

Cherokee County, North Carolina
Financial Statements
June 30, 2020

Turner & Company CPAs P.A.

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

Cherokee County, North Carolina
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June 30, 2020

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Introductory Information

Cherokee County, North Carolina

List of Principal Officials

As of June 30, 2020

BOARD OF COUNTY COMMISSIONERS

Roy Dickey - Chairman

C.B. McKinnon - Vice Chairman

Cal Stiles - Commissioner

Gary Westmoreland - Commissioner

Dr. Dan Eichenbaum - Commissioner

COUNTY OFFICIALS

Randy Wiggins - County Manager

Candy R. Anderson, CPA, CGMA - Finance Director

Darryl Brown - County Attorney/Assistant Clerk to the Board

Maria Hass - Clerk to the Board/Assistant County Manager

Daphne Dockery - Register of Deeds

Eddie Allen - Tax Administrator

Derrick Palmer - Sheriff

David Badger - Health Director

Amanda McGee - Director of Social Services

Leighsa R. Jones - Director of Elections

Financial Section

Turner & Company CPAs P.A.

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Independent Auditors' Report

To the Board of County Commissioners
Cherokee County, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Cherokee County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement. The financial statements of the Tourism Development Authority was not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of the Net Pension Liability (Asset) and County Contributions, pages 50 through 51, the Register of Deeds' Supplemental Pension Fund Schedules of the County's Proportionate Share of the Net Pension Liability (Asset) and County Contributions on pages 52 and 53, the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll pages 54 and 55, and the Other Post-Employment Benefits Schedules of Changes in the Total OPEB Liability and Related Ratios on page 56, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economical, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2021 on our consideration of Cherokee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cherokee County's internal control over financial reporting and compliance.



Turner & Company CPAs P.A.
Murphy, North Carolina
August 4, 2021

Management's Discussion and Analysis

Cherokee County, North Carolina
Management's Discussion and Analysis
June 30, 2020

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, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

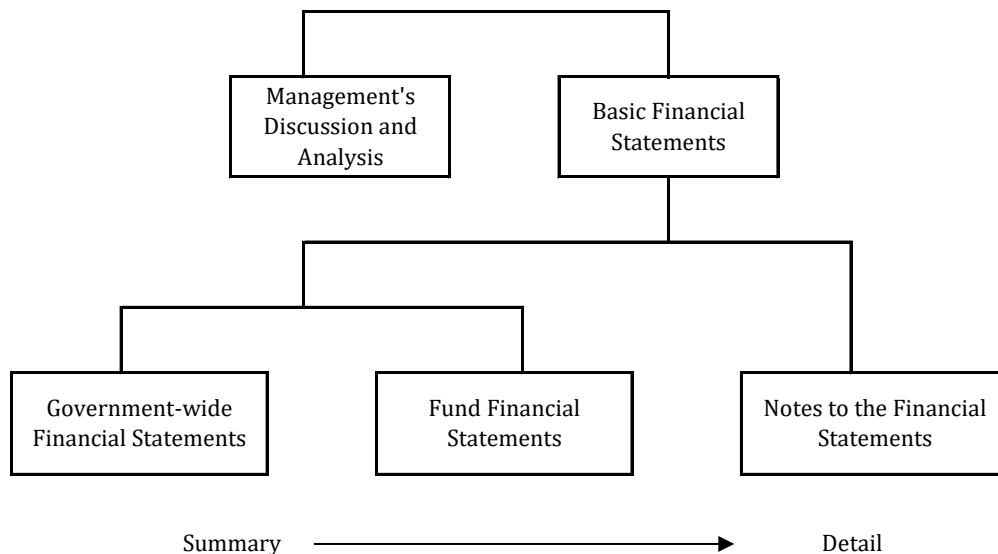
- The assets and deferred outflows of resources of Cherokee County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$49,144,965 (*net position*).
- The government's total net position decreased by \$1,310,491, primarily due to increases in expenses related to landfill closure and postclosure costs in the environmental protection department.
- As of the close of the current fiscal year, Cherokee County's governmental funds reported combined ending fund balances of \$23,279,444, after a net decrease in fund balance of \$735,017. Approximately 39.42% of this total amount, or \$9,177,111 is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,974,002, or 26.07% of total general fund expenditures for the fiscal year.
- Cherokee County's total debt decreased by \$1,853,362 (31.13%) during the current fiscal year. The County incurred no additional long-term debt during the fiscal year. The reduction in debt was due to the principal payments on debt already outstanding from the prior fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 20 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Cherokee County's progress in funding its obligation to provide pension benefits to its employees. Supplementary information can be found beginning on page 49 of this report.

Government-Wide Financial Analysis

Cherokee County, North Carolina's Net Position

Figure 2

	Governmental Activities	
	2020	2019
Current and other assets	\$ 27,934,861	\$ 27,045,727
Capital assets	42,356,152	40,136,754
Deferred outflows of resources	3,544,469	3,836,365
Total assets and deferred outflows of resources	73,835,482	71,018,846
Long-term liabilities outstanding	18,049,914	15,283,054
Other liabilities	6,043,807	4,637,395
Deferred inflows of resources	596,796	642,941
Total liabilities and deferred inflows of resources	24,690,517	20,563,390
Net position:		
Net investment in capital assets	39,440,182	35,670,902
Restricted	9,198,287	8,938,249
Unrestricted	506,496	5,846,305
Total net position	\$ 49,144,965	\$ 50,455,456

As noted earlier, over time net position may serve as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Cherokee County exceeded liabilities by \$49,144,965 as of June 30, 2020. The County's net position decreased by \$1,310,491 for the fiscal year ended June 30, 2020. One of the largest portions of net position is \$39,440,182 (80.25%) reflects the County's net investment in capital assets (e.g. land, buildings, machinery, and equipment). Cherokee County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Cherokee County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Cherokee County's net position \$9,198,287 (18.72%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$506,496 (1.03%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 97.36% (ad valorem), lower than the statewide average of 99.07%, and slightly lower than the county average of 98.11% for counties with populations from 25,000 to 49,999. The percentage collection rate increased slightly due to increased vigilance on the part of the Tax Collector to collect taxes in a timely manner.
- The County has maintained stricter policies on spending and implemented cost saving measures despite an increase in overall expenditures.

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

	Governmental Activities	
	2020	2019
Revenues:		
Program revenues:		
Charges for services	\$ 7,246,117	\$ 7,362,240
Operating grants and contributions	5,700,069	5,309,111
Capital grants and contributions	219,271	405,457
General revenues:		
Property taxes	19,458,554	19,155,369
Other taxes	9,529,489	8,863,880
Grants and contributions not restricted to specific programs	1,964,066	1,919,153
Other	186,670	252,704
Total revenues	<u>44,304,236</u>	<u>43,267,914</u>
Expenses:		
General government	4,802,455	4,443,077
Public safety	13,736,549	12,915,598
Transportation	1,318,510	1,335,889
Economic and physical development	945,025	822,774
Environmental protection	8,245,516	2,085,051
Human services	5,827,281	8,254,190
Cultural and recreation	687,939	631,696
Education	9,951,055	9,009,422
Interest on long-term debt	100,397	141,732
Total expenses	<u>45,614,727</u>	<u>39,639,429</u>
Increase (decrease) in net position before transfers	(1,310,491)	3,628,485
Transfers	-	2,413,135
Increase in net position after transfers	(1,310,491)	6,041,620
Net position, beginning	<u>50,455,456</u>	<u>44,413,836</u>
Net position, ending	<u>\$ 49,144,965</u>	<u>\$ 50,455,456</u>

Governmental activities. Governmental activities decreased the County's net position by \$1,310,491. Key elements of this decrease are as follows:

- Maintenance of the County's high tax collection rate of 97.36%.
- Property taxes provided 43.92% of funding at \$19,458,554.
- The County also received an increase in operating grants and contributions, such as \$260,998 from the Needs-Based Public School Capital Fund.
- The increase in other taxes was due to an increase in the amount of sales tax received.
- General revenues increased by 3%.
- The primary cause of the decrease in net position was the significant increase in expenditures for environmental protection. The landfill closure costs increased \$3,527,291 from the prior year balance. The County reports a portion of landfill closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. In addition, \$2,889,702 was spent on the continued construction of the landfill cell phase 5 at Cherokee County's Solid Waste facility located in Marble, North Carolina.
- Initial costs associated with the building of the School of Innovation and Technology amounted to \$1,170,297. The project budget includes Needs-Based Public School Capital Funds in the amount of \$15,000,000 and a \$5,000,000 county match.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of Cherokee County. At the end of the current fiscal year, Cherokee County's fund balance available in the General Fund was \$14,329,576 while total fund balance reached \$19,021,719. The Governing Body of Cherokee County has determined that the County should maintain an available fund balance of 8% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 33.05% of general fund expenditures, while total fund balance represents 43.87% of the same amount.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased all revenues by \$546,056. Budget amendments were made concurrently as facts and circumstances became known with revenue and expenditure streams.

Capital Asset and Debt Administration

Capital Assets. Cherokee County, North Carolina's capital assets for its governmental activities as of June 30, 2020, totals \$42,356,152 (net of accumulated depreciation). These assets include land, construction in progress, buildings, improvements, equipment, and vehicles.

Major capital asset transactions during the year include the following:

Governmental Activities.

- Addition of construction in progress for the Landfill Phase 5 Construction Project.
- Addition of construction in progress for the EMS Station 1 Project.
- Purchased vehicles for the Sheriff's Office, the Code Enforcement Department, the Transit Department, and the Senior Center.
- Purchased a 2019 Peterbilt garbage truck, insulation for the mechanic's building, a Whitner bend building, and recycle drop boxes for the Landfill.
- Purchased servers for the Information Technology Department.
- Purchased voting machines for the Board of Elections.
- Purchased trailer and completed renovations to various buildings in the Public Buildings Department.
- Purchased a light package, defibrillators, and a remount box for an ambulance for the Emergency Medical Services Department.
- Remodeled the tennis courts for the Parks and Recreation Department.
- Purchased a Viper tower for the Central Communications Department.
- Purchased a canine for the Sheriff's Office.
- Purchased a prisoner transport insert, a gas skillet, and HVAC units for the Detention Center.
- Purchased a hangar door for the Airport.
- Purchased front doors for Public Health.
- Purchased a new roof for the Senior Center.

Construction commitments

The County has the following active construction projects as of June 30, 2020:

Project	Spent-to-date	Remaining Commitment
Landfill Phase 5 Construction Project	\$ 3,317,342	\$ 171,559
Total	<u>\$ 3,317,342</u>	<u>\$ 171,559</u>

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

	Governmental Activities	
	2020	2019
Capital assets:		
Land	\$ 6,988,432	\$ 6,988,432
Construction in progress	3,410,474	427,640
Land improvements	117,167	124,632
Buildings	21,061,532	21,632,721
Other improvements	7,000,987	7,185,538
Equipment	2,025,667	2,171,118
Computers and electronic equipment	392,451	207,852
Vehicles and motorized equipment	1,359,442	1,398,821
Total capital assets	<u>\$ 42,356,152</u>	<u>\$ 40,136,754</u>

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

Long-Term Obligations. Debt totals include direct placement installment purchases and capital leases. As of June 30, 2020, Cherokee County had total debt outstanding of \$4,100,221. The entire debt is backed by the full faith and credit of the County. Compensated absences and unpaid pension related debt are included in the total long-term obligations.

**Cherokee County, North Carolina's Long-Term Obligations
Figure 5**

	Governmental Activities	
	2020	2019
Direct placement installment purchases	\$ 4,100,221	\$ 5,950,128
Capital leases	-	3,455
Total debt outstanding	<u>4,100,221</u>	<u>5,953,583</u>
Landfill closure costs	7,061,307	3,534,016
Total OPEB liability	3,090,644	2,713,514
Compensated absences	815,743	679,624
Net pension liability (LGERS)	4,849,298	4,349,215
Total pension obligation (LEOSSA)	<u>394,606</u>	<u>371,464</u>
Total long-term obligations	<u>\$ 20,311,819</u>	<u>\$ 17,601,416</u>

Cherokee County's total debt decreased by \$1,853,362 (31.13%) during the current fiscal year. The County incurred no additional long-term debt during the fiscal year. The reduction in debt was due to the principal payments on debt already outstanding from the prior fiscal year.

Under State law, counties are fiscally responsible for providing and maintaining school buildings for the public school system and the community college. At June 30, 2020, the County had debt outstanding of \$1,184,251 for these activities.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Cherokee County is about \$260,974,779.

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

Economic Factors and Next Year's Budgets and Rates

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

- At June 30, 2020, the County had an unemployment rate of 7.8%, which is lower than the statewide rate (not seasonally adjusted) of 7.9%.
- The County has maintained stricter policies on spending and implemented cost savings measures.

Impact of Coronavirus on the County

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The County's response included declaring a local state of emergency on March 23, 2020 to promote social distancing and to slow the spread of COVID-19. The County has worked and continues to work to ensure the safety and wellbeing of County residents throughout the duration of the COVID-19 pandemic. Through the receipt of the Coronavirus Relief Funds, the County was able to maintain public safety payroll expenditures as these departments are critical to the County's response to the virus, the enforcement of the Governor's guidelines, and the safety of citizens during the pandemic. In addition, the funds have been used to acquire teleworking equipment for the Social Services and Finance departments. This allowed the County to protect critical employees from potential exposure by allowing them to work from home. Since the length or severity of this pandemic cannot be reasonably estimated, it is not possible to determine the extent to which the pandemic may materially impact the financial position, results of activities, and cash flows of the County in subsequent years. The Board will continue to operate under guidelines suggested for the health and safety of workers and the community.

