

Cherokee County, North Carolina
Financial Statements
June 30, 2021

Turner & Company CPAs P.A.

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June 30, 2021

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Introductory Information

Cherokee County, North Carolina
List of Principal Officials
As of the Date of the Auditors' Report

BOARD OF COUNTY COMMISSIONERS

Cal Stiles - District 1 Commissioner, Chairman

Jan Griggs - District 5 Commissioner, Vice-Chair

Randy Phillips - District 2 Commissioner

Ben Adams - District 3 Commissioner

Dr. Dan Eichenbaum - District 4 Commissioner

COUNTY OFFICIALS

Randy Wiggins - County Manager

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

Darryl R. Brown - County Attorney

Maria Hass - Clerk to the Board/Assistant County Manager

Karen Wright - Register of Deeds

Teresa Ricks - Tax Assessor

Delenna Stiles - Tax Collector

Dustin Smith - Sheriff

David Badger - Health Director

Amanda McGee - Director of Social Services

Leighsa R. Jones - Director of Elections

Financial Section

Turner & Company CPAs P.A.

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

Independent Auditors' Report

To the Board of Commissioners
Cherokee County, North Carolina

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2021, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note VIII to the financial statements, effective July 1, 2020, the entity adopted new accounting guidance promulgated in GASB Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 10, the Local Government Employees' Retirement System schedules of the County's Proportionate Share of Net Pension Liability (Asset) and the County Contributions, pages 53 and 54, the Register of Deeds' Supplemental Pension Fund schedules of the County's Proportionate Share of the Net Pension Asset and the County Contributions on pages 55 and 56, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 57 and 58, and the Other Post-Employment Benefits Schedules of Changes in the Total OPEB Liability and Related Ratios on page 59, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.
Murphy, North Carolina
January 13, 2023

Management's Discussion and Analysis

Cherokee County, North Carolina
Management's Discussion and Analysis
June 30, 2021

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, 2021. 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

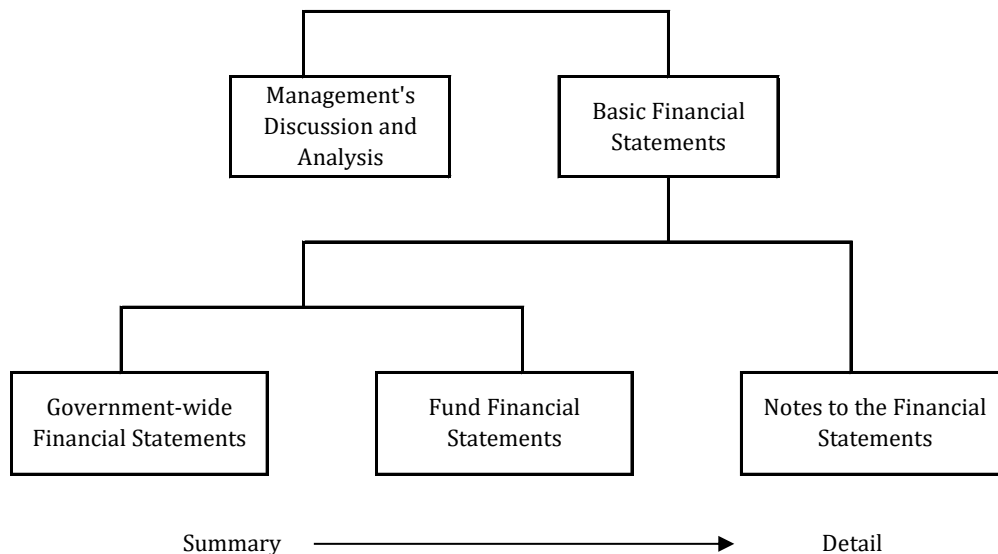
- The assets and deferred outflows of resources of Cherokee County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$31,017,993 (*net position*).
- The government's total net position decreased by \$18,166,822, primarily due to a \$24.5 million loss contingency resulting from settled litigation.
- As of the close of the current fiscal year, Cherokee County's governmental funds reported combined ending fund balances of \$29,561,234, after a net increase in fund balance of \$6,241,940. Approximately 39.49% of this total amount, or \$11,675,136 is restricted or nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,066,434, or 13% of total General Fund expenditures for the fiscal year.
- Cherokee County's total debt increased by \$22,650,094 (45.12%) during the current fiscal year, as a result of settled litigation.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, 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 three fiduciary funds, all of which are custodial funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 21 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. This information can be found beginning on page 52 of this report.

Government-Wide Financial Analysis

Cherokee County, North Carolina's Net Position

Figure 2

	Governmental Activities	
	2021	2020
Current and other assets	\$ 36,321,608	\$ 27,934,861
Capital assets	41,941,168	42,356,152
Deferred outflows of resources	4,860,944	3,544,469
Total assets and deferred outflows of resources	83,123,720	73,835,482
Long-term liabilities outstanding	43,217,624	18,049,914
Other liabilities	7,548,046	6,043,807
Deferred inflows of resources	1,340,057	596,796
Total liabilities and deferred inflows of resources	52,105,727	24,690,517
Net position:		
Net investment in capital assets	16,071,624	39,440,182
Restricted	11,707,252	9,198,287
Unrestricted	3,239,117	506,496
Total net position	\$ 31,017,993	\$ 49,144,965

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 \$31,017,993 as of June 30, 2021. The County's net position decreased by \$(18,166,822) for the fiscal year ended June 30, 2021. One of the largest portions of net position is \$16,071,024 (51.81%) 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 \$11,707,252 (37.74%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,239,117 (10.45%) 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 98.05% (ad valorem), lower than the statewide average of 98.83%, and slightly higher than the county average of 97.96% 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.

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

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 8,003,090	\$ 7,246,117
Operating grants and contributions	9,222,464	5,700,069
Capital grants and contributions	87,825	219,271
General revenues:		
Property taxes	19,735,299	19,458,554
Other taxes	11,841,189	9,529,489
Grants and contributions not restricted to specific programs	1,867,829	1,964,066
Other	162,696	186,670
Total revenues	<u>50,920,392</u>	<u>44,304,236</u>
Expenses:		
General government	5,251,707	4,802,455
Public safety	14,300,475	13,736,549
Transportation	1,346,072	1,318,510
Economic and physical development	1,259,150	945,025
Environmental protection	1,903,488	8,245,516
Human services	9,856,257	5,827,281
Cultural and recreation	747,805	687,939
Education	9,863,735	9,951,055
Interest on long-term debt	58,525	100,397
Total expenses	<u>44,587,214</u>	<u>45,614,727</u>
Change in net position before special item	6,333,178	(1,310,491)
Special item - loss on litigation settlement	<u>(24,500,000)</u>	<u>-</u>
Change in net position after special item	<u>(18,166,822)</u>	<u>(1,310,491)</u>
Net position, beginning previously reported	49,144,965	-
Restatement	39,850	-
Net position, beginning as restated	<u>49,184,815</u>	<u>50,455,456</u>
Net position, ending	<u>\$ 31,017,993</u>	<u>\$ 49,144,965</u>

