048	1,490,048
Debt Service														
Principal	-	-	-	-		-	-	-	-				-	-
Interest	-	-	-	-		-	-	-	-				-	-
Total expenditures	<u>268,508</u>	<u>841,807</u>	<u>14,625</u>	<u>-</u>	<u>888,392</u>	<u>279,947</u>	<u>36,395</u>	<u>209,095</u>	<u>2,538,769</u>	<u>1,119,987</u>	<u>21,878</u>	<u>348,183</u>	<u>1,490,048</u>	<u>4,028,817</u>
Revenues over (under) expenditures	<u>11,156</u>	<u>-</u>	<u>(11,097)</u>	<u>11,227</u>	<u>(392,348)</u>	<u>-</u>	<u>(1,466)</u>	<u>-</u>	<u>(382,528)</u>	<u>226,530</u>	<u>994,550</u>	<u>(343,938)</u>	<u>877,142</u>	<u>494,614</u>
Other financing sources:														
Installment Purchase Obligations	-								-				-	-
Operating transfers in:														
General Fund	-	-	-	174,736		-	1,466	-	176,202	149,667			149,667	325,869
Operating transfers out:														
General Fund	-	-	-	-	(5,350)	-	-	-	(5,350)			(387,078)	(387,078)	(392,428)
Increase (Decrease) in Fund Balance	<u>11,156</u>	<u>-</u>	<u>(11,097)</u>	<u>185,963</u>	<u>(397,698)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(211,676)</u>	<u>376,197</u>	<u>994,550</u>	<u>(731,016)</u>	<u>639,731</u>	<u>428,055</u>
Fund balances:														
Beginning of year, July 1	113,822	-	153,526	178,222	397,698	-	-	-	843,268	17,507	-	731,016	748,523	1,591,791
End of year, June 30	<u>\$ 124,978</u>	<u>\$ -</u>	<u>\$ 142,429</u>	<u>\$ 364,185</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 631,592</u>	<u>\$ 393,704</u>	<u>\$ 994,550</u>	<u>\$ -</u>	<u>\$ 1,388,254</u>	<u>\$ 2,019,846</u>

Cherokee County, North Carolina
Emergency Telephone System Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	2005		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues:			
Other taxes and licenses	\$ 200,000	\$ 191,360	\$ (8,640)
Restricted intergovernmental	69,392	85,500	16,108
Investment Earnings	500	2,804	2,304
	<u>269,892</u>	<u>279,664</u>	<u>9,772</u>
Expenditures			
Public Safety:			
Salaries and Employee benefits		94,179	
Operating Expenditures		152,486	
Capital Outlay		21,843	
Public Safety	<u>303,979</u>	<u>268,508</u>	<u>35,471</u>
Total	<u>303,979</u>	<u>268,508</u>	<u>35,471</u>
Revenues over (under) expenditures	(34,087)	11,156	45,243
Appropriated fund balance	<u>34,087</u>	<u>-</u>	<u>(34,087)</u>
	<u>34,087</u>	<u>-</u>	<u>(34,087)</u>
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>11,156</u>	<u>\$ 11,156</u>
Fund balances:			
Beginning of year, July 1		<u>113,822</u>	
End of year, June 30		<u>\$ 124,978</u>	

Cherokee County, North Carolina
Fire District Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	2005		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues:			
Ad valorem taxes:	\$ 831,000	\$ 841,807	\$ 10,807
Expenditures:			
Public safety:			
Bellview Fire District		67,607	
Brasstown Fire District		7,109	
Hanging Dog Fire District		33,053	
Hiwassee Fire District		118,473	
Wolf Creek Fire District		35,684	
Martins Creek Fire District		50,928	
Peachtree Fire District		130,474	
Murphy Rual Fire District		153,637	
Ranger Fire District		86,729	
ValleyTown Fire District		158,113	
Total expenditures	831,000	841,807	(10,807)
Increase (Decrease) in Fund Balance	\$ -	-	\$ -
Fund balances:			
Beginning of year, July 1		-	
End of year, June 30		\$ -	