Budget Highlights for the Fiscal Year Ending June 30, 2021

Governmental Activities: Because of the 2020 real property revaluation that is effective for fiscal year ended June 30, 2021, the property tax rate was decreased to the revenue-neutral rate of 46 cents per \$100 of valuation based on an estimated total valuation of property, for the purpose of taxation, of \$3,703,040,206 to maintain current tax revenue streams. As the property tax remains the only revenue source controlled locally, a high collection rate remains imperative to provide an equitable distribution of taxes. All fees levied by Cherokee County will remain unchanged for fiscal year 2020-2021. Sales tax revenues represent the second largest, unrestricted, revenue source. The County experienced an increase in sales tax collections and has budgeted a decrease in sales tax proceeds of 25%, or approximately \$1,700,000, due to the Coronavirus Pandemic. Other revenue sources that provide funding for operating expenditures have for the most part remained flat or experienced slight increases for the coming fiscal year. The County will continue to fund current programs and continue to look for ways to offer these services at a lower cost to the County. Budgeted expenditures in the General Fund for 2021 are \$40,181,509. This is an increase from the prior year budget. The 2021 budget provides for acquisition and replacement of critical and essential vehicles and equipment across various departments.

The County has chosen to appropriate \$1,993,743 of fund balance in the fiscal year 2021 budget. Management believes that increased revenues and continued restrictions on spending will maintain the County's financial position. As the County considers future revenue sources, it will weigh the benefit of increasing the property tax rate against the cost. Though management believes current growth will generate enough revenue to support County operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Requests for Information

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

Basic Financial Statements

Cherokee County, North Carolina
Statement of Net Position
June 30, 2020

	Primary Government	Component Unit
	Governmental Activities	Tourism Development Authority
ASSETS		
Cash and cash equivalents	\$ 20,725,204	\$ 636,530
Restricted cash	1,302,690	-
Investments	491,749	-
Receivables (net)	2,746,623	-
Due from other governments	2,555,301	99,542
Inventories	27,537	-
Prepaid items	18,522	-
Net pension asset	67,235	-
Capital assets:		
Land, construction in progress	10,398,906	-
Other capital assets, net of depreciation	31,957,246	148,463
Total capital assets	42,356,152	148,463
Total assets	70,291,013	884,535
DEFERRED OUTFLOWS OF RESOURCES	3,544,469	-
LIABILITIES		
Accounts payable and accrued expenses	2,980,871	22,150
Accrued interest payable	79,254	-
Unearned revenue	721,777	-
Long-term liabilities:		
Due within one year	2,261,905	-
Due in more than one year	18,049,914	-
Total long-term liabilities	20,311,819	-
Total liabilities	24,093,721	22,150
DEFERRED INFLOWS OF RESOURCES	596,796	-
NET POSITION		
Net investment in capital assets	39,440,182	148,463
Restricted for:		
Public safety	204,013	-
Education	3,957,719	-
Environmental protection	254,541	-
Register of Deeds' pension plan	67,235	-
Stabilization by State Statute	4,712,476	99,542
Human Services	2,303	-
Unrestricted (deficit)	506,496	614,380
Total net position	\$ 49,144,965	\$ 862,385

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

Cherokee County, North Carolina
Statement of Activities
For the Year Ended June 30, 2020

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -type Activities	Total	Tourism Development Authority
Primary government:								
Governmental Activities:								
General government	\$ 4,802,455	\$ 397,328	\$ 600	\$ -	\$ (4,404,527)	\$ -	\$ (4,404,527)	
Public safety	13,736,549	3,631,931	493,258	-	(9,611,360)	-	(9,611,360)	
Transportation	1,318,510	461,127	372,097	97,200	(388,086)	-	(388,086)	
Economic and physical development	945,025	-	4,932	-	(940,093)	-	(940,093)	
Environmental protection	8,245,516	1,945,498	83,137	-	(6,216,881)	-	(6,216,881)	
Human services	5,827,281	810,233	4,346,737	-	(670,311)	-	(670,311)	
Cultural and recreation	687,939	-	-	-	(687,939)	-	(687,939)	
Education	9,951,055	-	399,308	122,071	(9,429,676)	-	(9,429,676)	
Interest on long-term debt	100,397	-	-	-	(100,397)	-	(100,397)	
Total governmental activities	\$ 45,614,727	\$ 7,246,117	\$ 5,700,069	\$ 219,271	(32,449,270)	-	(32,449,270)	
Component unit:								
Tourism Development Authority	\$ 250,132	\$ -	\$ -	\$ -				\$ (250,132)
General revenues:								
Taxes:								
Property taxes, levied for general purpose					19,458,554	-	19,458,554	-
Local option sales tax					8,632,147	-	8,632,147	-
Other taxes and licenses					897,342	-	897,342	416,224
Grants and contributions not restricted to specific programs					1,964,066	-	1,964,066	-
Investment earnings, unrestricted					29,253	-	29,253	-
Miscellaneous, unrestricted					157,417	-	157,417	-
Total general revenues and transfers					31,138,779	-	31,138,779	416,224
Change in net position					(1,310,491)	-	(1,310,491)	166,092
Net position, beginning					50,455,456	-	50,455,456	696,293
Net position, ending	\$				49,144,965	\$ -	\$ 49,144,965	\$ 862,385

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

Cherokee County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

	Major		Nonmajor		
	General	Landfill Phase 5	School	Other	
	Fund	Construction	Improvement	Governmental	Total
		Project	Fund	Funds	
ASSETS					
Cash and cash equivalents	\$ 16,723,598	\$ -	\$ 3,957,719	\$ 43,887	\$ 20,725,204
Restricted cash	64,214	522,880	-	715,596	1,302,690
Investments	491,749	-	-	-	491,749
Receivables, net					
Taxes	520,393	-	-	82,834	603,227
Accounts	2,047,081	-	-	66,392	2,113,473
Due from other governments	2,555,301	-	-	-	2,555,301
Due from other funds	43,702	-	-	-	43,702
Inventories	27,537	-	-	-	27,537
Prepaid items	18,522	-	-	-	18,522
Total assets	22,492,097	522,880	3,957,719	908,709	27,881,405
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	2,691,351	268,339	-	21,181	2,980,871
Due to other funds	-	-	-	43,702	43,702
Unearned revenue	6,250	-	-	715,527	721,777
Total liabilities	2,697,601	268,339	-	780,410	3,746,350
DEFERRED INFLOWS OF RESOURCES					
Property taxes receivable	520,393	-	-	82,834	603,227
Prepaid taxes	252,384	-	-	-	252,384
Total deferred inflows of resources	772,777	-	-	82,834	855,611
Fund balances:					
Nonspendable:					
Inventories	27,537	-	-	-	27,537
Prepaid items	18,522	-	-	-	18,522
Restricted:					
Stabilization by State Statute	4,646,084	-	-	66,392	4,712,476
Public safety	181,238	-	-	22,775	204,013
Human services	2,303	-	-	-	2,303
School capital	-	-	3,957,719	-	3,957,719
Environmental protection	-	254,541	-	-	254,541
Committed:					
Tax revaluation	64,214	-	-	-	64,214
Education	1,468,766	-	-	-	1,468,766
Law enforcement	29,734	-	-	-	29,734
EMS station 1	318,578	-	-	-	318,578
Human services - social services	38,113	-	-	-	38,113
General government - capital outlay	6,697	-	-	-	6,697
Public safety - capital outlay	125,519	-	-	-	125,519
Economic and physical development	126,669	-	-	-	126,669
Assigned:					
Subsequent year's expenditures	1,993,743	-	-	-	1,993,743
Unassigned:					
Total fund balances	19,021,719	254,541	3,957,719	45,465	23,279,444
Total liabilities, deferred inflows of resources, and fund balances	\$ 22,492,097	\$ 522,880	\$ 3,957,719	\$ 908,709	\$ 27,881,405

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

Cherokee County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2020

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

Total Fund Balances for Governmental Funds	\$ 23,279,444
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	42,356,152
Net pension asset	67,235
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	1,114,267
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position.	61,336
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	29,923
Net pension liability	(4,849,298)
Total OPEB liability	(3,090,644)
Total pension liability	(394,606)
Deferred inflows of resources for taxes and special assessments receivable	603,227
Pension related deferrals	1,556,618
OPEB related deferrals	467,836
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(12,056,525)</u>
Net position of governmental activities	<u><u>\$ 49,144,965</u></u>

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

Cherokee County, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	Major			Nonmajor	
	General Fund	Landfill Phase 5 Construction Project	School Improvement Fund	Other Governmental Funds	Total
REVENUES					
Ad valorem taxes	\$ 17,255,425	\$ -	\$ -	\$ 2,046,767	\$19,302,192
Local option sales tax	8,632,147	-	-	-	8,632,147
Other taxes and licenses	897,342	-	-	-	897,342
Unrestricted intergovernmental	1,964,066	-	-	-	1,964,066
Restricted intergovernmental	5,416,682	-	260,998	272,270	5,949,950
Permits and fees	2,070,740	-	-	-	2,070,740
Sales and services	5,144,767	-	-	-	5,144,767
Investment earnings	29,160	-	-	93	29,253
Miscellaneous	175,689	-	-	-	175,689
Total revenues	41,586,018	-	260,998	2,319,130	44,166,146
EXPENDITURES					
Current:					
General government	4,321,446	-	-	317,703	4,639,149
Public safety	10,861,425	-	-	2,027,416	12,888,841
Transportation	945,273	-	-	-	945,273
Environmental protection	1,763,175	2,889,702	-	-	4,652,877
Economic and physical development	914,941	-	-	-	914,941
Human services	8,209,142	-	-	-	8,209,142
Cultural and recreational	717,226	-	-	-	717,226
Intergovernmental:					
Education	8,780,758	-	1,170,297	-	9,951,055
Debt service:					
Principal	1,853,362	-	-	-	1,853,362
Interest	129,181	-	-	-	129,181
Total expenditures	38,495,929	2,889,702	1,170,297	2,345,119	44,901,047
Excess (deficiency) of revenues over expenditures	3,090,089	(2,889,702)	(909,299)	(26,105)	(735,017)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	-	4,867,018	-	4,867,018
Transfers to other funds	(4,867,018)	-	-	-	(4,867,018)
Total other financing sources (uses)	(4,867,018)	-	4,867,018	-	-
Net change in fund balances	(1,776,929)	(2,889,702)	3,957,719	(26,105)	(735,017)
Fund balances, beginning as previously reported	20,805,941	3,144,243	-	64,276	24,014,460
Prior period adjustment	(7,293)	-	-	7,293	-
Fund balances, beginning as restated	20,798,648	3,144,243	-	71,570	24,014,461
Fund balances, ending	\$ 19,021,719	\$ 254,541	\$ 3,957,719	\$ 45,465	\$23,279,444

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, 2020

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

Net changes in fund balances - total governmental funds	\$ (735,017)
Change in fund balance due to change in reserve for inventory	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlay expenditures which were capitalized	4,509,527
Depreciation expense for governmental assets	(2,271,857)
Cost of capital assets disposed of during the year, not recognized on modified accrual basis	(18,272)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,114,267
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	61,336
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	156,362
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal payments on long-term debt	1,853,362
Change in accrued interest payable	28,784
Change in landfill closure costs	(3,527,291)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(136,119)
Pension expense	(2,164,820)
Other postemployment benefits	(180,753)
Total changes in net position of governmental activities	<u>\$ (1,310,491)</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, 2020

	General Fund			Variance with Final Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Ad valorem taxes	\$ 17,013,267	\$17,013,267	\$17,255,425	\$ 242,158
Local option sales tax	7,537,236	7,537,236	8,632,147	1,094,911
Other taxes and licenses	812,500	812,500	897,342	84,842
Unrestricted intergovernmental	1,498,000	1,498,000	1,964,066	466,066
Restricted intergovernmental	5,525,426	5,914,712	5,416,682	(498,030)
Permits and fees	1,998,480	1,998,480	2,070,740	72,260
Sales and services	4,707,144	4,847,770	5,144,767	296,997
Investment earnings	24,900	24,900	29,018	4,118
Miscellaneous	93,050	109,194	175,689	66,495
Total revenues	<u>39,210,003</u>	<u>39,756,059</u>	<u>41,585,876</u>	<u>1,829,817</u>
EXPENDITURES				
Current:				
General government	3,865,968	4,242,736	4,081,619	161,117
Public safety	11,011,940	11,731,185	10,861,425	869,760
Transportation	1,019,325	1,081,058	945,273	135,785
Environmental protection	1,834,294	1,926,143	1,763,175	162,968
Economic and physical development	812,724	929,072	914,941	14,131
Human services	9,088,830	9,400,854	8,209,142	1,191,712
Cultural and recreational	717,247	756,446	717,226	39,220
Education	7,932,540	10,088,629	8,780,758	1,307,871
Debt service:				
Principal retirement	1,853,363	1,853,363	1,853,362	1
Interest and fees	129,971	129,971	129,181	790
Contingency	896,556	698,243	-	698,243
Total expenditures	<u>39,162,758</u>	<u>42,837,700</u>	<u>38,256,102</u>	<u>4,581,598</u>
Revenues over (under) expenditures	<u>47,245</u>	<u>(3,081,641)</u>	<u>3,329,774</u>	<u>6,411,415</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	<u>(75,000)</u>	<u>(5,075,000)</u>	<u>(4,942,018)</u>	<u>132,982</u>
Total other financing sources (uses)	<u>(75,000)</u>	<u>(5,075,000)</u>	<u>(4,942,018)</u>	<u>132,982</u>
Fund balance appropriated	<u>27,755</u>	<u>8,156,641</u>	<u>-</u>	<u>(8,156,641)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(1,612,244)</u>	<u>\$ (1,612,244)</u>
Fund balances, beginning as previously reported			20,578,691	
Prior period adjustment			(7,293)	
Fund balances, beginning as restated			<u>20,571,398</u>	
Fund balances, ending			<u>\$18,959,154</u>	

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

Cherokee County, North Carolina
Statement of Fiduciary Net Position
For the Year Ended June 30, 2020

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 79,117</u>
LIABILITIES AND NET POSITION	
Liabilities:	
Miscellaneous liabilities	71,291
Intergovernmental payables - State of North Carolina	<u>7,826</u>
Total liabilities	<u>79,117</u>
Net position	<u>\$ -</u>

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

Cherokee County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

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Cherokee County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

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Cherokee County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Discretely Presented Component Unit

Cherokee County Tourism Development Authority

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

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

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

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

The County reports the following major governmental funds:

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

Landfill Phase 5 Construction Project – This fund is used to account for the permitting and construction of the landfill cell phase 5 at Cherokee County's Solid Waste facility located in Marble, North Carolina.