Governmental activities. Governmental activities increased the County's net position by \$6,333,178. Key elements of this increase are as follows:

- Maintenance of the County's high tax collection rate of 98.05%.
- Property taxes provided 38.76% of funding at \$19,735,299.
- The County also received an increase in operating grants and contributions because of additional funds received from the Needs-Based Public School Capital Fund and money from the CARES Act funding.
- The increase in other taxes was due to an increase in the amount of sales tax received.
- General revenues increased by 8%.
- The primary cause of an increase in net position was the significant decrease in expenditures for environmental protection. The landfill closure costs increased \$3,527,291 in the prior year. 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. An additional \$2,889,702 was spent on completing the construction of the landfill cell phase 5 at Cherokee County's Solid Waste facility located in Marble, North Carolina in the prior year. The County did not have these costs in the current fiscal year.

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 \$19,434,603 while total fund balance reached \$24,867,008. 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 48.62% of General Fund expenditures, while total fund balance represents 62.21% of the same amount.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased all revenues by \$1,577,048. 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, 2021, totals \$41,941,168 (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.

- Completed construction for the Landfill Phase 5 Construction Project.
- Addition of construction in progress for the Central Communications Radio Simulcast project.
- Addition of construction in progress for the EMS Station 1 project.
- Addition of construction in progress for Airport projects.
- Purchased vehicles for the Sheriff's Office, the Detention Center, Emergency Medical Service, Social Services, and the Senior Center.
- Purchased a roller and tarping machine for the Landfill.
- Purchased servers for the Information Technology Department.
- Purchased a Type 1 ambulance box for Emergency Medical Services.

Construction commitments

The County has the following active construction projects as of June 30, 2021:

Project	Spent-to-date	Remaining Commitment
Central Communications - Radio Simulcast	\$ 466,695	\$ 82,305
Airport Fencing Project	99,747	11,998
Total	<u>\$ 566,442</u>	<u>\$ 94,303</u>

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

	Governmental Activities	
	2021	2020
Capital assets:		
Land	\$ 6,993,458	\$ 6,988,432
Construction in progress	779,589	3,410,474
Land improvements	3,613,089	117,167
Buildings	20,478,522	21,061,532
Other improvements	6,664,262	7,000,987
Equipment	2,063,988	2,025,667
Computers and electronic equipment	315,028	392,451
Vehicles and motorized equipment	1,033,232	1,359,442
Total capital assets	<u>\$ 41,941,168</u>	<u>\$ 42,356,152</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, litigation settlement, and leases. As of June 30, 2021, Cherokee County had total debt outstanding of \$26,750,315. 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	
	2021	2020
Direct placement installment purchases	\$ 2,250,315	\$ 4,100,221
Litigation settlement	24,500,000	-
Total debt outstanding	<u>26,750,315</u>	<u>4,100,221</u>
Landfill closure costs	7,096,807	7,061,307
Total OPEB liability	2,950,842	3,090,644
Compensated absences	840,291	815,743
Net pension liability (LGERS)	6,463,970	4,849,298
Total pension obligation (LEOSSA)	<u>777,973</u>	<u>394,606</u>
Total long-term obligations	<u>\$ 44,880,198</u>	<u>\$ 20,311,819</u>

Cherokee County's total debt increased by \$22,650,094 (45.12%) during the current fiscal year, as a result of settled litigation.

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, 2021, the County had debt outstanding of \$880,771 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 \$273,824,102.

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, 2021, the County had an unemployment rate of 5.3%, which is higher than the statewide rate (not seasonally adjusted) of 4.9%.
- The County has maintained stricter policies on spending and implemented cost savings measures.

Impact of Coronavirus on the County

As of June 30, 2021, the County had endured several months of the coronavirus (COVID-19) pandemic. The County has taken several measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for personnel. In June 2021, the County received \$2,778,773 of its \$5,557,546 allocation of Coronavirus State and Local Fiscal Recovery Funds from the Treasury to meet pandemic response needs. In June 2022, the County received the second tranche in the amount of \$2,778,773. 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 County will continue to operate under guidelines suggested for the health and safety of workers and the community and will carefully monitor expenses in the upcoming fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2022**Governmental Activities:**

- Millage rate increased to 50 cents per \$100 of value.
- No increase in fees.
- An increase in budgeted sales tax proceeds of 65% or approximately \$3,807,871 over FY21 approved budget.
- A \$2,701,223 use of fund balance was budgeted.
- 76% of the general fund expenditures are allocated to the following functions: public safety, human services, and education.
- Provides for acquisition and replacement of critical and essential vehicles and equipment across various departments.
- A \$1,492,409 addition to general fund balance.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

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

Basic Financial Statements

Cherokee County, North Carolina
Statement of Net Position
June 30, 2021

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Tourism Development Authority</u>
ASSETS		
Cash and cash equivalents	\$ 26,474,820	\$ 921,551
Restricted cash	2,945,426	-
Investments	523,748	-
Receivables (net)	3,146,363	-
Due from other governments	3,094,393	143,291
Inventories	38,480	-
Prepaid items	13,891	-
Net pension asset	84,487	-
Capital assets:		
Land, construction in progress	11,261,948	28,218
Other capital assets, net of depreciation	30,679,220	145,212
Total capital assets	<u>41,941,168</u>	<u>173,430</u>
Total assets	<u><u>78,262,776</u></u>	<u><u>1,238,272</u></u>
DEFERRED OUTFLOWS OF RESOURCES	4,860,944	-
LIABILITIES		
Accounts payable and accrued expenses	3,056,142	24,487
Accrued interest payable	50,557	-
Unearned revenue	2,778,773	-
Long-term liabilities:		
Due within one year	1,662,574	-
Due in more than one year	43,217,624	-
Total long-term liabilities	<u>44,880,198</u>	<u>-</u>
Total liabilities	<u><u>50,765,670</u></u>	<u><u>24,487</u></u>
DEFERRED INFLOWS OF RESOURCES	1,340,057	-
NET POSITION		
Net investment in capital assets	16,071,624	173,430
Restricted for:		
Public safety	264,397	-
Education	5,376,137	-
Environmental protection	82,982	-
Register of Deeds' pension plan	84,487	-
Stabilization by State statute	5,861,727	143,291
Human Services	37,522	-
Unrestricted (deficit)	<u>3,239,117</u>	<u>897,064</u>
Total net position	<u><u>\$ 31,017,993</u></u>	<u><u>\$ 1,213,785</u></u>