Cherokee County, North Carolina
Revaluation Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	2005		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues:			
Investment earnings	\$ -	\$ 3,528	\$ 3,528
Expenditures:			
Current:			
General government:			
Salaries and Employee benefits		-	
Other Operating Expenditures		14,625	
Capital Outlay		-	
Total	<u>53,889</u>	<u>14,625</u>	<u>39,264</u>
Revenues over (under) expenditures	<u>(53,889)</u>	<u>(11,097)</u>	<u>42,792</u>
Deficiency of Revenues under Expenditures - Use of Fund Balance	<u>53,889</u>	<u>-</u>	<u>(53,889)</u>
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>(11,097)</u>	<u>\$ (11,097)</u>
Fund balances:			
Beginning of year, July 1		<u>153,526</u>	
End of year, June 30		<u>\$ 142,429</u>	

Cherokee County, North Carolina
Debt Service Fund
Statement of Revenues, Expenditures, and
For the Fiscal Year Ended June 30, 2005

	2005		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues			
Investment Earnings	\$ 11,226	\$ 11,227	\$ 1
Other financing sources (uses):			
Operating transfers in:			
General Fund - Debt Service	174,736	174,736	-
Total other financing sources (uses)	<u>174,736</u>	<u>174,736</u>	<u>-</u>
Increase in			
Fund Balance	<u>\$ 185,962</u>	<u>\$ 185,963</u>	<u>\$ 1</u>
Fund balance:			
Beginning of year, July 1		<u>178,222</u>	
End of Year, June 30		<u>\$ 364,185</u>	

Cherokee County, North Carolina
Economic Development Water & Sewer -Lowe's Extension
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

	Project Author- ization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Year	Current Year		
Revenues					
Private Contribution	\$ 397,905	\$ 397,905	\$ -	\$ 397,905	\$ -
Grants- NC Dept of Commerce Grant # 03-E-1204	496,044	-	496,044	496,044	-
	<u>\$ 893,949</u>	<u>\$ 397,905</u>	<u>\$ 496,044</u>	<u>\$ 893,949</u>	<u>\$ -</u>
Expenditures					
Administration	25,000	207	24,643	24,850	150
Water Improvements	388,590		383,390	383,390	5,200
Sewer Improvements	475,359		475,359	475,359	-
Planning	5,000		5,000	5,000	-
	<u>893,949</u>	<u>207</u>	<u>888,392</u>	<u>888,599</u>	<u>5,350</u>
Revenues (Under) Expenditures	<u>-</u>	<u>397,698</u>	<u>(392,348)</u>	<u>5,350</u>	<u>5,350</u>
Other financing uses:					
Operating transfers to General Fund			(5,350)	(5,350)	(5,350)
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>\$ 397,698</u>	<u>(397,698)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Beginning of year, July 1			<u>397,698</u>		
End of Year, June 30			<u>\$ -</u>		

Cherokee County, North Carolina
Scattered Homesites II
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

	Project Author- ization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Year	Current Year		
Revenues					
Grant - NC Dept of Commerce CDBG Grant #04-C-1226	\$ 400,000		\$ 279,947	\$ 279,947	\$ (120,053)
Expenditures					
Administration	40,000		32,999	32,999	7,001
Housing Rehabilitation	90,000		-	-	90,000
Relocation assistance	240,000		225,818	225,818	14,182
Clearance	30,000		21,130	21,130	8,870
	<u>400,000</u>	<u>-</u>	<u>279,947</u>	<u>279,947</u>	<u>120,053</u>
Revenues (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):					
Operating transfers in:					
General Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in					
Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:					
Beginning of year, July 1			<u>-</u>		
End of Year, June 30			<u>\$ -</u>		

Cherokee County, North Carolina
Bear Paw Service District
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2005

	2005		Variance
	Final Budget	Actual	Favorable (Unfavorable)
Revenues:			
Ad valorem taxes:	\$ 198,940	\$ 209,095	\$ 10,155
Expenditures:			
Bear Paw Service District	198,940	209,095	(10,155)
Increase (Decrease) in Fund Balance	\$ -	-	\$ -
Fund balances:			
Beginning of year, July 1		-	
End of year, June 30		\$ -	