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

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

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

Detention Center Trust Fund – which accounts for funds collected by the sheriff as an agent and for funds held for prisoners of the county detention facility.

Sheriff's Trust Fund – which accounts for funds held by the Sheriff's Office.

Social Services Fund – which accounts for funds deposited with the Department of Social Services for the benefit of certain individuals.

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

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

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

The County reports the following nonmajor governmental funds:

Special Revenue Funds:

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

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

Bear Paw Service District – This fund accounts for the ad valorem tax levies of the Bear Paw Service District.

Disaster Recovery & Response Fund – The federal government passed the Coronavirus Aid, Relief, And Economic Security Act (CARES Act) on March 27, 2020 to provide financial relief to State and local governments for necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19). This fund accounts for such expenses.

Capital Project Fund:

Airport Improvement Projects Fund - This fund is used to account for the construction of major capital outlay projects for the Andrews-Murphy Airport. For the fiscal year ended June 30, 2020, the fund had no financial transactions to report.

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. Issuances of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

C. Budgetary Data

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

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

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

1. Deposits and Investments

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

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

The majority of the County and the Tourism Development Authority's investments are carried at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected. Money in the Tax Revaluation Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. The unexpended grant proceeds that are restricted by revenue source are also classified as restricted assets. Money in the Landfill Phase 5 Construction Project is classified as restricted assets because its use is restricted for future project costs. The following table illustrates the breakdown of Cherokee County's restricted cash.

Cherokee County Restricted Cash			
Governmental Activities			
General Fund	Tax revaluation	\$	64,214
Disaster Recovery & Response	Unexpended grant proceeds - CARES Act		715,596
Landfill Phase 5 Construction Project	Unexpended project costs		522,880
Total Governmental Activities			1,302,690
Total Restricted Cash		\$	1,302,690

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019. As allowed by State law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventories and Prepaid Items

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

7. Capital Assets

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

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

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

	Years
Land improvements	10 - 20
Buildings	50
Other improvements	10 - 25
Equipment	10
Software	4
Computer and electronic equipment	4
Vehicles and motorized equipment	4

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

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

8. Unearned Revenue

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

9. Deferred Outflows/Inflows of Resources

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

10. Long-Term Obligations

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

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

11. Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the County's government-wide statements, an expense and liability for compensated absences and the salary-related payments are recorded as the leave is earned. Compensated absences typically have been liquidated in the general fund and are accounted for on a last-in, first-out basis, assuming that employees are taking leave time as it 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.

12. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

Restricted for human services - portion of fund balance that is restricted by revenue source for the social services Share the Warmth Shareholder Grant.

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

Restricted for environmental protection - portion of fund balance that is restricted for the permitting and construction of the landfill cell phase 5 at Cherokee County's Solid Waste facility located in Marble, North Carolina.

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

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

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

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

Committed for EMS station 1 - portion of fund balance that can only be used for future EMS Station 1 expenditures.

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

Committed for general government - capital outlay - portion of fund balance that can only be used for the following future capital outlay expenditures: repair to the courthouse dome/lantern and general building repairs and maintenance.

Committed for public safety - capital outlay - portion of fund balance that can only be used for rescue equipment expenditures for fire departments and upgrades to the emergency radio tower.

Committed for economic and physical development - portion of fund balance that can only be used for economic development grant match incentive funding.

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

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

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

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

13. Defined Benefit Cost-Sharing Plans

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

13. Estimates

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

E. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The net adjustment of \$25,865,521 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 69,341,966
Less accumulated depreciation	(26,985,814)
Net capital assets	42,356,152
Net pension asset	67,235
Contributions to the pension plan in the current fiscal year	1,114,267
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	61,336
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	29,923
Deferred inflows of resources for taxes and special assessments receivable	603,227
Pension related deferrals	1,556,618
OPEB related deferrals	467,836
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, and installment financing	(4,100,221)
Compensated absences	(815,743)
Total OPEB liability	(3,090,644)
Landfill closure costs	(7,061,307)
Total pension liability	(394,606)
Net pension liability	(4,849,298)
Accrued interest payable	(79,254)
Total adjustment	\$ 25,865,521

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$575,474 as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 4,509,527
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the statement of activities, but not in the fund statements	(2,271,857)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(18,272)
Principal payments on debt owed are recorded as a use of funds on the fund statements, but again affect only the statement of net position in the government-wide statements	1,853,362
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,114,267
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities	61,336
Change in the current fiscal year landfill closure cost is not included on the Statement of Activities	(3,527,291)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	28,784
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(136,119)
OPEB expense	(180,753)
County's portion of collective pension expense	(2,164,820)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Change in deferred inflows of resources - taxes receivable - at end of year	148,541
Change in accrued taxes receivable at end of year	7,821
Total adjustment	<u><u>\$ (575,474)</u></u>

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

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

1. **Noncompliance with North Carolina General Statutes**

The audited financial statements were not submitted timely in accordance with State law. G.S. 159-34(a) states that each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year.

The County is working to develop and incorporate procedures to ensure that the data is collected, reviewed and reported accurately and timely.

2. **Contractual Violations**

None Noted.

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

None Noted.

C. **Excess of Expenditures over Appropriations**

None Noted.

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

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

At June 30, 2020, the County's deposits had a carrying amount of \$22,105,686 a bank balance of \$22,365,636. Of the bank balance, \$291,637 was covered by federal depository insurance, and \$22,073,999 in deposits was covered by collateral held under the Pooling Method. At June 30, 2020, Cherokee County had \$1,325 cash on hand.

Also, at June 30, 2020, the deposits of the Authority, had a carrying value of \$636,530 and a bank balance of \$636,565. Of the bank balance \$250,000 was covered by federal depository insurance, and \$386,565 was covered by collateral held under the Pooling Method.

2. Investments

As of June 30, 2020, the County had the following investments and maturities:

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months	6 - 12 Months
NC Capital Management Trust:				
Government Portfolio	Fair Value - Level 1	\$ 491,749	N/A	N/A
Total		<u>\$ 491,749</u>		

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

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

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

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2020.

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
2016	\$ 1,049,022	\$ 257,010	\$ 1,306,032
2017	1,027,346	159,239	1,186,585
2018	979,159	63,645	1,042,804
2019	931,123	-	931,123
Total	<u>\$ 3,986,650</u>	<u>\$ 479,894</u>	<u>\$ 4,466,544</u>

4. Receivables

Receivables at the government-wide level at June 30, 2020, were as follows:

	Accounts Receivable	Taxes Receivable	Accrued Interest	Special Assessments	Total
Governmental Activities:					
General	\$ 2,101,255	\$ 831,914	\$ 29,923	\$ -	\$ 2,963,092
Other governmental	66,392	82,834	-	-	149,226
Total receivables	2,167,647	914,748	29,923	-	3,112,318
Allowance for doubtful accounts	(54,174)	(311,521)	-	-	(365,695)
Total-governmental activities	\$ 2,113,473	\$ 603,227	\$ 29,923	\$ -	\$ 2,746,623

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

Local option sales tax	\$ 2,385,386
Scrap tire tax	8,895
Solid waste disposal tax	5,842
Sales tax refund	155,178
Total	<u>\$ 2,555,301</u>

5. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Governmental Activities:					
Capital assets not being depreciated					
Land	\$ 6,988,432	\$ -	\$ -	\$ -	\$ 6,988,432
Construction in progress	427,640	2,982,834	-	-	3,410,474
Total capital assets not being depreciated	7,416,072	2,982,834	-	-	10,398,906
Capital assets being depreciated					
Land improvements	149,296	-	-	-	149,296
Buildings	29,787,793	9,902	-	-	29,797,695
Other improvements	15,867,835	366,824	-	37,738	16,196,921
Equipment	4,003,293	146,070	-	17,732	4,131,631
Software	528,475	-	-	-	528,475
Computers and electronic equipment	1,820,832	363,798	-	278,746	1,905,884
Vehicles and motorized equipment	5,704,005	640,099	-	110,946	6,233,158
Total capital assets being depreciated	57,861,529	1,526,693	-	445,162	58,943,060
Less accumulated depreciation for:					
Land improvements	24,664	7,465	-	-	32,129
Buildings	8,155,072	581,091	-	-	8,736,163
Other improvements	8,682,297	537,725	-	24,088	9,195,934
Equipment	1,832,175	286,899	-	13,110	2,105,964
Software	528,475	-	-	-	528,475
Computers and other electronic equipment	1,612,980	179,199	-	278,746	1,513,433
Vehicles and motorized equipment	4,305,184	679,478	-	110,946	4,873,716
Total accumulated depreciation	25,140,847	2,271,857	-	426,890	26,985,814
Total capital assets being depreciated, net	32,720,682				31,957,246
Governmental activities capital assets, net	<u>\$ 40,136,754</u>				<u>\$ 42,356,152</u>

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

General government	\$	379,034
Public safety		818,004
Transportation		499,880
Economic and physical development		28,059
Human services		143,275
Environmental protection		303,536
Cultural and recreational		100,069
Total depreciation expense	\$	<u>2,271,857</u>

Construction commitments

The County has the following active construction projects as of June 30, 2020:

Project	Spent-to-date	Remaining Commitment
Landfill Phase 5 Construction Project	\$ 3,317,342	\$ 171,559
Total	<u>\$ 3,317,342</u>	<u>\$ 171,559</u>

Discretely presented component unit

Capital asset activity for the Cherokee County Tourism Development Authority for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Capital assets being depreciated					
Buildings	\$ 162,551	\$ -	\$ -	\$ -	\$ 162,551
Total capital assets being depreciated	<u>162,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,551</u>
Less accumulated depreciation for:					
Buildings	10,837	3,251	-	-	14,088
Total accumulated depreciation	<u>10,837</u>	<u>3,251</u>	<u>-</u>	<u>-</u>	<u>14,088</u>
Total capital assets being depreciated, net	<u>151,714</u>				<u>148,463</u>
Component unit capital assets, net	<u>\$ 151,714</u>				<u>\$ 148,463</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2020, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 666,612	\$ 2,024,739	\$ 2,691,351
Other governmental	289,520	-	289,520
Total governmental activities	<u>\$ 956,132</u>	<u>\$ 2,024,739</u>	<u>\$ 2,980,871</u>

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2020, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$1,110,737 for the year ended June 30, 2020.

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

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

At June 30, 2020, the County reported a liability of \$4,849,298 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the County's proportion was .17757% (measured as of June 30, 2019), which was a decrease of .0057% from its proportion as of June 30, 2019 (measured as of June 30, 2018).

For the year ended June 30, 2020, the County recognized pension expense of \$2,130,228. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 830,323	\$ -
Changes of assumptions	790,355	-
Net difference between projected and actual earnings on pension plan investments	118,281	-
Changes in proportion and differences between County contributions and proportionate share of contributions	13,845	130,820
County contributions subsequent to the measurement date	1,110,737	-
Total	<u>\$ 2,863,541</u>	<u>\$ 130,820</u>

\$1,110,737 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$	830,368
2022		217,899
2023		453,020
2024		120,697
2025		-
Thereafter		-

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.50 percent
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	\$ 11,091,232	\$ 4,849,298	\$ (339,013)

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

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	-
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	33
Total	<u>33</u>

A separate report was not issued for the plan.

2. Summary of Significant Accounting Policies

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

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2018 valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.26 percent

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

Mortality Rate

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to 2015 using MP-2015, projected forward generationally from 2015 using MP-2015. Rates are adjusted by 103% for males and 99% for females.

4. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County did not pay any benefits for the reporting period.

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

At June 30, 2020, the County reported a total pension liability of \$394,606. The total pension liability was measured as of December 31, 2019 based on a December 31, 2018 actuarial valuation. The total pension liability was rolled forward to December 31, 2019 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2020, the County recognized pension expense of \$28,411.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 80,506
Changes of assumptions	27,273	15,545
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 27,273</u>	<u>\$ 96,051</u>

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

Year ended June 30:

2021	\$ (17,548)
2022	(17,548)
2023	(17,075)
2024	(11,739)
2025	(4,346)
Thereafter	(522)

Sensitivity of the County's total pension liability to changes in the discount rate. The following presents the County's total pension liability calculated using the discount rate of 3.26 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.26 percent) or 1-percentage-point higher (4.26 percent) than the current rate:

	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total Pension Liability	\$ 432,339	\$ 394,606	\$ 360,222

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

Total pension liability as of December 31, 2018	\$ 371,464
Changes for the year:	
Service Cost	32,465
Interest on the total pension liability	13,494
Change of benefit terms	-
Differences between expected and actual experience in the measurement	(34,792)
Changes of assumptions or other inputs	13,450
Benefit payments	(1,475)
Other changes	-
Net changes	<u>23,142</u>
Total pension liability as of December 31, 2019	<u>\$ 394,606</u>

Changes of assumptions. Since the Prior Measurement Date, the Discount Rate has changed from 3.64% to 3.26% due to a change in the Municipal Bond Rate.