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, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit
					Governmental Activities	Total	Tourism Development Authority
Primary government:							
Governmental Activities:							
General government	\$ 5,251,707	\$ 836,221	\$ -	\$ -	\$ (4,415,486)	\$ (4,415,486)	
Public safety	14,300,475	3,265,544	1,852,490	-	(9,182,441)	(9,182,441)	
Transportation	1,346,072	445,721	723,046	87,825	(89,480)	(89,480)	
Economic and physical development	1,259,150	-	-	-	(1,259,150)	(1,259,150)	
Environmental protection	1,903,488	2,242,666	121,671	-	460,849	460,849	
Human services	9,856,257	1,211,978	5,385,492	-	(3,258,787)	(3,258,787)	
Cultural and recreation	747,805	960	-	-	(746,845)	(746,845)	
Education	9,863,735	-	1,139,765	-	(8,723,970)	(8,723,970)	
Interest on long-term debt	58,525	-	-	-	(58,525)	(58,525)	
Total governmental activities	\$ 44,587,214	\$ 8,003,090	\$ 9,222,464	\$ 87,825	(27,273,835)	(27,273,835)	
Component unit:							
Tourism Development Authority	\$ 336,524	\$ -	\$ -	\$ -			\$ (336,524)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					19,735,299	19,735,299	-
Local option sales tax					10,418,237	10,418,237	-
Other taxes and licenses					1,422,952	1,422,952	687,924
Grants and contributions not restricted to specific programs					1,867,829	1,867,829	-
Investment earnings, unrestricted					22,155	22,155	-
Miscellaneous, unrestricted					140,541	140,541	-
Total general revenues excluding transfers and special items					33,607,013	33,607,013	687,924
Special item - loss on litigation settlement					(24,500,000)	(24,500,000)	
Total general revenues, special items, and transfers					9,107,013	9,107,013	687,924
Change in net position					(18,166,822)	(18,166,822)	351,400
Net position, beginning as previously reported					49,144,965	49,144,965	862,385
Restatement					39,850	39,850	-
Net position, beginning as restated					49,184,815	49,184,815	862,385
Net position, ending					\$ 31,017,993	\$ 31,017,993	\$ 1,213,785

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

Cherokee County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	Major			Nonmajor		
	General	Landfill	School	Coronavirus	Other	
	Fund	Construction	Improvement	State and	Governmental	Total
		Project	Fund	Local Fiscal	Funds	
				Recovery		
				Fund		
ASSETS						
Cash and cash equivalents	\$ 21,621,265	\$ -	\$ 4,692,754	\$ -	\$ 160,801	\$ 26,474,820
Restricted cash	83,498	82,982	-	2,778,946	-	2,945,426
Investments	523,748	-	-	-	-	523,748
Receivables, net						
Taxes	390,628	-	-	-	68,144	458,772
Accounts	2,183,437	-	325,509	-	156,184	2,665,130
Due from other governments	3,094,393	-	-	-	-	3,094,393
Due from other funds	102,204	-	-	-	-	102,204
Inventories	38,480	-	-	-	-	38,480
Prepaid items	13,891	-	-	-	-	13,891
Total assets	28,051,544	82,982	5,018,263	2,778,946	385,129	36,316,864
LIABILITIES AND FUND BALANCES						
Liabilities:						
liabilities	2,434,169	-	525,330	-	96,643	3,056,142
Due to other funds	-	-	-	-	102,204	102,204
Unearned revenue	-	-	-	2,778,773	-	2,778,773
Total liabilities	2,434,169	-	525,330	2,778,773	198,847	5,937,119
DEFERRED INFLOWS OF RESOURCES						
Property taxes receivable	390,628	-	-	-	68,144	458,772
Prepaid taxes	359,739	-	-	-	-	359,739
Total deferred inflows of resources	750,367	-	-	-	68,144	818,511
Fund balances:						
Nonspendable:						
Inventories	38,480	-	-	-	-	38,480
Prepaid items	13,891	-	-	-	-	13,891
Restricted:						
Stabilization by State statute	5,380,034	-	325,509	-	156,184	5,861,727
Public safety	204,465	-	-	173	59,759	264,397
Human services	3,800	-	-	-	33,722	37,522
School capital outlay	883,204	-	-	-	-	883,204
School capital projects	-	-	4,492,933	-	-	4,492,933
Environmental protection	-	82,982	-	-	-	82,982
Committed:						
Tax revaluation	83,498	-	-	-	-	83,498
School capital outlay	105,679	-	-	-	-	105,679
Education	1,841,371	-	-	-	-	1,841,371
Law enforcement	62,022	-	-	-	-	62,022
EMS station 1	277,278	-	-	-	-	277,278
Human services - social services	28,924	-	-	-	-	28,924

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

Cherokee County, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	Major			Nonmajor		
	General	Landfill	School	Coronavirus	Other	
	Fund	Phase 5	Improvement	State and	Governmental	
		Construction	Fund	Local Fiscal	Funds	Total
		Project		Recovery		
				Fund		
General government - capital outlay	14,163	-	-	-	-	14,163
Public safety - capital outlay	294,283	-	-	-	-	294,283
Economic and physical development	62,223	-	-	-	-	62,223
Working capital	7,806,036	-	-	-	-	7,806,036
Assigned:						
Subsequent year's expenditures	2,701,223	-	-	-	-	2,701,223
Unassigned:	5,066,434	-	(325,509)	-	(131,527)	4,609,398
Total fund balances	24,867,008	82,982	4,492,933	173	118,138	29,561,234
Total liabilities, deferred inflows of resources, and fund balances	\$ 28,051,544	\$ 82,982	\$ 5,018,263	\$ 2,778,946	\$ 385,129	\$ 36,316,864

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

Total Fund Balances for Governmental Funds	\$ 29,561,234
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	41,941,168
Net pension asset	84,487
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	1,329,763
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position.	78,671
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	22,461
Net pension liability	(6,463,970)
Total OPEB liability	(2,950,842)
Total pension liability	(777,973)
Deferred inflows of resources for taxes and special assessments receivable	458,772
Pension related deferrals	2,369,595
OPEB related deferrals	102,597
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(34,737,970)
Net position of governmental activities	\$ 31,017,993