Cherokee County, North Carolina
Victim Advocate Grant
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

	Project Author- ization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Year	Current Year		
Revenues					
Grants	\$ 75,000	\$ -	\$ 34,929	\$ 34,929	\$ (40,071)
	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ 34,929</u>	<u>\$ 34,929</u>	<u>\$ (40,071)</u>
Expenditures					
Wages & Benefits	52,312	-	22,486	22,486	29,826
Operating Expenses	16,913	-	7,897	7,897	9,016
Capital Outlay	7,241	-	6,012	6,012	1,229
	<u>76,466</u>	<u>-</u>	<u>36,395</u>	<u>36,395</u>	<u>40,071</u>
Revenues (Under) Expenditures	<u>(1,466)</u>	<u>-</u>	<u>(1,466)</u>	<u>(1,466)</u>	<u>0</u>
Other financing uses:					
Operating transfers from General Fund	1466	-	1,466	1,466	0
	<u>1466</u>	<u>-</u>	<u>1,466</u>	<u>1,466</u>	<u>0</u>
Increase (Decrease) in					
Fund Balance	<u>\$ -</u>	<u>\$ -</u>	0	<u>\$ 0</u>	<u>\$ 0</u>
Fund balance:					
Beginning of year, July 1			-		
End of Year, June 30			<u>\$ 0</u>		

Capital Projects Funds

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

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

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

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

Landfill Cell 2 Project Fund – This fund is used to account for the construction of a new cell at the current Landfill

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

School Capital Projects Fund – This fund is used to account for construction projects at the schools that are funded with loans and grants

Cherokee County, North Carolina
 Airport Improvement Project
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2005

	Project Author- ization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental:					
Grants	\$ 6,356,900	\$ 1,418,354	\$ 1,346,517	\$ 2,764,871	\$ (3,592,029)
Total revenues	<u>6,356,900</u>	<u>1,418,354</u>	<u>1,346,517</u>	<u>2,764,871</u>	<u>(3,592,029)</u>
Expenditures					
Capital outlay:					
Land Acquisition # 1	976,795	962,842	5,600	968,442	8,353
Environmental Assessment	150,000	125,160	17,445	142,605	7,395
Land Acquisition # 2	1,277,778				1,277,778
Runway Extension	2,023,206	869,502	934,763	1,804,265	218,941
Runway Widening	2,635,444		162,179	162,179	2,473,266
Other	1,939	1,939	-	1,939	-
Total expenditures	<u>7,065,162</u>	<u>1,959,443</u>	<u>1,119,987</u>	<u>3,079,430</u>	<u>3,985,733</u>
Revenues over (under) expenditures	<u>(708,262)</u>	<u>(541,089)</u>	<u>226,530</u>	<u>(314,558)</u>	<u>393,704</u>
Other financing sources:					
Operating transfers from General Fund	<u>708,263</u>	<u>558,596</u>	<u>\$ 149,667</u>	<u>708,263</u>	<u>-</u>
Increase (Decrease) in Fund Balance	<u>\$ 0</u>	<u>\$ 17,507</u>	<u>376,197</u>	<u>\$ 393,704</u>	<u>\$ 393,704</u>
Fund balances:					
Beginning of year, July 1			<u>17,507</u>		
End of year, June 30			<u>\$ 393,704</u>		

Cherokee County, North Carolina
Wellness Center
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