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2014.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

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

The County contributed \$75,468 for the year ended June 30, 2020. No amounts were forfeited.

d. Registers of Deeds' Supplemental Pension Fund

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

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$3,530 for the year ended June 30, 2020.

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

At June 30, 2020, the County reported an asset of \$67,235 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2020, the Board's proportion was 0.34060% (measured as of June 30, 2019), which was a decrease of 0.05950% from its proportion as of June 30, 2019 (measured as of June 30, 2018).

For the year ended June 30, 2020, the County recognized pension expense of \$6,181. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,242
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	688	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,655	2,689
County contributions subsequent to the measurement date	3,530	-
Total	<u>\$ 12,873</u>	<u>\$ 5,931</u>

\$3,530 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021	\$ (1,111)
2022	3,549
2023	2,303
2024	(1,329)
2025	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2020 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 3.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.75 percent, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ (4,530)	\$ 67,235	\$ (1,650)

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

e. Pension Liabilities, Expense, and Related Deferred Outflows of Resources and Deferred Inflows of Resources

The net pension liability for LGERS and RODSPF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2019, with an actuarial valuation date of December 31, 2018. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	RODSPF	LEOSSA	Total
Proportionate Share of Net Pension Liability (Asset)	\$ 4,849,298	\$ (66,275)	\$ -	\$ 4,783,023
Proportion of the Net Pension Liability (Asset)	0.17760%	0.34060%	n/a	n/a
Total Pension Liability	\$ -	\$ -	\$ 394,606	\$ 394,606
Pension Expense	\$ 2,130,228	\$ 6,181	\$ 28,411	\$ 2,164,820

At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	LGERS	RODSPF	LEOSSA	Total
Differences between expected and actual experience	\$ 830,323	\$ -	\$ -	\$ 830,323
Changes of assumptions	790,355	-	27,273	817,628
Net difference between projected and actual earnings on pension plan investments	118,281	688	-	118,969
Changes in the proportion and differences between County contributions and proportionate share of contributions	13,845	8,655	-	22,500
County contributions (LGERS, RODSPF)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	1,110,737	3,530	-	1,114,267

Deferred Inflows of Resources				
Differences between expected and actual experience	\$ -	\$ 3,242	\$ 80,506	\$ 83,748
Changes of assumptions	-	-	15,545	15,545
Changes in proportion and differences between County contributions and proportionate share of contributions	130,820	2,689	-	133,509

f. Other Postemployment Benefit

Healthcare Benefits

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

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

Membership of the HCB Plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive members entitled to but not yet receiving benefits	-
Active plan members	<u>272</u>
Total	<u><u>276</u></u>

Total OPEB Liability

The County's total OPEB liability of \$3,090,644 was measured as of June 30, 2019 and was determined by a biennial actuarial valuation as of June 30, 2018.

Actuarial assumptions and other inputs. The total OPEB liability was determined based on an actuarial valuation as of June 30, 2018, using the following key actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	1.00 percent
Salary increases	3.50 to 7.75 percent, including wage inflation (General Employees)
	3.50 to 7.35 percent, including wage inflation (Law Enforcement Officer)
Discount	3.50 percent
Healthcare cost trend rates	
Pre-Medicare medical and prescription drug	7.25 percent for 2018 decreasing to an ultimate rate of 4.75% by 2028
Dental	4 percent

The County selected a Municipal Bond Index Rate equal to the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by The Bond Buyer, and the discount rate used to measure the TOL is the Municipal Bond Index Rate as of the measurement date.

Changes in the Total OPEB Liability

Total OPEB Liability as of June 30, 2018	\$ 2,713,514
Changes for the year	
Service cost	191,659
Interest	101,799
Changes of benefit	-
Differences between expected and actual experience	137,932
Changes in assumptions or other inputs	140,766
Net benefit	(195,026)
Net changes	<u>377,130</u>
Total OPEB Liability as of June 30, 2019	<u><u>\$ 3,090,644</u></u>

Since the Prior Measurement Date, the Discount Rate has changed from 3.89% to 3.50% due to a change in the Municipal Bond Rate.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 3,485,430	\$ 3,090,644	\$ 2,743,630

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

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ 2,627,125	\$ 3,090,644	\$ 3,662,128

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

For the year end June 30, 2020, the County recognized OPEB expense of \$336,050. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 438,091	\$ 17,119
Changes of assumptions	141,355	94,491
Benefit payments and administrative costs made subsequent to the measurement date	61,336	-
Total	<u>\$ 640,782</u>	<u>\$ 111,610</u>

\$61,336 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2021	\$ 42,592
2022	42,592
2023	42,592
2024	42,592
2025	53,897
Thereafter	243,571

g. Other Employment Benefits

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

The County also provides a \$15,000 death benefit to full time employees. For the fiscal year ended June 30, 2020, the County made contributions for death benefits of \$10,779.

h. Deferred Compensation Plan

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

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

State and federal laws and regulations require the County to place a final cover on its Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$7,061,307 reported as landfill closure and postclosure care liability at June 30, 2020 represents a cumulative amount reported to-date based on the use of 48.97 percent of the total estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and post closure care in 2020. The County expects to close the landfill facility in approximately 2030. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

4. Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience (Pensions, OPEB)	\$ 1,268,414	\$ 100,867
Net difference between projected and actual investment earnings (Pensions, OPEB)	118,969	-
Change in proportion and difference between employer contributions and proportionate share of contributions (Pensions)	22,500	133,509
Change in assumptions (Pensions, OPEB)	958,983	110,036
Contributions to pension plan subsequent to measurement date (LGERS, RODSPF)	1,114,267	-
Benefit payments for the OPEB plan paid subsequent to the measurement date	61,336	-
Prepaid taxes not yet earned (General)	-	252,384
Taxes receivable, net (General), less penalties	-	520,393
Taxes receivable, net (Special Revenue)	-	82,834
Total	<u>\$ 3,544,469</u>	<u>\$ 1,200,023</u>

5. Risk Management

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

Through these pools, the County obtains property coverage equal to the replacement cost of owned property subject to a blanket limit of \$67,951,600, with sub-limits on coverage for specific perils; general, auto, professional, employment practices, and law enforcement liability coverage of \$2 million per occurrence; auto physical damage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the statutory limits.

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

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

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

For medical and dental insurance, the County is reinsured through a commercial carrier for individual losses in excess of \$70,000 and aggregate annual losses in excess of \$2,795,626.

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

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year.

Discretely presented component unit*Cherokee County Tourism Development Authority*

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

6. Contingent Liabilities

At June 30, 2020, the County was a defendant to various lawsuits. As of August 4, 2021, the County was involved in a lawsuit against the County's Department of Social Services. A jury returned a verdict of \$4.6 million for the plaintiffs. The judgement has not been entered at this time. Motions in the trial court remain pending and an appeal to the 4th Circuit Court of Appeals is possible. Additional cases involving the Cherokee County Department of Social Services are also pending in the Federal Court of the Western District of North Carolina. These cases are scheduled for trial in 2022 and motions are pending. The possibility of settlement remains, but is uncertain due to the uncertainty of the position of the County's insurance carrier regarding coverage. The liability of the County seems likely and the magnitude of the losses may exceed the verdict of the first judgment against the County.

7. Long-Term Obligations**a. Installment Purchases**

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

Governmental ActivitiesServiced by the County's General Fund

On November 30, 2005, the County entered into a \$565,507 direct placement contract with North Carolina Department of Environmental and Natural Resources for water improvements. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 30 annual principal payments of \$28,275, plus interest at 2.205%, and matures on May 1, 2026.	\$ 169,653
On March 10, 2006, the County entered a \$450,000 direct placement contract with Branch Banking & Trust Company for a purchase of a building. The property is pledged as collateral for the debt while the debt is outstanding. The direct placement contract requires 15 annual principal payments of \$30,000, plus interest at 4.03%, and matures on March 10, 2021.	30,000
On September 19, 2008, the County entered into a \$1,800,000 direct placement contract with Regions Bank for school improvements. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 30 semi-annual payments of \$60,000, plus interest at 3.79%, and matures on September 19, 2023.	420,000
On August 14, 2008, the County entered into a \$1,371,355 QZAB direct placement contract with Rocky Mountain Bank through Heartland Financial USA, Inc. for school improvements. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 14 annual payments of \$97,954, including interest at 0%, and matures on August 14, 2022.	293,861
On December 28, 2010, the County entered into a \$8,158,780 direct placement contract with Branch Banking & Trust Company for renovations and additions to the Courthouse. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 11 annual payments of \$761,486, plus interest at 2.39%, and matures on December 28, 2021.	1,522,973
On December 28, 2010, the County entered into a \$1,216,000 direct placement contract with Branch Banking & Trust Company for the acquisition of the Department of Social Services Building. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 15 annual principal payments of \$81,066, plus interest at 5.50%, and matures on December 28, 2025.	486,406

On December 28, 2010, the County entered into a \$184,000 direct placement contract with Branch Banking & Trust Company for the acquisition of the Department of Social Services Building. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 15 annual principal payments of \$12,266, plus interest at 5.50%, and matures on December 28, 2025.

73,606

On December 21, 2010, the County entered into a \$1,282,886 direct placement contract with Bank of America, N.A. for the Andrews High School Renovation. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 30 semi-annual payments of \$42,763, plus interest at 5.67%, and matures on December 21, 2025. This is a Qualified School Construction Bond and interest paid is refundable.

470,390

On April 10, 2012, the County entered into an direct placement contract with PNC Bank, National Association for \$5,700,000 to refinance the purchase of the Detention Center and Sheriff's Office. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 18 semi-annual principal payments of \$316,667, plus interest at 1.99%, and matures on April 10, 2021.

633,332

\$	4,100,221
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The annual debt service requirements to maturity for the County are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2021	\$ 1,849,905	\$ 121,487
2022	1,186,574	77,973
2023	425,087	44,555
2024	267,134	29,337
2025	207,134	17,577
2026-2030	164,387	6,949
Total	<u>\$ 4,100,221</u>	<u>\$ 297,878</u>

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$2,915,970 relates to assets the County holds title. There is no unspent restricted cash related to this debt at June 30, 2020.

c. Long-term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Government Activities:					
Direct placement installment purchases	\$ 5,950,128	\$ -	\$ 1,849,907	\$ 4,100,221	\$ 1,849,905
Capital leases	3,455	-	3,455	-	-
Landfill closure costs	3,534,016	3,527,291	-	7,061,307	-
Total OPEB liability	2,713,514	377,130	-	3,090,644	-
Compensated absences	679,624	548,590	412,471	815,743	412,000
Net pension liability (LERS)	4,349,215	500,083	-	4,849,298	-
Total pension obligation (LEOSSA)	371,464	23,142	-	394,606	-
Total government activities	<u>\$ 17,601,416</u>	<u>\$ 4,976,236</u>	<u>\$ 2,265,833</u>	<u>\$ 20,311,819</u>	<u>\$ 2,261,905</u>

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

No interest was capitalized during 2020; interest incurred and charged to expense totaled \$128,689.

At June 30, 2020, the County had a legal debt margin of \$260,974,779.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2020, consisted of the following:

Due to the General Fund from:

Airport Improvement

\$	43,702
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Total

\$	43,702
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The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from other funds June 30, 2020, consisted of the following:

From the General Fund to the Revaluation Fund to provide resources for the next property revaluation	\$ 75,000
From the General Fund to the School Improvement Fund for the County match per grant agreement	<u>4,867,018</u>
Total	<u><u>\$4,942,018</u></u>

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

D. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2020, was computed as follows:

Capital assets, net of accumulated depreciation	\$ 42,356,152
Less capital debt:	
Gross debt (excluding compensated absences)	4,100,221
Less:	
School debt related to assets to which the County does not hold title	<u>1,184,251</u>
Total capital debt	<u>2,915,970</u>
Net investment in capital assets	<u><u>\$ 39,440,182</u></u>

E. Fund Balance

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

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

Total fund balance - General Fund	\$ 19,021,719
Less:	
Inventories	27,537
Prepaid items	18,522
Stabilization by State Statute	4,646,084
Public safety	181,238
Human services	2,303
Tax revaluation	64,214
Education	1,468,766
Law enforcement	29,734
EMS station 1	318,578
Human services - social services	38,113
General government - capital outlay	6,697
Public safety - capital outlay	125,519
Economic and physical development	126,669
Appropriated fund balance in 2021 budget	1,993,743
Working capital/ fund balance policy	9,974,002
Remaining fund balance	-

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

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

<i>Encumbrances</i>	<i>General Fund</i>	<i>Nonmajor Funds</i>
	\$ -	\$ -

F. Prior Period Adjustment

During the fiscal year ended June 30, 2020, the County determined that certain transactions in the fund financial statements were recorded incorrectly in the prior year. These transactions had no effect on the government-wide statements.

Fund Balance: The fund balance of the Emergency Telephone System Fund was understated at June 30, 2019 in the amount of \$7,293 due to expenditures that were deemed ineligible for reimbursement. The understatement in the Emergency Telephone System Fund contributed to a corresponding understatement of expenditures in the General Fund of \$7,293. This resulted in a \$7,293 overstatement of General Fund Balance.

Emergency Telephone System Fund balance, beginning as previously reported	\$	64,276
Ineligible expenditures made in the prior fiscal year	<u>7,293</u>	
Net prior period adjustment		<u>7,293</u>
Emergency Telephone System Fund balance, beginning as restated	<u>\$</u>	<u>71,569</u>
General Fund balance, beginning as previously reported	\$	20,578,691
Adjustment for Emergency Telephone System Fund	<u>(7,293)</u>	
Net prior period adjustment		<u>(7,293)</u>
General Fund balance, beginning as restated	<u>\$</u>	<u>20,571,398</u>

IV. Joint Ventures

1. Nantahala Regional Library - The County participates in a joint venture to operate the Nantahala Regional Library with six other local governments. The three participating counties may each appoint three board members to the nine-member board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating government's continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2020. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$192,645 to the Library to supplement its activities. Complete financial statements for the Library can be obtained from the Library's office at 11 Blumenthal Street, Murphy, NC 28906.