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, 2021

	Major			Nonmajor		
	General Fund	Landfill Phase 5 Construction Project	School Improvement Fund	Coronavirus State and Local Fiscal Recovery Fund	Other Governmental Funds	Total
REVENUES						
Ad valorem taxes	\$17,669,545	\$ -	\$ -	\$ -	\$ 2,217,671	\$19,887,216
Local option sales tax	10,418,237	-	-	-	-	10,418,237
Other taxes and licenses	1,422,952	-	-	-	-	1,422,952
Unrestricted intergovernmental	1,867,829	-	-	-	-	1,867,829
Restricted intergovernmental	6,374,908	-	996,509	-	1,963,007	9,334,424
Permits and fees	2,447,242	-	-	-	7,772	2,455,014
Sales and services	5,439,562	-	-	-	84,379	5,523,941
Investment earnings	21,179	-	748	173	55	22,155
Miscellaneous	152,621	-	-	-	-	152,621
Total revenues	45,814,075	-	997,257	173	4,272,884	51,084,389
EXPENDITURES						
Current:						
General government	4,308,152	-	-	-	415,544	4,723,696
Public safety	10,730,541	-	-	-	3,427,903	14,158,444
Transportation	933,053	-	-	-	87,825	1,020,878
Environmental protection	1,666,580	171,559	-	-	-	1,838,139
Economic and physical development	1,229,376	-	-	-	-	1,229,376
Human services	9,113,659	-	-	-	303,407	9,417,066
Cultural and recreational	653,987	-	-	-	-	653,987
Intergovernmental:						
Education	8,446,410	-	1,417,325	-	-	9,863,735
Debt service:						
Principal	1,849,906	-	-	-	-	1,849,906
Interest	87,222	-	-	-	-	87,222
Total expenditures	39,018,886	171,559	1,417,325	-	4,234,679	44,842,449
Excess (deficiency) of revenues over expenditures	6,795,189	(171,559)	(420,068)	173	38,205	6,241,940
OTHER FINANCING SOURCES (USES)						
Transfers from other funds	-	-	955,282	-	-	955,282
Transfers to other funds	(955,282)	-	-	-	-	(955,282)
Total other financing sources (uses)	(955,282)	-	955,282	-	-	-
Net change in fund balances	5,839,907	(171,559)	535,214	173	38,205	6,241,940
Fund balances, beginning as previously reported	19,021,719	254,541	-	-	45,395	19,321,655
Prior period adjustment	5,382	-	-	-	34,468	39,850
Fund balances, beginning as restated	19,027,101	254,541	3,957,719	-	79,933	23,319,294
Fund balances, ending	\$24,867,008	\$ 82,982	\$ 4,492,933	\$ 173	\$ 118,138	\$29,561,234

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, 2021

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

Net changes in fund balances - total governmental funds	\$ 6,241,940
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 and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period.	
Capital outlay expenditures which were capitalized	1,851,794
Depreciation expense for governmental assets	(2,254,698)
Special item - loss on litigation settlement	(24,500,000)
Cost of capital assets disposed of during the year, not recognized on modified accrual basis	(582,080)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	1,329,763
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	78,671
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Amount of donated assets	570,000
Change in unavailable revenue for tax revenues	(151,917)
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	1,849,906
Change in accrued interest payable	28,697
Change in landfill closure costs	(35,500)
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	(24,548)
Pension expense	(2,282,077)
OPEB plan expense	(286,773)
Total changes in net position of governmental activities	<u>\$ (18,166,822)</u>

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, 2021

	General Fund			Variance with Final Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Ad valorem taxes	\$ 17,156,279	\$17,156,279	\$17,669,545	\$ 513,266
Local option sales tax	5,860,135	6,047,735	10,418,237	4,370,502
Other taxes and licenses	717,000	1,182,000	1,422,952	240,952
Unrestricted intergovernmental	1,508,000	1,508,000	1,867,829	359,829
Restricted intergovernmental	5,408,906	6,123,604	6,374,908	251,304
Permits and fees	2,034,509	2,034,509	2,447,242	412,733
Sales and services	5,072,492	5,271,492	5,439,562	168,070
Investment earnings	24,900	24,900	21,130	(3,770)
Miscellaneous	79,829	90,579	152,621	62,042
Total revenues	<u>37,862,050</u>	<u>39,439,098</u>	<u>45,814,026</u>	<u>6,374,928</u>
EXPENDITURES				
Current:				
General government	3,877,703	4,447,694	4,252,626	195,068
Public safety	11,748,453	12,739,050	10,730,541	2,008,509
Transportation	976,715	1,145,515	933,053	212,462
Environmental protection	1,877,799	1,917,799	1,666,580	251,219
Economic and physical development	738,041	1,321,647	1,229,376	92,271
Human services	9,593,415	10,147,671	9,113,659	1,034,012
Cultural and recreational	589,167	724,422	653,987	70,435
Education	7,936,540	8,755,817	8,446,410	309,407
Debt service:				
Principal retirement	1,849,908	1,849,908	1,849,906	2
Interest and fees	89,079	89,079	87,222	1,857
Contingency	829,689	629,689	-	629,689
Total expenditures	<u>40,106,509</u>	<u>43,768,291</u>	<u>38,963,360</u>	<u>4,804,931</u>
Revenues over (under) expenditures	<u>(2,244,459)</u>	<u>(4,329,193)</u>	<u>6,850,666</u>	<u>11,179,859</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	<u>(75,000)</u>	<u>(1,030,282)</u>	<u>(1,030,282)</u>	<u>-</u>
Total other financing sources (uses)	<u>(75,000)</u>	<u>(1,030,282)</u>	<u>(1,030,282)</u>	<u>-</u>
Fund balance appropriated	<u>2,319,459</u>	<u>5,359,475</u>	<u>-</u>	<u>(5,359,475)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>5,820,384</u>	<u>\$ 5,820,384</u>
Fund balances, beginning as previously reported			18,959,154	
Prior period adjustment			5,382	
Fund balances, beginning as restated			<u>18,964,536</u>	
Fund balances, ending			<u>\$24,784,920</u>	

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

Cherokee County, North Carolina
Statement of Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 79,699
LIABILITIES AND NET POSITION	
LIABILITIES	
Due to other governments	8,732
Total liabilities	8,732
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	70,967
Total fiduciary net position	\$ 70,967

Cherokee County, North Carolina
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	Custodial Funds
ADDITIONS	
Ad valorem taxes collected for other governments	\$ 107,206
Collection on behalf of inmates	327,276
Collections for civil judgments	<u>33,852</u>
Total additions	<u>468,334</u>
DEDUCTIONS	
Tax distributions to other governments	107,206
Payments on behalf of inmates	298,950
Payments to satisfy civil judgments	<u>33,852</u>
Total deductions	<u>440,008</u>
Net increase (decrease) in fiduciary net position	28,326
Net position, beginning as previously reported	-
Prior period restatement - change in accounting principle	<u>42,641</u>
Net position, beginning as restated	<u>42,641</u>
Net position, ending	<u><u>\$ 70,967</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, 2021

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Cherokee County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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Cherokee County, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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, which is reported as a capital project fund, is used to account for the permitting and construction of the landfill cell phase 5 at the County's Solid Waste facility located in Marble, North Carolina and is financed by transfers from the General Fund.

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

Coronavirus State and Local Fiscal Recovery Grant Project Fund. The American Rescue Plan Act was signed into law on March 11, 2021, and established the Coronavirus State and Local Fiscal Recovery Funds program, to provide support to State, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses. This fund accounts for such expenses.

The County reports the following fund types:

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

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

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

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

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, 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 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 General Fund and the Special Revenue Funds (excluding the Grant Project Funds). All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Grant Project Funds and the Capital Project Funds, which lapse at the end of each respective project.