	Project Author- ization	Actual		Total to Date	Variance Favorable (Unfavorable)
		Prior Years	Current Year		
Revenues					
Public Contributions	\$ 1,750,000		\$ 1,000,614	\$ 1,000,614	(749,386)
Grants	250,000			-	(250,000)
Investment Earnings	-		\$ 15,815	15,815	15,815
Total	\$ 2,000,000	\$ -	\$ 1,016,429	\$ 1,016,429	\$ (983,571)
Expenditures					
Capital outlay:					
Architect and Engineering	\$ 106,500		\$ 21,840	\$ 21,840	\$ 84,660
Site Preparation	65,000			-	65,000
Construction	2,706,000			-	2,706,000
Equipment	46,000		-	-	46,000
Contingency	76,500		39	39	76,461
Total	3,000,000	-	21,879	21,879	\$ 2,978,121
Revenues under expenditures	(1,000,000)	-	994,550	994,550	1,994,550
Other financing sources(uses):					
Proceeds from installment					
Financing Agreement	1,000,000		-	-	(1,000,000)
	1,000,000	-	-	-	(1,000,000)
Increase (Decrease) in Fund Balance	\$ -	\$ -	\$ 994,550	\$ -	\$ 994,550
Fund balances:					
Beginning of year, July 1			\$ -		
End of year, June 30			\$ 994,550		

Cherokee County, North Carolina
Detention Center Construction
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

	Project Author- ization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures					
Capital outlay:					
Land	630,000	618,292	-	618,292	11,708
Professional Services	555,000	-	357,030	357,030	197,970
Site preparation	109,992	-	109,992	109,992	-
Total expenditures	1,294,992	618,292	467,022	1,085,314	209,678
Revenues over (under) expenditures	(1,294,992)	(618,292)	(467,022)	(1,085,314)	209,678
Other financing sources:					
Operating transfers from					
General Fund	738,315	620,000	108,315	728,315	(10,000)
Loan Proceeds	556,677	-	-	-	(556,677)
Total Other Financing sources	1,294,992	620,000	108,315	728,315	(566,677)
Increase (Decrease) in					
Fund Balance	\$ -	\$ 1,708	(358,707)	\$ (356,999)	\$ (356,999)
Fund balances:					
Beginning of year, July 1			1,708		
End of year, June 30			\$ (356,999)		

Cherokee County, North Carolina
Landfill Construction -Cell 2
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

	Project Author- ization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
Investment earnings	\$ -	\$ 6,799	\$ 4,245	\$ 11,044	\$ 11,044
Total revenues	-	6,799	4,245	11,044	11,044
Expenditures					
Capital outlay:					
Legal & Admin.	11,000	10,850	510	11,360	(360)
Engineering	229,635	216,399	55,466	271,865	(42,230)
Construction	856,147	523,634	292,207	815,841	40,306
Contingency	60,000	-	-	-	60,000
Total expenditures	1,156,782	750,883	348,183	1,099,066	57,716
Revenues over (under) expenditures	(1,156,782)	(744,084)	(343,938)	(1,088,022)	68,760
Other financing sources:					
Loan Proceeds	1,500,000	1,500,000	-	1,500,000	-
Operating transfers from General Fund	125,000	125,000		125,000	-
Operating transfers to General Fund	(468,218)	(149,900)	(387,078)	(536,978)	(68,760)
Total Other Financing sources	1,156,782	1,475,100	(387,078)	1,088,022	(68,760)
Increase (Decrease) in Fund Balance	\$ -	\$ 731,016	(731,016)	\$ 0	\$ 0
Fund balances:					
Beginning of year, July 1			731,016		
End of year, June 30			\$ -		

Cherokee County, North Carolina
Waterline Extension
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