V. Jointly Governed Organizations

The County, in conjunction with seven other counties and sixteen municipalities, established the Southwestern Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$19,334 to the Commission during the fiscal year ended June 30, 2020. The County was the subrecipient of a grant for \$419,095 from the Division of Aging of the North Carolina Department of Human Resources, which was passed through the Commission.

The County, in conjunction with seven other counties, established Vaya Health, formerly Smoky Mountain Mental Health Center. The participating governments established Vaya Health to provide mental health services to the western region of North Carolina. The County designates a commissioner they wish to serve on the County Commissioner Advisory Board of Vaya Health. The County Commissioner Advisory Board serves solely in an advisory capacity and does not have authority over budgeting, personnel matters, governance or policy making. The County contributed \$75,000 to Vaya Health during the fiscal year ended June 30, 2020.

VI. 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.

VII. New Accounting Pronouncements***Pronouncements effective for the 2020 Financial Statements:***

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

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

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The effective date of this Statement has been postponed for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The effective date of this Statement has been postponed for reporting periods beginning after December 15, 2020.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*. This new standard aims to provide consistency in the reporting of majority equity interests and improve the relevance of information related to certain component units. The effective date of this Statement has been postponed for reporting periods beginning after December 15, 2019.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The effective date of this Statement has been postponed for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement are effective as follows:

The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.

The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.

The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.

The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

VIII. Significant Effects of Subsequent Events

The County has evaluated events and transactions that occurred between June 30, 2020 and August 4, 2021, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2020.

- A. On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact County revenues. At the current time, the County is unable to quantify the potential effects of this pandemic.
- B. On January 1, 2021, the Commissioners gave all County employees a 3% cost of living adjustment (COLA) for an approximate total of \$452,000.
- C. On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law for state and local governments to pay for much-needed investments to respond to the COVID-19 pandemic and to begin to build back stronger communities. On June 1, 2021, Cherokee County received \$2,778,773 of the Coronavirus State and Local Fiscal Recovery Funds. The remaining balance of the total \$5,557,546 funding will be disbursed within twelve months.

Required Supplementary Financial Data

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

Local Governmental Employees' Retirement System

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

Register of Deeds' Supplemental Pension Fund

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

Law Enforcement Officers' Special Separation Allowance

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

Other Postemployment Benefits

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

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

	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.1776%	0.1833%	0.1814%	0.1960%	0.1753%	0.1750%	0.1878%
County's proportionate share of the net pension liability (asset) \$	\$ 4,849,298	\$ 4,349,215	\$ 2,771,748	\$ 4,160,625	\$ 786,781	\$(1,031,997)	\$ 2,263,711
County's covered-employee payroll	\$11,915,323	\$11,400,549	\$10,989,470	\$11,208,552	\$10,145,989	\$10,061,351	\$10,179,686
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.70%	38.15%	25.22%	37.12%	7.75%	(10.26%)	22.24%
Plan fiduciary net position as a percentage of the total pension liability **	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,110,737	\$ 934,147	\$ 866,150	\$ 814,234	\$ 763,586	\$ 719,701	\$ 713,599
Contributions in relation to the contractually required contribution	1,110,737	934,147	866,150	814,234	763,586	719,701	713,599
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$12,284,289	\$11,915,323	\$11,400,549	\$10,989,470	\$11,208,552	\$10,145,989	\$10,061,351
Contributions as a percentage of covered-employee payroll	9.04%	7.84%	7.60%	7.41%	6.81%	7.09%	7.09%

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

	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.3406%	0.4001%	0.3629%	0.3823%	0.3797%	0.3564%	0.3611%
County's proportionate share of the net pension liability (asset) \$	\$ (67,235)	\$ (66,275)	\$ (61,938)	\$ (71,484)	\$ (87,985)	\$ (80,793)	\$ (77,129)
Plan fiduciary net position as a percentage of the total pension liability **	164.11%	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

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

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

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

	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 3,530	\$ 3,237	\$ 3,424	\$ 3,153	\$ 3,124	\$ 3,038	\$ 2,910
Contributions in relation to the contractually required contribution	3,530	3,237	3,424	3,153	3,124	3,038	2,910
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Cherokee County, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2020

	2020	2019	2018	2017
Beginning balance	\$ 371,464	\$ 372,964	\$ 367,600	\$ 338,197
Service cost	32,465	37,738	29,990	34,449
Interest on the total pension liability	13,494	11,685	14,066	11,960
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(34,792)	(27,798)	(63,368)	-
Changes of assumptions or other inputs	13,450	(16,734)	31,067	(10,615)
Benefit payments	(1,475)	(6,391)	(6,391)	(6,391)
Other changes	-	-	-	-
Ending balance of the total pension liability	<u>\$ 394,606</u>	<u>\$ 371,464</u>	<u>\$ 372,964</u>	<u>\$ 367,600</u>

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

Cherokee County, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
For the Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 394,606	\$ 371,464	\$ 372,964	\$ 367,600
Covered payroll	1,459,468	1,529,513	1,399,494	1,521,291
Total pension liability as a percentage of covered payroll	27.04%	24.29%	26.65%	24.16%

Notes to the schedules:

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

Cherokee County, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2020

	2020	2019	2018
Total OPEB Liability			
Service cost	191,659	146,446	160,159
Interest	101,799	77,865	68,178
Changes of benefit terms	-	-	-
Differences between expected and actual experience	137,932	389,971	(28,429)
Changes of assumptions	140,766	17,857	(156,930)
Benefit payments	(195,026)	(209,860)	(33,326)
Net change in total OPEB liability	377,130	422,279	9,652
Total OPEB liability - beginning	2,713,514	2,291,235	2,281,583
Total OPEB liability - ending	3,090,644	2,713,514	2,291,235
Covered payroll	9,974,969	9,974,969	9,903,685
Total OPEB liability as a percentage of covered payroll	30.98%	27.20%	23.14%

Notes to Schedule

Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period.

<u>Fiscal year</u>	<u>Rate</u>
2018	3.56%
2019	3.89%
2020	3.50%

Combining and Individual Fund Statements and Schedules

Major Governmental Funds

The County has the following major governmental funds:

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

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

Capital Project Funds:

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

Landfill Phase 5 Construction Project – This fund is used to account for the permitting and construction of the landfill cell phase 5 at Cherokee County's Solid Waste facility located in Marble, North Carolina.

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

Cherokee County, North Carolina
General Fund - Consolidated
Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2020

	General Fund	Revaluation Fund	Eliminations	Total
REVENUES				
Ad valorem taxes	\$ 17,255,425	\$ -	\$ -	\$ 17,255,425
Local option sales tax	8,632,147	-	-	8,632,147
Other taxes and licenses	897,342	-	-	897,342
Unrestricted intergovernmental	1,964,066	-	-	1,964,066
Restricted intergovernmental	5,416,682	-	-	5,416,682
Permits and fees	2,070,740	-	-	2,070,740
Sales and services	5,144,767	-	-	5,144,767
Investment earnings	29,018	142	-	29,160
Miscellaneous	175,689	-	-	175,689
Total revenues	41,585,876	142	-	41,586,018
EXPENDITURES				
Current:				
General government	4,081,619	239,827	-	4,321,446
Public safety	10,861,425	-	-	10,861,425
Transportation	945,273	-	-	945,273
Environmental protection	1,763,175	-	-	1,763,175
Economic and physical development	914,941	-	-	914,941
Human services	8,209,142	-	-	8,209,142
Cultural and recreational	717,226	-	-	717,226
Intergovernmental:				
Education	8,780,758	-	-	8,780,758
Debt service:				
Principal	1,853,362	-	-	1,853,362
Interest	129,181	-	-	129,181
Total expenditures	38,256,102	239,827	-	38,495,929
Excess (deficiency) of revenues over expenditures	3,329,774	(239,685)	-	3,090,089
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	75,000	(75,000)	-
Transfers to other funds	(4,942,018)	-	75,000	(4,867,018)
Total other financing sources (uses)	(4,942,018)	75,000	-	(4,867,018)
Net change in fund balances	(1,612,244)	(164,685)	\$ -	(1,776,929)
FUND BALANCES				
Fund balances, beginning as previously reported	20,578,691	227,250		20,805,941
Prior period adjustment	(7,293)	-		(7,293)
Fund balances, beginning	20,571,398	227,250		20,798,648
Fund balances, ending	\$ 18,959,154	\$ 62,565		\$ 19,021,719

Exhibit 4

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

Cherokee County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Current year taxes		\$ 17,089,479	
Penalties and interest		165,946	
Total	<u>\$ 17,013,267</u>	<u>17,255,425</u>	<u>\$ 242,158</u>
Local option sales taxes:			
Article 39 one percent		3,606,919	
Article 40 one-half of one percent		2,041,729	
Article 42 one-half of one percent		1,837,152	
Article 44 one-half of one percent		218,828	
Article 46 one-quarter of one percent		927,519	
Total	<u>7,537,236</u>	<u>8,632,147</u>	<u>1,094,911</u>
Other taxes and licenses:			
Register of deeds - excise tax		381,382	
Car rental tax		5,318	
Local occupancy tax		429,097	
Solid waste disposal tax		24,461	
Franchise tax		55,456	
Civil licenses		1,628	
Total	<u>812,500</u>	<u>897,342</u>	<u>84,842</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes		1,853,245	
Beer and wine tax		110,821	
Total	<u>1,498,000</u>	<u>1,964,066</u>	<u>466,066</u>
Restricted intergovernmental:			
ABC bottle fees		13,743	
Court facility fees		30,610	
Controlled substance tax		24,156	
Health Department grants		120,449	
Health Department state revenues		784,361	
Juvenile Crime Prevention		99,202	
Lottery proceeds		122,071	
Other grants		146,944	
Transportation ROAP		153,072	
Senior Center		270,523	
Social Services		3,155,479	
Tire Disposal Tax Grant		41,537	
Transportation		316,225	
US Forest Service Timber		138,310	
Total	<u>5,914,712</u>	<u>5,416,682</u>	<u>(498,030)</u>

Cherokee County, North Carolina

General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	Final Budget	Actual	Variance Positive (Negative)
Permits and fees:			
Building permits		262,314	
Fire arm permits		32,930	
Fire inspections		13,704	
Landfill user fees		1,324,218	
Precious metal permits		162	
Register of deeds		229,237	
Water and septic permits		208,175	
Total	<u>1,998,480</u>	<u>2,070,740</u>	<u>72,260</u>
Sales and services:			
Ambulance fees		1,815,039	
Aviation gas sales		100,168	
Health Department fees		785,865	
Landfill tipping fees		382,162	
Jet fuel sales		85,287	
Other sales		45,759	
Personnel fees		91,007	
Rents, concessions, and fees		86,460	
Sheriff & jail fees		1,477,334	
Transportation fees		275,672	
Vehicle tax collection fees		14	
Total	<u>4,847,770</u>	<u>5,144,767</u>	<u>296,997</u>
Investment earnings	<u>24,900</u>	<u>29,018</u>	<u>4,118</u>
Miscellaneous:			
ABC Store distributions		75,000	
Insurance proceeds		35,690	
Other		64,999	
Total	<u>109,194</u>	<u>175,689</u>	<u>66,495</u>
Total revenues	<u>39,756,059</u>	<u>41,585,876</u>	<u>1,829,817</u>
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits		95,250	
Operating expenditures		120,618	
Total	<u>253,634</u>	<u>215,868</u>	<u>37,766</u>
Administration:			
Salaries and employee benefits		199,098	
Operating expenditures		5,383	
Total	<u>205,209</u>	<u>204,481</u>	<u>728</u>
Board of Elections:			
Salaries and employee benefits		196,890	
Operating expenditures		55,981	
Capital outlay		342,124	
Total	<u>651,923</u>	<u>594,995</u>	<u>56,928</u>

Cherokee County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Information technology:			
Salaries and employee benefits		225,729	
Operating expenditures		242,093	
Capital outlay		16,230	
Total	<u>486,067</u>	<u>484,052</u>	<u>2,015</u>
Finance:			
Salaries and employee benefits		315,229	
Operating expenditures		128,326	
Total	<u>443,646</u>	<u>443,555</u>	<u>91</u>
Tax assessor:			
Salaries and employee benefits		363,341	
Operating expenditures		70,201	
Total	<u>437,180</u>	<u>433,542</u>	<u>3,638</u>
Tax collector:			
Salaries and employee benefits		182,226	
Operating expenditures		114,195	
Total	<u>317,067</u>	<u>296,421</u>	<u>20,646</u>
Land records:			
Salaries and employee benefits		141,681	
Operating expenditures		20,531	
Total	<u>166,603</u>	<u>162,212</u>	<u>4,391</u>
Register of deeds:			
Salaries and employee benefits		168,585	
Operating expenditures		279,296	
Total	<u>448,091</u>	<u>447,881</u>	<u>210</u>
Public buildings:			
Salaries and employee benefits		312,969	
Operating expenditures		148,009	
Capital outlay		53,345	
Total	<u>548,116</u>	<u>514,323</u>	<u>33,793</u>
Court facilities:			
Operating expenditures		39,423	
Total	<u>40,300</u>	<u>39,423</u>	<u>877</u>
Central services:			
Salaries and employee benefits		21,707	
Operating expenditures		223,159	
Total	<u>244,900</u>	<u>244,866</u>	<u>34</u>
Total general government	<u>4,242,736</u>	<u>4,081,619</u>	<u>161,117</u>