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

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

1. Deposits and Investments

All deposits of the County and the 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 County and the Tourism Development Authority's investments are carried at fair value. The North Carolina Capital Management Trust (NCCMT) is a SEC registered money market mutual fund allowable by G.S. 159-30(c)(8). The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is 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. The 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	\$	83,498
Landfill Phase 5 Construction Project	Unexpended project costs		82,982
Coronavirus State and Local Fiscal Recovery Fund	Unexpended grant proceeds		2,778,946
Total Restricted Cash		\$	2,945,426

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, 2020. 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:

	<u>Years</u>
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 Authority are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Other improvements	10 - 25
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 restricted by revenue source to pay for the safety of the public.

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

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

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

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

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

Committed for 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: repairs and maintenance to the Cherokee County Fairgrounds and general building repairs and maintenance.

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

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

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

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

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

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

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.

14. 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 \$1,456,759 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)	\$ 70,941,776
Less accumulated depreciation	(29,000,608)
Net capital assets	41,941,168
Net pension asset	84,487
Contributions to the pension plan in the current fiscal year	1,329,763
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	78,671
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are unavailable in the fund statements	22,461
Deferred inflows of resources for taxes and special assessments receivable	458,772
Pension related deferrals	2,369,595
OPEB related deferrals	102,597
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	(2,250,315)
Compensated absences	(840,291)
Total OPEB liability	(2,950,842)
Landfill closure costs	(7,096,807)
Litigation settlement	(24,500,000)
Total pension liability	(777,973)
Net pension liability	(6,463,970)
Accrued interest payable	(50,557)
Total adjustment	<u>\$ 1,456,759</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$(24,408,762) as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 1,851,794
Depreciation and amortization expense, the allocation of those assets over their useful lives that is recorded on the statement of activities, but not in the fund statements	(2,254,698)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis	(582,080)
Special item - loss on litigation settlement	(24,500,000)
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	1,849,906
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	1,329,763
Contributions to the OPEB plan in the current fiscal year are not included on the statement of activities	78,671
Change in the current fiscal year landfill closure cost is not included on the statement of activities	(35,500)
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
OPEB expense	(286,773)

County's portion of collective pension expense	(2,282,077)
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	28,697
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(24,548)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Fair value of assets donated that is not recorded in the fund statements but is recorded in the government-wide statements	570,000
Change in deferred inflows of resources - taxes receivable - at end of year	(144,455)
Change in accrued taxes receivable at end of year	(7,462)
Total adjustment	<u><u>\$ (24,408,762)</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. While the County believes this occurred due to unforeseen circumstances and issues beyond their control, the County will continue to improve existing procedures to ensure that financial data that is collected and reviewed is reported 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

For the fiscal year ended June 30, 2021, the expenditures made in the County's Fire District Special Revenue Fund exceeded the authorized appropriations made by the governing board by \$31,178. The net effect of this departure from the budget process was immaterial to the financial statements. Management will continue to monitor budgets monthly and make necessary amendments to avoid expenditures in excess of appropriations.

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, 2021, the County's deposits had a carrying amount of \$29,498,395 a bank balance of \$30,238,174. Of the bank balance, \$299,917 was covered by federal depository insurance, and \$29,938,257 in deposits was covered by collateral held under the Pooling Method. At June 30, 2021, Cherokee County had \$1,550 cash on hand.

Also, at June 30, 2021, the deposits of the Authority, had a carrying value of \$921,551 and a bank balance of \$922,472. Of the bank balance \$250,000 was covered by federal depository insurance, and \$672,472 was covered by collateral held under the Pooling Method.

2. Investments

As of June 30, 2021, 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	\$ 523,748	N/A	N/A
Total		<u>\$ 523,748</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, 2021.

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
2017	\$ 1,027,346	\$ 251,700	\$ 1,279,046
2018	979,159	151,770	1,130,929
2019	931,123	60,523	991,646
2020	962,273	-	962,273
Total	<u>\$ 3,899,901</u>	<u>\$ 463,993</u>	<u>\$ 4,363,894</u>

4. Receivables

Receivables at the government-wide level at June 30, 2021, were as follows:

	Accounts Receivable	Taxes Receivable	Accrued Interest	Special Assessments	Total
Governmental Activities:					
General	\$ 2,237,611	\$ 653,721	\$ 22,461	\$ -	\$ 2,913,793
Other governmental	481,693	68,144	-	-	549,837
Total receivables	2,719,304	721,865	22,461	-	3,463,630
Allowance for doubtful accounts	(54,174)	(263,093)	-	-	(317,267)
Total governmental activities	<u>\$ 2,665,130</u>	<u>\$ 458,772</u>	<u>\$ 22,461</u>	<u>\$ -</u>	<u>\$ 3,146,363</u>

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

Local option sales tax	\$ 2,878,176
Scrap tire tax	11,745
Solid waste disposal tax	6,078
Sales tax refund	198,394
Total	<u>\$ 3,094,393</u>

5. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Governmental Activities:					
Capital assets not being depreciated					
Land	\$ 6,988,432	\$ 585,026	\$ -	\$ 580,000	\$ 6,993,458
Construction in progress	3,410,474	858,016	(3,488,901)	-	779,589
Total capital assets not being depreciated	10,398,906	1,443,042	(3,488,901)	580,000	7,773,047
Capital assets being depreciated					
Land improvements	149,296	14,546	3,488,901	-	3,652,743
Buildings	29,797,695	-	-	26,000	29,771,695
Other improvements	16,196,921	217,993	-	-	16,414,914
Equipment	4,131,631	339,750	-	8,675	4,462,706
Software	528,475	-	-	-	528,475
Computers and electronic equipment	1,905,884	93,244	-	5,713	1,993,415
Vehicles and motorized equipment	6,233,158	313,219	-	201,596	6,344,781
Total capital assets being depreciated	58,943,060	978,752	3,488,901	241,984	63,168,729
Less accumulated depreciation for:					
Land improvements	32,129	7,525	-	-	39,654
Buildings	8,736,163	580,930	-	23,920	9,293,173
Other improvements	9,195,934	554,718	-	-	9,750,652
Equipment	2,105,964	301,429	-	8,675	2,398,718
Software	528,475	-	-	-	528,475
Computers and other electronic equipment	1,513,433	170,667	-	5,713	1,678,387
Vehicles and motorized equipment	4,873,716	639,429	-	201,596	5,311,549
Total accumulated depreciation	26,985,814	2,254,698	-	239,904	29,000,608
Total capital assets being depreciated, net	31,957,246				34,168,121
Governmental activities capital assets, net	\$ 42,356,152				\$ 41,941,168

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

General government	\$ 407,971
Public safety	784,504
Transportation	491,433
Economic and physical development	28,060
Human services	129,511
Environmental protection	304,266
Cultural and recreational	108,953
Total depreciation expense	\$ 2,254,698