	Project Author- ization	Actual			Variance Favorable (Unfavorable)
		Prior Years	Current Year	Total to Date	
Revenues					
Grants	\$ 3,961,000	\$ 58,379	\$ 3,586,747	\$ 3,645,126	\$ (315,874)
Investment earnings	-	-	-	-	-
Total revenues	<u>3,961,000</u>	<u>58,379</u>	<u>3,586,747</u>	<u>3,645,126</u>	<u>(315,874)</u>
Expenditures					
Capital outlay:					
Engineering	489,570	58,379	317,500	375,879	113,691
Legal & Administration	17,257	-	34	34	17,223
Contingency	163,286	-	-	-	163,286
Construction Andrews Water	888,000	-	826,632	826,632	61,368
Construction Murphy Water	621,700	-	620,193	620,193	1,507
Construction Interconnect	2,644,022	-	2,050,943	2,050,943	593,079
Total expenditures	<u>4,823,835</u>	<u>58,379</u>	<u>3,815,303</u>	<u>3,873,682</u>	<u>950,153</u>
Revenues over (under)					
expenditures	<u>(862,835)</u>	<u>0</u>	<u>(228,556)</u>	<u>(228,556)</u>	<u>634,279</u>
Other financing sources:					
Loan Proceeds	862,835	-	-	-	\$ (862,835)
Total Other Financing sources	<u>862,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(862,835)</u>
Increase (Decrease) in					
Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (228,556)</u>	<u>\$ (228,556)</u>	<u>\$ (228,556)</u>
Fund balances:					
Beginning of year, July 1			-		
End of year, June 30			<u>\$ (228,556)</u>		

Cheokee County, North Carolina
School Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2005

	Project Author- ization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues					
Restricted intergovernmental:	\$ -	\$ -	\$ -	\$ -	\$ -
NC Rural Center Grant	288,039	-	152,507	152,507	(135,532)
Investment earnings		-	7,300	7,300	7,300
Total revenues	<u>288,039</u>	<u>-</u>	<u>159,807</u>	<u>159,807</u>	<u>(128,232)</u>
Expenditures					
Intergovernmental - education:					
Administration	8,971	521	6,738	7,258	1,713
School Renovations Andrews High	2,656,914	1,596,494	1,104,190	2,700,684	(43,770)
School Renovations Hiwassee Dam	834,115		787,058	787,058	47,057
Water & Sewer Improvements	337,052	209,851	2,875	212,726	124,326
Total expenditures	<u>3,837,052</u>	<u>1,806,866</u>	<u>1,900,860</u>	<u>3,707,726</u>	<u>129,326</u>
Revenues over (under) expenditures	<u>(3,549,013)</u>	<u>(1,806,866)</u>	<u>(1,741,053)</u>	<u>(3,547,919)</u>	<u>1,095</u>
Other financing sources:					
Debt issued	3,500,000	-	3,500,000	3,500,000	-
Transfers from					
General Fund	<u>49,013</u>	<u>31,266</u>	<u>16,652</u>	<u>47,919</u>	<u>(1,095)</u>
Total other financing sources	<u>3,549,013</u>	<u>31,266</u>	<u>3,516,652</u>	<u>3,547,919</u>	<u>(1,095)</u>
Increase (Decrease) in Fund Balance	<u>\$ -</u>	<u>\$ (1,775,599)</u>	<u>1,775,599</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			<u>\$ (1,775,599)</u>		
End of year, June 30			<u>\$ -</u>		

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

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Trust and Agency Funds

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

Trust Funds

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

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

Agency Funds

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

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

Cherokee County, North Carolina
 Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 For the Fiscal Year Ended June 30, 2005

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Social Services				
Assets:				
Cash and cash equivalents	\$ 33,767	\$ 301,328	\$ 298,261	\$ 36,834
Liabilities:				
Miscellaneous liabilities	\$ 33,767	\$ 301,328	\$ 298,261	\$ 36,834
Sheriff's Fund				
Assets:				
Cash and cash equivalents	\$ 15,321	\$ 94,667	\$ 91,348	\$ 18,640
Liabilities:				
Miscellaneous liabilities	\$ 15,321	\$ 94,667	\$ 91,348	\$ 18,640
Fines and Forfeitures				
Assets:				
Cash and cash equivalents	\$ -	\$ 210,915	\$ 210,915	\$ -
Liabilities:				
Intergovernmental payable	\$ -	\$ 210,915	\$ 210,915	\$ -
Motor Vehicle Tax				
Assets:				
Cash and cash equivalents	\$ 6,941	\$ 66,154	\$ 59,462	\$ 13,633
Liabilities:				
Intergovernmental payable	\$ 6,941	\$ 66,154	\$ 59,462	\$ 13,633
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 56,029	\$ 673,064	\$ 659,986	\$ 69,107
Liabilities:				
Miscellaneous liabilities	\$ 49,088	\$ 395,995	\$ 389,609	\$ 55,474
Intergovernmental payable	\$ 6,941	\$ 277,069	\$ 270,377	\$ 13,633
Total liabilities	\$ 56,029	\$ 673,064	\$ 659,986	\$ 69,107