Cherokee County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public safety:			
Sheriff:			
Salaries and employee benefits		2,454,465	
Operating expenditures		350,411	
Capital outlay		131,956	
Total	<u>3,056,103</u>	<u>2,936,832</u>	<u>119,271</u>
Jail:			
Salaries and employee benefits		1,407,545	
Operating expenditures		1,058,400	
Capital outlay		99,830	
Total	<u>2,667,682</u>	<u>2,565,775</u>	<u>101,907</u>
Ambulance service:			
Salaries and employee benefits		2,940,189	
Operating expenditures		469,373	
Capital outlay		247,748	
Total	<u>3,858,016</u>	<u>3,657,310</u>	<u>200,706</u>
911 addressing:			
Salaries and employee benefits		13,016	
Operating expenditures		5,536	
Total	<u>73,963</u>	<u>18,552</u>	<u>55,411</u>
Emergency communications:			
Salaries and employee benefits		687,667	
Operating expenditures		80,135	
Capital outlay		5,444	
Total	<u>900,216</u>	<u>773,246</u>	<u>126,970</u>
Emergency management:			
Salaries and employee benefits		120,155	
Operating expenditures		42,549	
Total	<u>326,492</u>	<u>162,704</u>	<u>163,788</u>
Code enforcement:			
Salaries and employee benefits		388,452	
Operating expenditures		31,765	
Capital outlay		53,502	
Total	<u>495,468</u>	<u>473,719</u>	<u>21,749</u>
Medical examiner:			
Operating expenditures		32,950	
Total	<u>35,000</u>	<u>32,950</u>	<u>2,050</u>
Animal control:			
Operating expenditures		107,007	
Total	<u>110,925</u>	<u>107,007</u>	<u>3,918</u>

Cherokee County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Special appropriations:			
NC Forest Service-Fire protection		39,782	
Valley River Rescue Squad		70,000	
Fire department rescue		23,548	
Total	207,320	133,330	73,990
Total public safety	11,731,185	10,861,425	869,760
Transportation:			
Airport:			
Operating expenditures		271,212	
Capital outlay		39,749	
Total	310,983	310,961	22
Public transportation:			
Salaries and employee benefits		418,205	
Operating expenditures		103,561	
Capital outlay		112,546	
Total	770,075	634,312	135,763
Total transportation	1,081,058	945,273	135,785
Environmental protection:			
Solid waste:			
Salaries and employee benefits		926,554	
Operating expenditures		527,443	
Capital outlay		309,178	
Total	1,926,143	1,763,175	162,968
Total environmental protection	1,926,143	1,763,175	162,968
Economic and physical development:			
Economic development:			
Operating expenditures		40,240	
Grants		98,611	
Total	139,306	138,851	455
Cooperative extension:			
Salaries and employee benefits		157,412	
Operating expenditures		21,127	
Total	191,260	178,539	12,721
Soil and water conservation:			
Salaries and employee benefits		90,959	
Total	91,392	90,959	433
Special appropriations:			
Cherokee County Board of Tourism		416,478	
Soil and Water Conservation District		90,114	
Total	507,114	506,592	522
Total economic and physical development	929,072	914,941	14,131

Cherokee County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Human services:			
Health department:			
Administration:			
Salaries and employee benefits		344,551	
Operating expenditures		310,283	
Total		<u>654,834</u>	
Women, infants, and children:			
WIC - Breastfeeding		13,875	
WIC - Adminstration		24,977	
WIC - Client services		100,473	
WIC - Nutritional education		40,578	
Total		<u>179,903</u>	
Environmental health:			
Salaries and employee benefits		249,878	
Operating expenditures		21,191	
Total		<u>271,069</u>	
Food and lodging:			
Salaries and employee benefits		156,899	
Operating expenditures		4,583	
Total		<u>161,482</u>	
Health programs:			
Health promotion			
Salaries and employee benefits		21,610	
Operating expenditures		10,561	
Total		<u>32,171</u>	
Preparedness and planning			
Salaries and employee benefits		33,092	
Operating expenditures		1,864	
Total		<u>34,956</u>	
Immunization			
Salaries and employee benefits		81,860	
Operating expenditures		154,048	
Total		<u>235,908</u>	
Communicable disease			
Salaries and employee benefits		283,971	
Operating expenditures		8,518	
Total		<u>292,489</u>	
Andrews clinic			
Salaries and employee benefits		41,768	
Operating expenditures		17,146	
Total		<u>58,914</u>	

Cherokee County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Infant mortality reduction			
Salaries and employee benefits		16,123	
Operating expenditures		21,293	
Total		<u>37,416</u>	
Pregnancy care management (OBCM)			
Salaries and employee benefits		64,784	
Operating expenditures		744	
Total		<u>65,528</u>	
Maternal health			
Salaries and employee benefits		54,812	
Operating expenditures		4,603	
Total		<u>59,415</u>	
Breast and cervical cancer			
Salaries and employee benefits		16,568	
Operating expenditures		11,520	
Total		<u>28,088</u>	
Breast feeding peer counseling			
Salaries and employee benefits		10,960	
Operating expenditures		1,058	
Total		<u>12,018</u>	
Family planning			
Salaries and employee benefits		110,194	
Operating expenditures		34,590	
Total		<u>144,784</u>	
Child health			
Salaries and employee benefits		63,431	
Operating expenditures		8,632	
Capital outlay		5,250	
Total		<u>77,313</u>	
Care coordination for children			
Salaries and employee benefits		69,708	
Operating expenditures		459	
Total		<u>70,167</u>	
School nurse initiative			
Operating expenditures		100,000	
Total		<u>100,000</u>	
Medication management			
Salaries and employee benefits		24,692	
Operating expenditures		4,353	
Total		<u>29,045</u>	

Cherokee County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Smart start			
Salaries and employee benefits		5,913	
Total		5,913	
Total Health programs		1,284,125	
Total Health department	2,745,178	2,551,413	193,765
Social services:			
Administration:			
Salaries and employee benefits		3,318,617	
Operating expenses		345,472	
Total		3,664,089	
Programs:			
Operating expenses		1,190,110	
Total		1,190,110	
Total Social services	5,751,140	4,854,199	896,941
Senior citizens program:			
Salaries and employee benefits		226,423	
Operating expenses		172,097	
Capital outlay		38,455	
Total	497,004	436,975	60,029
Mental health:			
Operating expenses		75,000	
Total	75,000	75,000	-
Veterans service officer:			
Salaries and employee benefits		87,540	
Operating expenses		4,006	
Total	100,937	91,546	9,391
Special appropriations:			
Industrial Opportunities, Inc.		60,000	
State of Franklin Health Council		14,000	
Haven Child Advocacy		10,000	
Juvenile Crime Prevention Programs		116,009	
Total	231,595	200,009	31,586
Total human services	9,400,854	8,209,142	1,191,712
Cultural and recreational:			
Library:			
Operating expenditures		203,479	
Total	203,645	203,479	166
Parks and recreation:			
Salaries and employee benefits		224,951	
Operating expenditures		78,212	
Capital outlay		164,468	
Total	505,508	467,631	37,877

Cherokee County, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
Museum:			
Salaries and employee benefits		46,090	
Operating expenditures		26	
Total	47,293	46,116	1,177
Total cultural and recreation	756,446	717,226	39,220
Education:			
Public schools:			
Public schools - current		7,060,283	
Public schools - capital outlay		745,911	
Public schools - SRS USFS Timber		117,564	
Total	9,231,629	7,923,758	1,307,871
Community college:			
Community college - current		857,000	
Total	857,000	857,000	-
Total education	10,088,629	8,780,758	1,307,871
Debt service:			
Principal retirements		1,853,362	
Interest and fees		129,181	
Total debt service	1,983,334	1,982,543	791
Contingency	698,243	-	698,243
Total expenditures	42,837,700	38,256,102	4,581,598
Revenues over (under) expenditures	(3,081,641)	3,329,774	6,411,415
OTHER FINANCING SOURCES (USES)			
Transfers to other funds:			
Revaluation Fund	(75,000)	(75,000)	-
School Improvement Fund	(5,000,000)	(4,867,018)	132,982
Total other financing sources (uses)	(5,075,000)	(4,942,018)	132,982
Revenues and other sources over (under) expenditures	(8,156,641)	(1,612,244)	6,544,397
Appropriated fund balance	8,156,641	-	(8,156,641)
Net change in fund balance	\$ -	(1,612,244)	\$ (1,612,244)
Fund balance, beginning as previously reported		20,578,691	
Prior period adjustment		(7,293)	
Fund balance, beginning as restated		20,571,398	
Fund balance, ending		\$ 18,959,154	

Cherokee County, North Carolina

Revaluation Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020**

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment earnings	\$ 400	\$ 142	\$ (258)
Total revenues	<u>400</u>	<u>142</u>	<u>(258)</u>
EXPENDITURES			
Current:			
General government:			
Salaries and employee benefits		155,740	
Operating expenditures		84,087	
Total expenditures	<u>314,355</u>	<u>239,827</u>	<u>74,528</u>
Revenues over (under) expenditures	(313,955)	(239,685)	74,270
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Total other financing sources (uses)	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Revenues and other sources over (under) expenditures	(238,955)	(164,685)	74,270
Appropriated fund balance	<u>238,955</u>	<u>-</u>	<u>(238,955)</u>
Net change in fund balance	<u>\$ -</u>	<u>(164,685)</u>	<u>\$ (164,685)</u>
Fund balance, beginning		<u>227,250</u>	
Fund balances, ending		<u><u>\$ 62,565</u></u>	

Cherokee County, North Carolina
Landfill Phase 5 Construction Project
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Environmental Protection:					
Construction	3,021,883	122,721	2,704,067	2,826,788	195,095
Permitting	250,000	104,104	48,901	153,005	96,995
Engineering	200,000	62,964	136,734	199,698	302
Contingency	100,000	-	-	-	100,000
Total expenditures	3,571,883	289,789	2,889,702	3,179,491	392,392
Revenues over (under) expenditures	(3,571,883)	(289,789)	(2,889,702)	(3,179,491)	(392,392)
OTHER FINANCING SOURCES (USES)					
Transfer from other funds:					
General Fund	3,571,883	1,071,883	-	1,071,883	(2,500,000)
Total other financing sources (uses)	3,571,883	1,071,883	-	1,071,883	(2,500,000)
Revenues and other sources over (under) expenditures	-	782,094	(2,889,702)	(2,107,608)	(2,107,608)
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	\$ -	\$ 782,094	(2,889,702)	\$ (2,107,608)	\$ (2,107,608)
Fund balance, beginning			3,144,243		
Fund balance, ending			\$ 254,541		

Cherokee County, North Carolina
School Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2020

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Restricted intergovernmental:					
Needs-Based Public School Capital Fund	\$ 15,000,000	\$ -	\$ 260,998	\$ 260,998	\$ (14,739,002)
Total revenues	15,000,000	-	260,998	260,998	(14,739,002)
Expenditures:					
Education:					
School of Innovation & Technology Project:					
Construction	17,844,367	-	-	-	17,844,367
Planning & design	1,333,333	-	347,997	347,997	985,336
Land acquisition	822,300	-	822,300	822,300	-
Total expenditures	20,000,000	-	1,170,297	1,170,297	18,829,703
Revenues over (under) expenditures	(5,000,000)	-	(909,299)	(909,299)	(33,568,705)
OTHER FINANCING SOURCES (USES)					
Transfer from other funds:					
General Fund	5,000,000	-	4,867,018	4,867,018	(132,982)
Total other financing sources (uses)	5,000,000	-	4,867,018	4,867,018	(132,982)
Revenues and other sources over (under) expenditures	-	-	3,957,719	3,957,719	3,957,719
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	\$ -	\$ -	3,957,719	\$ 3,957,719	\$ 3,957,719
Fund balance, beginning			-		
Fund balance, ending			\$ 3,957,719		

Nonmajor Governmental Funds

The County has the following nonmajor governmental funds:

Special Revenue Funds:

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

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

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

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

Disaster Recovery & Response – The federal government passed the Coronavirus Aid, Relief, And Economic Security Act (CARES Act) on March 27, 2020 to provide financial relief to State and local governments for necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19). This fund accounts for such expenses.

Capital Project Fund:

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

Airport Improvement Projects Fund - This fund is used to account for the construction of major capital outlay projects for the Andrews-Murphy Airport. For the fiscal year ended June 30, 2020, the fund had no financial transactions to report.