Construction commitments

The County has the following active construction projects as of June 30, 2021:

Project	Spent-to-date	Remaining Commitment
Simulcast	\$ 466,695	\$ 82,305
Airport Fencing Project	99,747	11,998
Total	\$ 566,442	\$ 94,303

Discretely presented component unit

Capital asset activity for the Cherokee County Tourism Development Authority for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
Capital assets not being depreciated					
Construction in progress	\$ -	\$ 28,218	\$ -	\$ -	\$ 28,218
Total capital assets not being depreciated	-	28,218	-	-	28,218
Capital assets being depreciated					
Buildings	162,551	-	-	-	162,551
Total capital assets being depreciated	162,551	-	-	-	162,551
Less accumulated depreciation for:					
Buildings	14,088	3,251	-	-	17,339
Total accumulated depreciation	14,088	3,251	-	-	17,339
Total capital assets being depreciated, net	148,463				145,212
Component unit capital assets, net	\$ 148,463				\$ 173,430

Construction commitments

The Authority has the following active construction projects as of June 30, 2021:

Project	Spent-to-date	Remaining Commitment
Building renovations	\$ 20,000	\$ 23,000
Total	\$ 20,000	\$ 23,000

B. Liabilities**1. Payables**

Payables at the government-wide level at June 30, 2021, were as follows:

	Vendors	Other	Total
Governmental Activities:			
General	\$ 879,784	\$ 1,554,385	\$ 2,434,169
Other governmental	533,327	88,646	621,973
Total governmental activities	\$ 1,413,111	\$ 1,643,031	\$ 3,056,142

2. Pension Plan and Other Postemployment Obligations**a. Local Governmental Employees' Retirement System**

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.15% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$1,325,298 for the year ended June 30, 2021.

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, 2021, the County reported a liability of \$6,463,970 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2021, the County's proportion was 0.18089% (measured as of June 30, 2020), which was an increase of 0.00332% from its proportion as of June 30, 2020 (measured as of June 30, 2019).

For the year ended June 30, 2021, the County recognized pension expense of \$2,196,846. At June 30, 2021, 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	\$ 816,286	\$ -
Changes of assumptions	481,046	-
Net difference between projected and actual earnings on pension plan investments	909,631	-
Changes in proportion and differences between County contributions and proportionate share of contributions	24,368	80,784
County contributions subsequent to the measurement date	1,325,298	-
Total	<u>\$ 3,556,629</u>	<u>\$ 80,784</u>

\$1,325,298 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 580,715
2023	819,616
2024	481,010
2025	269,206
2026	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2019 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, 2019 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, 2021 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 2019 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)	\$ 13,114,691	\$ 6,463,970	\$ 936,753

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

b. 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, 2019, 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	35
Total	<u>35</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, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

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

Mortality Rate

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

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

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

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

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

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

4. Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County 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, 2021, the County reported a total pension liability of \$777,973. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was rolled forward to December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the County recognized pension expense of \$88,805.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 54,745	\$ 60,070
Changes of assumptions	242,336	11,227
County benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 297,081</u>	<u>\$ 71,297</u>

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

Year ended June 30:

2022	\$ 32,275
2023	32,748
2024	38,084
2025	45,477
2026	49,301
Thereafter	27,899

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 1.93 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 (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total Pension Liability	\$ 861,076	\$ 777,973	\$ 703,003

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

Total pension liability as of December 31, 2019	\$ 394,606
Changes for the year:	
Service Cost	43,666
Interest on the total pension liability	12,864
Change of benefit terms	-
Differences between expected and actual experience in the measurement	64,591
Changes of assumptions or other inputs	262,246
Benefit payments	-
Other changes	-
Net changes	<u>383,367</u>
Total pension liability as of December 31, 2020	<u>\$ 777,973</u>

Changes of assumptions. Since the Prior Measurement Date, the Discount Rate has changed from 3.26% to 1.93% 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, 2019 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five year period ending December 31, 2019.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

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

The County contributed \$78,866 for the year ended June 30, 2021. No amounts were forfeited.

d. Registers of Deeds' Supplemental Pension Fund

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

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$4,465 for the year ended June 30, 2021.

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

At June 30, 2021, the County reported an asset of \$84,487 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2018 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, 2021, the Board's proportion was 0.36865% (measured as of June 30, 2020), which was an increase of 0.02808% from its proportion as of June 30, 2020 (measured as of June 30, 2019).

For the year ended June 30, 2021, the County recognized pension expense of \$3,574. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,722
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	7,229
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,770	3,555
County contributions subsequent to the measurement date	4,465	-
Total	\$ 10,235	\$ 12,506

\$4,465 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, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ (150)
2023	(1,502)
2024	(3,263)
2025	(1,821)
2026	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2019 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, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2015.

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, 2021 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 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)	\$ 71,761	\$ 84,487	\$ 95,255

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

e. 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, 2019, 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, 2020, with an actuarial valuation date of December 31, 2019. 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)	\$ 6,463,970	\$ (84,487)	\$ -	\$ 6,379,483
Proportion of the Net Pension Liability (Asset)	0.18090%	0.36870%	n/a	n/a
Total Pension Liability	\$ -	\$ -	\$ 777,973	\$ 777,973
Pension Expense	\$ 2,196,846	\$ (3,574)	\$ 88,805	\$ 2,282,077

At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Deferred Outflows of Resources</u>	LGERS	RODSPF	LEOSSA	Total
Differences between expected and actual experience	\$ 816,286	\$ -	\$ 54,745	\$ 871,031
Changes of assumptions	481,046	-	242,336	723,382
Net difference between projected and actual earnings on pension plan investments	909,631	-	-	909,631
Changes in the proportion and differences between County contributions and proportionate share of contributions	24,368	5,770	-	30,138
County contributions (LGERS, RODSPF)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	1,325,298	4,465	-	1,329,763

<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	\$ -	\$ 1,722	\$ 60,070	\$ 61,792
Changes of assumptions	-	-	11,227	11,227
Net difference between projected and actual earnings on pension plan investments	-	7,229	-	7,229
Changes in proportion and differences between County contributions and proportionate share of contributions	80,784	3,555	-	84,339

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, 2020, 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	284
Total	<u>288</u>

Total OPEB Liability

The County's total OPEB liability of \$2,950,842 was measured as of June 30, 2020 and was determined by a biennial actuarial valuation as of June 30, 2020.