Other Schedules

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

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy

Schedules of Transfers

Cherokee County, North Carolina
 General Fund
 Schedule of Ad Valorem Taxes Receivable
 June 30, 2005

Exhibit F - 1

Fiscal Year	Uncollected Balance June 30, 2004	Additions	Collections And Credits	Uncollected Balance June 30, 2005
2004 - 2005	\$ -	\$ 11,385,263	\$ 10,742,617	\$ 642,646
2003 - 2004	535,514		329,419	206,095
2002 - 2003	205,121		72,559	132,562
2001 - 2002	140,575		47,804	92,771
2000 - 2001	124,723		44,762	79,961
1999 - 2000	72,442	-	42,601	29,841
1998 - 1999	46,998	-	30,110	16,888
1997 - 1998	20,379	-	6,212	14,167
1996 - 1997	18,799	-	5,107	13,692
1995 - 1996	14,386	-	4,095	10,291
1994 - 1995	13,790	-	13,790	0
	\$ 1,192,729	\$ 11,385,263	\$ 11,339,076	1,238,914
Less: allowance for uncollectible accounts:				
	General Fund			(698,866)
Ad valorem taxes receivable - net:				
	General Fund			\$ 540,048
<u>Reconcilement with revenues:</u>				
	Ad valorem taxes - General Fund			\$ 11,329,599
	Reconciling items:			
	Interest collected			(146,443)
	Prior year Tax releases			94,649
	Taxes written off			61,271
	Total reconciling items			9,477
	Total collections and credits			\$ 11,339,076

Cherokee County, North Carolina
 Analysis of Current Tax Levy
 County - wide Levy
 For the Fiscal Year Ended June 30, 2005

Exhibit F - 2

	County - wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current year's rate	\$ 2,133,994,615	\$ 0.52	\$ 11,096,772	\$ 10,152,961	\$ 943,811
Motor vehicles taxed at prior year's rate	15,977,719	0.57	91,073	-	91,073
Penalties	-		11,176	11,176	0
Total	2,149,972,334		11,199,021	10,164,137	1,034,884
Discoveries:					
Current year taxes	55,943,462	0.52	290,906	290,906	-
Prior year taxes	-		0	-	-
Penalties	-		0	-	-
Total	55,943,462		290,906	290,906	0
Abatements	(20,127,692)	0.52	(104,664)	(75,512)	(29,152)
Total property valuation	\$ 2,185,788,104				
Net levy			11,385,263	10,379,531	1,005,732
Uncollected taxes at June 30, 2005			642,645	461,830	180,815
Current year's taxes collected			\$ 10,742,617	\$ 9,917,700	\$ 824,917
Current levy collection percentage			94.36%	95.55%	82.02%

Cherokee County, North Carolina
 Schedule of Transfers
 For the Fiscal Year Ended June 30, 2005

	Transfers	
	From	To
Operating Transfers From/To Other Funds		
General Fund:		
Airport Improvement Fund		149,667
Debt Service Fund		174,736
Victims Advocate Fund		1,466
Detention Center Capital Project Fund		108,315
School Improvement Fund		16,652
Landfill Cell 2 Construction Fund	387,078	
Economic Development Fund	5,350	
Capital Projects Fund:		
School Improvement Fund		
General	16,652	
Airport Improvement Fund		
General	149,667	
Detention Center Capital Project Fund		
General	108,315	
Landfill Cell 2 Construction Fund		
General		387,078
Debt Service Fund		
General	174,736	
Grant Projects Fund		
Economic Development Fund		
General		5,350
Victims Advocate Fund		
General	1,466	
	\$ 843,264	\$ 843,264