Cherokee County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue Funds					Capital Project Funds		
	Emergency Telephone System Fund	Fire District Fund	Bear Paw Service District	Disaster Recovery & Response Fund	Total Nonmajor Special Revenue Funds	Airport Improvements	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 23,226	\$ 19,462	\$ 1,199	\$ -	\$ 43,887	\$ -	\$ -	\$ 43,887
Restricted cash	-	-	-	715,596	715,596	-	-	715,596
Taxes receivable (net)	-	79,289	3,545	-	82,834	-	-	82,834
Accounts receivable	22,689	-	-	-	22,689	43,703	43,703	66,392
Total assets	45,915	98,751	4,744	715,596	865,006	43,703	43,703	908,709
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	520	19,462	1,199	-	21,181	-	-	21,181
Due to other funds	-	-	-	-	-	43,702	43,702	43,702
Unearned revenue	-	-	-	715,527	715,527	-	-	715,527
Total liabilities	520	19,462	1,199	715,527	736,708	43,702	43,702	780,410
DEFERRED INFLOWS OF RESOURCES								
Taxes receivable	-	79,289	3,545	-	82,834	-	-	82,834
Total deferred inflows of resources	-	79,289	3,545	-	82,834	-	-	82,834
Fund balances:								
Restricted:								
Stabilization by state statute	22,689	-	-	-	22,689	43,703	43,703	66,392
Public safety	22,706	-	-	69	22,775	-	-	22,775
Unassigned	-	-	-	-	-	(43,702)	(43,702)	(43,702)
Total fund balances	45,395	-	-	69	45,464	1	1	45,465
Total liabilities, deferred inflows of resources, and fund balances	\$ 45,915	\$ 98,751	\$ 4,744	\$ 715,596	\$ 865,006	\$ 43,703	\$ 43,703	\$ 908,709

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2020

	Special Revenue Funds					Capital Project Fund		
	Emergency Telephone System Fund	Fire District Fund	Bear Paw Service District	Disaster Recovery & Response Fund	Total Nonmajor Special Revenue Funds	Airport Improvements	Total Nonmajor Capital Project Fund	Total Nonmajor Governmental Funds
REVENUES								
Ad valorem taxes	\$ -	\$ 1,728,879	\$ 317,888	\$ -	\$ 2,046,767	\$ -	\$ -	\$ 2,046,767
Restricted intergovernmental	272,270	-	-	-	272,270	-	-	272,270
Investment earnings	24	-	-	69	93	-	-	93
Total revenues	272,294	1,728,879	317,888	69	2,319,061	-	-	2,319,130
EXPENDITURES								
Current:								
General government	-	-	317,703	-	317,703	-	-	317,703
Public safety	298,468	1,728,879	-	69	2,027,416	-	-	2,027,416
Total expenditures	298,468	1,728,879	317,703	69	2,345,119	-	-	2,345,119
Excess (deficiency) of revenues over expenditures	(26,174)	-	-	69	(26,105)	-	-	(26,105)
OTHER FINANCING SOURCES (USES)								
Transfers from other funds	-	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	(26,174)	-	-	69	(26,105)	-	-	(26,105)
Fund balances, beginning as previously reported	64,276	-	-	-	64,276	-	-	64,276
Prior period adjustment	7,293	-	-	-	7,293	-	-	7,293
Fund balances, beginning as restated	71,569	-	-	-	71,569	1	1	71,570
Fund balances, ending	\$ 45,395	\$ -	\$ -	\$ 69	\$ 45,464	\$ 1	\$ 1	\$ 45,465

Cherokee County, North Carolina
Emergency Telephone System Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental	\$ 272,458	\$ 272,270	\$ (188)
Investment earnings	72	24	(48)
Total revenues	<u>272,530</u>	<u>272,294</u>	<u>(236)</u>
EXPENDITURES			
Public safety			
Operating expenditures		298,468	
Total expenditures	<u>318,900</u>	<u>298,468</u>	<u>20,432</u>
Revenues over (under) expenditures	(46,370)	(26,174)	20,196
Appropriated fund balance	<u>46,370</u>	<u>-</u>	<u>(46,370)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	(26,174)	<u>\$ (26,174)</u>
Fund balance, beginning as previously reported		64,276	
Prior period adjustment		7,293	
Fund balance, beginning		<u>71,569</u>	
Fund balance, ending		<u>\$ 45,395</u>	

Cherokee County, North Carolina
Fire District Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Ad valorem taxes	\$ 1,736,300	\$ 1,728,879	\$ (7,421)
Total revenues	<u>1,736,300</u>	<u>1,728,879</u>	<u>(7,421)</u>
EXPENDITURES			
Public safety:			
Collection Fees		7,746	
Bellview Fire District		99,281	
Brasstown Fire District		14,980	
Culberson Fire District		95,098	
Grape Creek Fire District		40,313	
Hanging Dog Fire District		73,639	
Hiwassee Fire District		195,070	
Wolf Creek Fire District		70,241	
Martins Creek Fire District		85,283	
Peachtree Fire District		183,947	
Murphy Rural Fire District		315,126	
Ranger Fire District		185,097	
Topton Fire District		2,712	
Unaka Fire District		36,410	
Valleytown Fire District		309,552	
Violet Fire District		14,384	
Total expenditures	<u>1,736,300</u>	<u>1,728,879</u>	<u>7,421</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		-	
Fund balance, ending		<u>\$ -</u>	

Cherokee County, North Carolina
Bear Paw Service District
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Ad valorem taxes	\$ 321,750	\$ 317,888	\$ (3,862)
Total revenues	<u>321,750</u>	<u>317,888</u>	<u>(3,862)</u>
EXPENDITURES			
General government:			
Collection fees		185	
Bear Paw Service District		317,703	
Total expenditures	<u>321,750</u>	<u>317,888</u>	<u>3,862</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u><u>\$ -</u></u>	

Cherokee County, North Carolina
Disaster Recovery & Response Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Restricted intergovernmental:			
Coronavirus Relief Fund	\$ 715,527	\$ -	\$ (715,527)
Investment earnings	-	69	69
Total revenues	<u>715,527</u>	<u>69</u>	<u>(715,458)</u>
EXPENDITURES			
Public safety			
Total expenditures	<u>715,527</u>	<u>-</u>	<u>715,527</u>
Revenues over (under) expenditures	-	69	69
OTHER FINANCING SOURCES (USES)			
Transfer from other funds		-	
Transfer to other funds		-	
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	-	69	69
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>69</u>	<u>\$ 69</u>
Fund balance, beginning		-	
Fund balance, ending		<u>\$ 69</u>	

Agency Funds

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

- **Detention Center Trust Fund** – which accounts for funds collected by the sheriff as an agent and for funds held for prisoners of the county detention facility.
- **Sheriff's Trust Fund** – which accounts for funds held by the Sheriff's Office.
- **Social Services Fund** – which accounts for funds deposited with the Department of Social Services for the benefit of certain individuals.
- **Deed of Trust Fee Fund** – which accounts for the five dollars of each fee collected by the register of deeds for registering or filing a deed of trust or mortgage and remitted to the State Treasurer on a monthly basis.
- **Fines and Forfeitures Fund** – which accounts for various legal fines and forfeitures that the County is required to remit to Cherokee County Board of Education; and the three percent interest on the first month of delinquent motor vehicle taxes that the County is required to remit to the North Carolina Department of Motor Vehicles.
- **Municipal Tax Fund** – which accounts for funds that are billed and collected by the County for various municipalities and special districts within the County but that are not revenues to the County.

Cherokee County, North Carolina
Combining Statement of Fiduciary Assets and Liabilities
For the Fiscal Year Ended June 30, 2020

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>Detention Center Trust Fund</u>				
Assets:				
Cash and cash equivalents	\$ 40,579	\$ 261,267	\$ 259,205	\$ 42,641
Liabilities:				
Miscellaneous liabilities	\$ 40,579	\$ 261,267	\$ 259,205	\$ 42,641
<u>Sheriff's Trust Fund</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 34,870	\$ 34,870	\$ -
Liabilities:				
Miscellaneous liabilities	\$ -	\$ 34,870	\$ 34,870	\$ -
<u>Social Services Fund</u>				
Assets:				
Cash and cash equivalents	\$ 23,428	\$ 280,410	\$ 275,188	\$ 28,650
Liabilities:				
Miscellaneous liabilities	\$ 23,428	\$ 280,410	\$ 275,188	\$ 28,650
<u>Deed of Trust Fund</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 6,108	\$ 6,108	\$ -
Liabilities:				
Intergovernmental payable State of NC	\$ -	\$ 6,108	\$ 6,108	\$ -
<u>Fines and Forfeitures Fund</u>				
Assets:				
Cash and cash equivalents	\$ -	\$ 100,370	\$ 100,370	\$ -
Liabilities:				
Intergovernmental payable - Cherokee County Board of Education	\$ -	\$ 100,370	\$ 100,370	\$ -
<u>Municipal Tax Fund</u>				
Assets:				
Cash and cash equivalents	\$ 9,048	\$ 99,454	\$ 100,676	\$ 7,826
Liabilities:				
Intergovernmental payable	\$ 9,048	\$ 99,454	\$ 100,676	\$ 7,826
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and cash equivalents	\$ 73,055	\$ 782,479	\$ 776,417	\$ 79,117
Liabilities:				
Miscellaneous liabilities	\$ 64,007	\$ 576,547	\$ 569,263	\$ 71,291
Intergovernmental payable	9,048	205,932	207,154	7,826
Total liabilities	\$ 73,055	\$ 782,479	\$ 776,417	\$ 79,117

Other Schedules

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

Schedule of Ad Valorem Taxes Receivable

Analysis of Current Tax Levy – County-Wide Levy

Schedule of Transfers

Cherokee County, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

<u>Fiscal Year</u>	<u>Uncollected Beginning Balance</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Ending Balance</u>
2019-2020	\$ -	\$ 17,326,567	\$ 16,870,782	\$ 455,785
2018-2019	351,078	-	225,211	125,867
2017-2018	131,787	-	55,406	76,381
2016-2017	70,006	-	26,618	43,388
2015-2016	38,738	-	11,198	27,540
2014-2015	24,981	-	4,726	20,255
2013-2014	30,205	-	4,708	25,497
2012-2013	28,389	-	4,339	24,050
2011-2012	21,555	-	3,071	18,484
2010-2011	18,622	-	3,955	14,667
2009-2010	20,943	-	20,943	-
	<u>\$ 736,304</u>	<u>\$ 17,326,567</u>	<u>\$ 17,230,957</u>	831,914
Less: allowance for uncollectible accounts:				
General fund				<u>(311,521)</u>
Ad valorem taxes receivable - net:				
General fund				<u>\$ 520,393</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General fund				\$ 17,255,425
Reconciling items:				
Interest collected				(125,990)
Release and adjustments				81,938
Taxes written off				19,584
Total reconciling items				<u>(24,468)</u>
Total collections and credits				<u>\$ 17,230,957</u>

Cherokee County, North Carolina
Analysis of Current Tax Levy
County - Wide Levy
For the Fiscal Year Ended June 30, 2020

	County - Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 3,267,657,885	0.520	\$ 16,991,821	\$ 15,563,587	\$ 1,428,234
Penalties	-		14,119	14,119	-
Total	<u>3,267,657,885</u>		<u>17,005,940</u>	<u>15,577,706</u>	<u>1,428,234</u>
Discoveries:					
Current year taxes	<u>61,659,038</u>	0.520	<u>320,627</u>	<u>320,627</u>	<u>-</u>
Total	<u>61,659,038</u>		<u>320,627</u>	<u>320,627</u>	<u>-</u>
Abatements:					
Penalties	-		(1,184)	(1,184)	-
Taxes	<u>(9,297,308)</u>	0.520	<u>(48,346)</u>	<u>(35,093)</u>	<u>(13,253)</u>
Total property valuation	<u><u>\$ 3,320,019,615</u></u>		<u><u>(49,530)</u></u>	<u><u>(36,277)</u></u>	<u><u>(13,253)</u></u>
Net levy			17,277,037	15,862,056	1,414,981
Unpaid (by taxpayer) taxes at June 30, 2020			<u>455,785</u>	<u>452,016</u>	<u>3,769</u>
Current year's taxes collected			<u><u>\$ 16,821,252</u></u>	<u><u>\$ 15,410,040</u></u>	<u><u>\$ 1,411,212</u></u>
Current levy collection percentage			<u><u>97.36%</u></u>	<u><u>97.15%</u></u>	<u><u>99.73%</u></u>

Cherokee County, North Carolina
Schedule of Transfers
For the Fiscal Year Ended June 30, 2020

Operating Transfers From/To Other Funds	Transfers	
	From	To
General Fund	75,000	
Revaluation Fund		75,000
General Fund	4,867,018	
School Improvement Fund		4,867,018
	<u>4,942,018</u>	<u>4,942,018</u>

Compliance Section

Turner & Company CPAs P.A.

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

To the Board of County Commissioners
Cherokee County, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprises Cherokee County's basic financial statements, and have issued our report thereon dated August 4, 2021. The financial statements of the Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency: Item 2020-001.

Compliance and Other Matters

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

Cherokee County's Response to Findings

Cherokee County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina
August 4, 2021

Turner & Company CPAs P.A.

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

To the Board of County Commissioners
Cherokee County, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Cherokee County, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Cherokee County's major federal programs for the year ended June 30, 2020. Cherokee County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Cherokee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina
August 4, 2021

Turner & Company CPAs P.A.

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

Independent Auditors' Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act

To the Board of County Commissioners
Cherokee County, North Carolina

Report on Compliance for Each Major State Program

We have audited Cherokee County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Cherokee County's major state programs for the year ended June 30, 2020. Cherokee County's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, Cherokee County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina
August 4, 2021

Cherokee County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

I. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted _____ yes **X** no

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major Federal Programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee **X** yes _____ no

State Awards

Internal control over major State programs:

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

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

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

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

<u>Program Name</u>
Medical Assistance Program (Medicaid; Title XIX)

One North Carolina Fund

Public School Building Capital Fund - Lottery Proceeds

Public School Building Capital Fund - Needs Based Lottery Proceeds

School Nurse Funding Initiative

Cherokee County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2020

II. Financial Statement Findings

Finding: 2020-001

SIGNIFICANT DEFICIENCY

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

Condition: The audited financial statements were not submitted by the original due date of October 31, 2020, or the extended due date of January 31, 2021.

Effect: Financial and/or operational problems could go undetected in the current fiscal year. Pertinent information may be inaccessible by various external groups such as the North Carolina General Assembly, federal and state funding agencies, and other public associations.

Cause: The impact of the COVID-19 pandemic created mutual scheduling and logistical difficulties, impeding the completion of the work necessary to deliver the audited financial statements on the original due date of October 31, 2020, or the extended due date of January 31, 2021. Despite being able to work remotely, lack of quality, dependable, high-speed internet throughout most of the far western part of the state caused tremendous delays in the exchange of information. By the time the County staff was able to submit the required information to the audit firm, the audit firm was required to focus on other duties and deadlines.