Actuarial assumptions and other inputs. The total OPEB liability was determined based on an actuarial valuation as of June 30, 2020, 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 Officers)
Discount	2.21 percent
Healthcare cost trend rates	
Pre-Medicare medical and prescription drug	7.00 percent for 2020 decreasing to an ultimate rate of 4.50% by 2030
Dental	4.00 percent

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

Changes in the Total OPEB Liability

Total OPEB Liability as of June 30, 2019	\$ 3,090,644
Changes for the year	
Service cost	209,009
Interest	113,638
Changes in benefit terms	-
Differences between expected and actual experience	(803,597)
Changes in assumptions or other inputs	447,790
Net benefit	(106,642)
Net changes	<u>(139,802)</u>
Total OPEB Liability as of June 30, 2020	<u>\$ 2,950,842</u>

Since the Prior Measurement Date, the Discount Rate has changed from 3.50% to 2.21% due to a change in the Municipal Bond Index 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2020 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 3,361,223	\$ 2,950,842	\$ 2,590,314

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	\$ 2,471,647	\$ 2,950,842	\$ 3,547,453

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

For the year end June 30, 2021, the County recognized OPEB expense of \$286,773. At June 30, 2021, 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	\$ 386,437	\$ 742,053
Changes of assumptions	531,891	73,678
Benefit payments and administrative costs made subsequent to the measurement date	78,671	-
Total	\$ 996,999	\$ 815,731

\$78,671 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, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2022	\$ 9,432
2023	9,432
2024	9,432
2025	20,737
2026	34,015
Thereafter	19,549

g. Other Employment Benefits

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

For the fiscal year ended June 30, 2021, the County made contributions to the State for death benefits of \$13,603.

The County also provides a \$15,000 death benefit to full time employees. For the fiscal year ended June 30, 2021, the County made contributions for death benefits of \$6,851.

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 \$7,096,807 reported as landfill closure and postclosure care liability at June 30, 2021 represents a cumulative amount reported to-date based on the use of 51.47 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 2021. 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)	\$ 1,257,468	\$ 803,845
Net difference between projected and actual investment earnings (Pensions, OPEB)	909,631	7,229
Change in proportion and difference between employer contributions and proportionate share of contributions (Pensions)	30,138	84,339
Change in assumptions (Pensions, OPEB)	1,255,273	84,905
Contributions to pension plan subsequent to measurement date (LGRS, RODSPF)	1,329,763	-
Benefit payments for the OPEB plan paid subsequent to the measurement date	78,671	-
Prepaid taxes not yet earned (General)	-	359,739
Taxes receivable, net (General), less penalties	-	390,628
Taxes receivable, net (Special Revenue)	-	68,144
Total	\$ 4,860,944	\$ 1,798,829

5. Risk Management

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

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

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

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

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

For medical and dental insurance, the County is reinsured through a commercial carrier for individual losses in excess of \$70,000 and aggregate annual losses in excess of \$2,988,301.

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 Chief Financial Officer and 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 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 Chief Financial Officer 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 Chief Financial Officer that names the County as obligee.

6. Claims, Judgments and Contingent Liabilities

At June 30, 2021, the County was a defendant to various lawsuits. Several of these lawsuits were included in a settlement agreement that was approved by the Cherokee County Board of Commissioners on June 29, 2022. Cherokee County and the NCACC Liability and Property Pool will pay a global settlement. Cherokee County will pay \$24.5 million over a period of 8 years. The NCACC Liability and Property Pool will pay the remainder of the settlement. In addition and separately, the NCACC Liability and Property Pool will pay the amounts necessary to satisfy the judgments entered on June 21, 2021 and February 22, 2022.

7. Long-Term Obligations

a. Installment Purchases

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

Governmental Activities

Serviced by the County's General Fund

On November 30, 2005, the County entered into a \$565,507 direct placement contract with North Carolina Department of Environmental and Natural Resources for water improvements. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 30 annual principal payments of \$28,275, plus interest at 2.205%, and matures on May 1, 2026.	\$ 141,377
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.	300,000
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.	195,907
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.	761,487
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.	405,340
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.	61,340

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.

	384,864
\$	<u>2,250,315</u>

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2022	\$ 1,186,574	\$ 77,973
2023	425,086	44,555
2024	267,133	29,337
2025	207,134	17,577
2026	164,388	6,949
Total	<u>\$ 2,250,315</u>	<u>\$ 176,391</u>

Debt Related to Capital Activities - Of the total Governmental Activities debt listed only \$1,369,544 relates to assets the County holds title. There is no unspent restricted cash related to this debt at June 30, 2021.

b. Litigation Settlement

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

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2022	\$ -	\$ -
2023	4,000,000	-
2024	-	-
2025	2,928,571	-
2026	2,928,571	-
2027-2031	14,642,858	-
Total	<u>\$ 24,500,000</u>	<u>\$ -</u>

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, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Government Activities:					
Direct placement installment purchases	\$ 4,100,221	\$ -	\$ 1,849,906	\$ 2,250,315	\$ 1,186,574
Landfill closure costs	7,061,307	35,500	-	7,096,807	-
Litigation settlement	-	24,500,000	-	24,500,000	-
Total OPEB liability	3,090,644	-	139,802	2,950,842	-
Compensated absences	815,743	501,155	476,607	840,291	476,000
Net pension liability (LGERS)	4,849,298	1,614,672	-	6,463,970	-
Total pension obligation (LEOSSA)	394,606	383,367	-	777,973	-
Total government activities	<u>\$ 20,311,819</u>	<u>\$ 27,034,694</u>	<u>\$ 2,466,315</u>	<u>\$ 44,880,198</u>	<u>\$ 1,662,574</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 2021; interest incurred and charged to expense totaled \$87,222.

At June 30, 2021, the County had a legal debt margin of \$273,824,102.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2021, consisted of the following:

Due to the General Fund from:

Airport Improvement	\$ 102,204
Total	<u>\$ 102,204</u>

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

Transfers to/from other funds June 30, 2021, 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	955,282
Total	<u>\$1,030,282</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, 2021, was computed as follows:

Capital assets, net of accumulated depreciation	\$ 41,941,168
Less capital debt:	
Gross debt (excluding compensated absences)	26,750,315
Less:	
School debt related to assets to which the County does not hold title	880,771
Total capital debt	<u>25,869,544</u>
Net investment in capital assets	<u>\$ 16,071,624</u>

E. Fund Balance

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

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

Total fund balance - General Fund	\$ 24,867,008
Less:	
Inventories	38,480
Prepaid items	13,891
Stabilization by State statute	5,380,034
Public safety	204,465
Human services	3,800
School capital outlay	883,204
Tax revaluation	83,498
School capital outlay	105,679
Education	1,841,371
Law enforcement	62,022
EMS station 1	277,278

Human services - social services	28,924
General government - capital outlay	14,163
Public safety - capital outlay	294,283
Economic and physical development	62,223
Appropriated fund balance in 2022 budget	2,701,223
Working capital/ fund balance policy	7,806,036
Remaining fund balance	5,066,434

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

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

F. Prior Period Adjustment

During the fiscal year ended June 30, 2021, the County determined that certain transactions in the fund financial statements were recorded incorrectly in the prior year.