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

Views of responsible officials and planned corrective actions: The County agrees with this finding and will adhere to the corrective action plan on page 93 in this audit report.

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.



CHEROKEE COUNTY

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

Randy Wiggins, County Manager
Maria Hass, Asst. County Manager/Clerk to the Board
Candy R. Anderson, CPA, CGMA, Finance Officer
Darryl Brown, County Attorney

Board of Commissioners
Dan Eichenbaum, Chairman
Jan Griggs, Vice-Chairman
Randy Phillips, Member
Cal Stiles, Member
Gary Westmoreland, Member

Corrective Action Plan For the Fiscal Year Ended June 30, 2020

II. Financial Statement Findings

Finding: 2020-001

Name of contact person: Candy R. Anderson, CPA, CGMA Finance Director/Officer

Corrective Action: The County is working to develop and incorporate procedures to ensure that the data is collected, reviewed and reported accurately and timely. However, the implementation is a challenge because of the continued impact of the COVID-19 pandemic on daily operations.

Proposed Completion Date: As soon as possible

III. Federal Award Findings and Questioned Costs

None reported.

IV. State Award Findings and Questioned Costs

None reported.



CHEROKEE COUNTY

75 Peachtree Street
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Randy Wiggins, County Manager
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Gary Westmoreland, Member

Summary Schedule of Prior Year Audit Findings For the Fiscal Year Ended June 30, 2020

None reported.

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients	Local Expenditures
Federal Awards:						
<u>U.S. Department of Agriculture</u>						
Passed-through the N.C. Department of Health and Human Services:						
Division of Social Services:						
Administration:						
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	XXXX	\$ 272,881	\$ -	\$ -	\$ 272,881
Passed-through the N.C. Department of Health and Human Services:						
Division of Public Health:						
Administration:						
Special Supplemental Nutrition Program for Women, Infants, & Children (Note 5)	10.557	XXXX	158,886	-	-	-
Total U.S. Department of Agriculture			431,767	-	-	272,881
<u>U.S. Department of Transportation</u>						
Passed-through the N.C. Department of Transportation:						
Formula Grants for Other than Urbanized Areas						
Project 36233.22.21.1	20.509	XXXX	124,712	7,789	-	23,393
Project 51081.15.3.1	20.509	XXXX	86,400	10,800	-	10,800
Project 51001.30.8.2	20.513	XXXX	33,797	-	-	33,798
Total Formula Grants for Other than Urbanized Areas			244,909	18,589	-	67,991
Total U.S. Department of Transportation			244,909	18,589	-	67,991
<u>U. S. Department of Homeland Security</u>						
Passed-through N.C. Department of Public Safety:						
Division of Emergency Management						
Emergency Management Performance Grants	97.042	EMPG-2019-19018	38,904	-	-	38,904
Homeland Security Grant Program (HSGP)	97.067	EMW-2018-SS-00053	11,024	-	-	-
Total U. S. Department of Homeland Security			49,928	-	-	38,904
<u>U.S. Department of Health & Human Services</u>						
<u>Administration on Aging</u>						
Passed-through Southwest Commission Council of Governments:						
Division of Aging and Adult Services:						
<u>Aging Cluster:</u>						
Special Programs for the Aging - Title III B Grants for Supportive Services and Senior Centers	93.044	XXXX	153,677	9,040	-	18,079
Special Programs for the Aging - Title III C Nutrition Services	93.045	XXXX	150,857	8,874	-	17,748
Nutrition Services Incentive Program	93.053	XXXX	19,479	-	-	-
Total Aging Cluster			324,013	17,914	-	35,827
Passed-through the N.C. Department of Health and Human Services:						
Division of Social Services:						
<u>Temporary Assistance for Needy Families (TANF) Cluster</u>						
TANF - Work First	93.558	XXXX	276,255	-	-	296,876
Total TANF Cluster			276,255	-	-	296,876
<u>Foster Care and Adoption Cluster (Note 5)</u>						
Foster Care - Title IV-E	93.658	XXXX	204,847	1,111	-	152,740
Adoption Assistance	93.659	XXXX	9,315	-	-	9,315
Total Foster Care and Adoption Cluster (Note 5)			214,162	1,111	-	162,055
Refugee and Entrant Assistance - State						
Replacement Designee Administered Programs	93.566	XXXX	340	-	-	-
Promoting Safe and Stable Families	93.556	XXXX	19,627	-	-	-
Special Children Adoption	93.558	XXXX	40,621	-	-	-
AFDC Payments & Penalties	93.560	XXXX	(312)	(86)	-	(86)
Child Support Enforcement	93.563	XXXX	225,160	(100)	-	116,092

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients	Local Expenditures
Low-Income Home Energy Assistance:						
Administration	93.568	XXXX	24,014	-	-	-
Energy Assistance Payments	93.568	XXXX	144,086	-	-	-
Crisis Intervention Program	93.568	XXXX	55,899	-	-	-
Total Low-Income Home Energy Assistance			223,999	-	-	-
Stephanie Tubbs Jones Child Welfare Services Program:						
- Permanency Planning - Families for Kids	93.645	XXXX	9,499	-	-	3,166
John H. Chafee Foster Care Program for Successful Transition to Adulthood						
Administration	93.674	XXXX	8,542	2,135	-	-
Public Assistance	93.674	XXXX	33,365	-	-	-
SSBG - TANF Transferred to Social Services Block Grant	93.667	XXXX	38,203	-	-	-
SSBG - Other Service and Training	93.667	XXXX	110,971	-	-	36,990
Division of Aging and Adult Services:						
Division of Social Services:						
SSBG - State In Home Service Fund	93.667	XXXX	11,380	-	-	1,626
SSBG - Adult Protective Services	93.667	XXXX	8,789	-	-	2,930
Total Social Service Block Grant			169,343	-	-	41,546
Division of Child Development and Early Education:						
Subsidized Child Care (Note 5)						
Child Care Development Fund Cluster:						
Division of Social Services:						
Child Care Development Mandatory and Match Fund						
- Administration	93.596	XXXX	80,905	-	-	-
Total Subsidized Child Care (Note 5)			80,905	-	-	-
Passed-through the N.C. Department of Health and Human Services:						
Division of Medical Assistance:						
Division of Social Services:						
Administration:						
Medical Assistance Program (Note 5)	93.778	XXXX	969,859	2,283	-	360,457
Total Medical Assistance Program			969,859	2,283	-	360,457
Division of Social Services:						
Administration:						
Children's Health Insurance Program - N.C. Health Choice (Note 5)	93.767	XXXX	30,170	942	-	1,927
Total Children's Health Insurance Program - N.C. Health Choice			30,170	942	-	1,927
Passed-through the N.C. Department of Health and Human Services:						
Division of Public Health:						
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP)						
Aligned Cooperative Agreements	93.074	XXXX	31,025	-	-	-
COVID-19 - Public Health Emergency Response:						
Cooperative Agreement for Emergency Response:						
Public Health Crisis Response	93.354	XXXX	63,732	-	-	-
Project Grants & Cooperative Agreements for Tuberculosis Control Programs	93.116	XXXX	50	-	-	-
Family Planning Services	93.217	XXXX	34,766	-	-	-
Temporary Assistance for Needy Families	93.558	XXXX	1,896	-	-	-
Immunization Grants	93.268	XXXX	9,220	-	-	-
Viral Hepatitis Prevention and Control	93.270	XXXX	2,083	-	-	-
Sexually Transmitted Diseases (STD)						
Prevention and Control Grants	93.977	XXXX	100	-	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	XXXX	3,250	-	-	-

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Grantor/Pass-through	Federal	State/ Pass-through	Federal (Direct & Pass-through)	State	Provided to	Local
<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Subrecipients</u>	<u>Expenditures</u>
Preventive Health and Health Services Block Grant	93.991	XXXX	30,921	-	-	-
Maternal and Child Health Services Block Grant						
Care Coordination for Children	93.994	XXXX	1,612	-	-	-
Child Health	93.994	XXXX	25,738	-	-	-
Infant Mortality Reduction	93.994	XXXX	21,218	15,916	-	-
HMHC-FP - February Start	93.994	XXXX	11,513	8,635	-	-
Total Maternal and Child Health Services Block Grant	93.994	XXXX	60,081	24,551	-	-
Passed-through the N.C. Department of Health and Human Services:						
Division of Insurance:						
Medicare Improvements for Patients Providers Act	93.071	XXXX	1,885	-	-	-
CDAP - State Health Insurance Assistance Program	93.324	XXXX	5,054	-	-	-
Total U.S. Department of Health and Human Services			2,869,611	48,750	-	1,017,860
Total federal awards			3,596,215	67,339	-	1,397,636
State Awards:						
<u>N.C. Department of Administration</u>						
Veterans Service		XXXX	-	2,182	-	88,865
Total N.C. Department of Administration			-	2,182	-	88,865
<u>N.C. Department of Commerce</u>						
One North Carolina Fund		XXXX	-	37,500	-	11,111
Total N.C. Department of Commerce			-	37,500	-	11,111
<u>N.C. Department of Environmental Quality</u>						
Division of Waste Management						
Scrap Tire Program		XXXX	-	41,537	-	-
Total N.C. Department of Environmental Quality			-	41,537	-	-
<u>N.C. Department of Health and Human Services</u>						
Division of Social Services						
Direct Benefit Payments						
State Foster Home		XXXX	-	53,776	-	53,776
State Child Welfare/CPS/CS LD		XXXX	-	50,730	-	-
Foster Care at Risk Maximization		XXXX	-	147	-	72
State Foster Home Fund (SFHF) Maximization		XXXX	-	37,688	-	37,688
Extended Foster Care Maximization Non IV-E programs		XXXX	-	12,680	-	-
County Funded Service		XXXX	-	1,275	-	792,899
Total Division of Social Service			-	156,296	-	884,435
Division of Public Health						
Aid-to-Counties		XXXX	-	89,813	-	-
Breast and Cervical Cancer Control		XXXX	-	11,250	-	-
Child Health		XXXX	-	9,468	-	-
Family Planning - State		XXXX	-	5,366	-	-
Food and Lodging Fees		XXXX	-	11,665	-	-
General Communicable Disease Control		XXXX	-	11,066	-	-
Gonorrhea Partner Services		XXXX	-	89	-	-
Healthy Community Activities		XXXX	-	3,785	-	-
HIV/STD - State		XXXX	-	100	-	-
Intergrated Targeted Testing Services (ITTS)		XXXX	-	2,523	-	-
Maternal Health		XXXX	-	5,858	-	-
School Health Center		XXXX	-	44,440	-	-
School Nurse Funding Initiative		XXXX	-	100,000	-	-
STD Drugs		XXXX	-	76	-	-
TB Control		XXXX	-	1,680	-	-
Women Health Service Fund		XXXX	-	5,714	-	-
Total Division of Public Health			-	302,893	-	-
Total N. C. Department of Health and Human Services			-	459,189	-	884,435

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2020

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients	Local Expenditures
<u>N.C. Department of Public Instruction</u>						
Public School Building Capital Fund - Lottery Proceeds		XXXX	-	122,071	122,071	-
Public School Building Capital Fund - Needs Based Lottery Proceeds		XXXX	-	260,998	260,998	86,999
Total N.C. Department of Public Instruction			-	383,069	383,069	86,999
<u>N.C. Department of Public Safety</u>						
Division of Juvenile Justice and Delinquency Prevention						
Juvenile Crime Prevention Programs		XXXX	-	99,202	95,218	16,207
Total N.C. Department of Public Safety			-	99,202	95,218	16,207
<u>N.C. Department of Transportation</u>						
Rural Operating Assistance Program (ROAP)						
- ROAP Elderly and Disabled Transportation Assistance Program		XXXX	-	70,672	-	-
- ROAP Rural General Public Program		XXXX	-	69,659	-	6,628
- ROAP Work First Transitional - Employment		XXXX	-	9,728	-	-
Total ROAP Cluster			-	150,059	-	6,628
Total State awards			-	1,172,738	478,287	1,094,245
Total federal and State awards			\$ 3,596,215	\$ 1,240,077	\$ 478,287	\$ 2,491,881

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Cherokee County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Cherokee County, it is not intended to and does not present the financial position, changes in net position or cash flows of Cherokee County.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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

Note 4: Cluster of Programs

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

Note 5: Benefit Payments Issued by the State

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

Program Title	CFDA No.	Federal	State
Special Supplemental Nutrition Program for Women Infant and Children	10.557	461,388	-
Supplemental Nutrition Assistance Program	10.551	6,155,389	-
Temporary Assistance for Needy Families	93.558	70,015	-
Adoption Assistance	93.659	298,493	67,710
Foster Care - Title IV-E	93.658	170,552	44,490
Medical Assistance Program	93.778	35,171,780	16,274,335
Children's Health Insurance Program	93.767	616,698	43,944
Child Welfare Services Adoption		-	203,935
State / County Special Assistance program (Domiciliary Care)		-	219,816

Note 6: Coronavirus Relief Funds

Cherokee County received \$715,527 of funding from the Coronavirus Relief Fund (21.019) in accordance with HB 1043 and is received additional funding of \$555,300 in July 2020. At least twenty-five percent (25%) of the funds are mandated to go to municipalities within Cherokee County, at the discretion of the County. Municipalities are to have a plan to spend these funds by September 1, 2020, or any funds received are to be returned to the County. Counties and municipalities are liable to the State for funds not spent in accordance with US Department of Treasury, the granting agency, guidelines. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties. However, under state statute, municipalities are liable to the State, not the County, for any misused or misspent funds. Coronavirus Relief Funds must be spent during the period March 1, 2020 to December 30, 2020.