Emergency Telephone System Fund Balance: The fund balance of the Emergency Telephone System Fund was understated at June 30, 2020 in the amount of \$5,818 due to expenditures that were deemed ineligible for reimbursement.

Emergency Telephone System Fund balance, beginning as previously reported	\$	45,395
Ineligible expenditures made in the prior fiscal year	5,818	
Net prior period adjustment		5,818
Emergency Telephone System Fund balance, beginning as restated	\$	51,213

Representative Payee Fund Balance: Due to the implementation of Governmental Accounting Standards Board (GASB) Statement 84, as described in Note VIII fund balance was restated to record the portion of liabilities in the Agency Fund representing net cash available at the beginning of the year by \$28,650.

Representative Payee Fund balance, beginning as previously reported	\$	-
Adjustment for the implementation of GASB Statement 84	28,650	
Net prior period adjustment		28,650
Representative Payee Fund balance, beginning as restated	\$	28,650

General Fund Balance: The fund balance in the General Fund was understated at June 30, 2020 by \$5,382 due to the following:

General Fund balance, beginning as previously reported	\$	18,959,154
Adjustment for Emergency Telephone System Fund	(5,818)	
Community health grant receivable was understated in the prior fiscal year	11,200	
Net prior period adjustment		5,382
General Fund balance, beginning as restated	\$	18,964,536

Governmental Activities: The aforementioned adjustments to fund balance increased Net Position by \$39,850.

Governmental Activities Net position, beginning as previously reported	\$	49,144,965
Fund balance restatements	39,850	
Net prior period adjustment		39,850
Governmental Activities Net position, beginning as restated	\$	49,184,815

IV. Joint Ventures

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. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$192,645 to the Library to supplement its activities during the fiscal year ended June 30, 2021. Complete financial statements for the Library can be obtained from the Library's office at 11 Blumenthal Street, Murphy, NC 28906.

Tri-County Community College

The County has a commitment to help fund Tri-County Community College with two other local governments. The County appoints eight members to the board of the College. The County has an ongoing financial responsibility for the joint venture because the College's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the College, so no equity interest has been reflected in the financial statements. The County has an ongoing financial responsibility for the college because of statutory responsibilities to provide funding for the College's facilities. The County contributed \$857,000 during the fiscal year June 30, 2021. Complete financial statements for the College may be obtained from the College's administrative offices at 21 Campus Circle, Murphy, NC 28906.

V. Jointly Governed OrganizationsSouthwestern North Carolina Planning and Economic Development Commission

The County, in conjunction with six other counties, seventeen municipalities, and the Eastern Band of Cherokee Indians, established the Southwestern North Carolina Planning and Economic Development Commission (Commission). The participating governments established the Commission to coordinate various funding received from federal and State agencies. The County paid membership fees of \$19,334 to the Commission during the fiscal year ended June 30, 2021. The County was the subrecipient of a grant for \$427,687 from the Division of Aging of the North Carolina Department of Human Resources, which was passed through the Commission.

Vaya Health

The County participates in a jointly governed organization to operate Region 1 of Vaya Health with six other county governments. Vaya Health is a public managed care organization that oversees Medicaid, federal, state and local funding for services and supports related to mental health, substance use disorder and intellectual/developmental disabilities. Each county within the region appoints up to two members to the Regional Board, one of whom must be an elected county commissioner and one of whom may be either a county commissioner, county manager, Department of Social Services director, public health director, or law enforcement representative. The County does not have an ongoing financial interest or ongoing financial responsibility. The County contributed \$75,000 to Vaya Health during the fiscal year ended June 30, 2021.

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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Coronavirus Disease (COVID-19)

During the fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic has had significant effects on global markets, supply chains, businesses, and communities. Specific to the County, COVID-19 is expected to impact various parts of its fiscal year 2021-22 operations and financial results. Management believes the County is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as events associated with the pandemic continue to develop.

VII. Special Item

The County recognized a \$24.5 million loss contingency as a result of settled litigation. This item is reflected on the government-wide statements as a special item because it is unusual in nature but under the control of management.

VIII. Change in Accounting Principle / Restatement

The County implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. 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 statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

As part of implementing the statement, the County performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, fund balance and net position were restated as follows:

Governmental Activities Net Position - Increase (Decrease)	Nonmajor Special Revenue Fund Balance - Increase (Decrease)	Fiduciary Net Position - Increase (Decrease)	
\$ -	\$ -	\$ 42,641	Cash related to funds held on behalf of incarcerated inmates was reclassified from the Agency Fund into fiduciary net position in a newly created Jail Inmate Pay Custodial Fund.
-	-		- Cash, taxes receivables and liabilities related to ad valorem and vehicle property taxes collected by the County on behalf of various municipalities were reclassified from the Agency Fund into a newly created Municipal Tax Custodial Fund. The reclassifications did not result in a restatement in net position.
-	-		- Cash collected by the Sheriff's office for civil judgments was reclassified from the Agency Fund into fiduciary net position in a newly created Sheriff's Civil Executions Custodial Fund.
28,650	28,650		- Cash received under the Social Security Administration's Representative Payee Program net of liabilities owed for payments on behalf of beneficiaries were reclassified out of the Agency Fund into a newly created Representative Payee Special Revenue Fund. The portion of liabilities in the Agency Fund representing net cash available at the beginning of the year were restated as fund balance.
-	-		- Cash and receivables from fines and forfeitures net of liabilities owed to the Cherokee County Board of Education were reclassified out of the Agency Fund into a newly created Fines and Forfeitures Special Revenue Fund. The reclassifications did not result in a restatement of fund balance.
-	-		- Cash and liabilities related to deed of trust fees collected required to be remitted to the State of North Carolina were reclassified out of the Agency Fund into a newly created Deed of Trust Special Revenue Fund. The reclassifications did not result in a restatement of fund balance.

IX. New Accounting Pronouncements

Pronouncements effective for the 2021 Financial 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.

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.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR). The London Interbank Offered Rate (LIBOR) is the most often used. As a result of global reference rate reform, LIBOR is expected to no longer exist after December 31, 2021. This will cause governments to amend or replace financial instruments to replace LIBOR with other reference rates by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

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 June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to improve 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. The effective date of this Statement has been postponed for reporting periods beginning after December 15, 2020.

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 for fiscal years beginning after June 15, 2021.

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 statement is designed to mitigate costs associated with reporting on certain employee benefit plans. The statement also is intended to improve the reporting of Sec. 457 deferred compensation plans that meet the definition of a pension plan, and for benefits provided through those plans. 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.

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement have multiple effective dates, the earliest of which being for fiscal years ending after June 15, 2022.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

X. Significant Effects of Subsequent Events

The County has evaluated events and transactions that occurred between June 30, 2021 and January 13, 2023, 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, 2021.

- A.** On July 1, 2021, the Commissioners updated the County's pay plan based on a pay study conducted by The MAPS Group for an approximate cost of \$1,600,950.
- B.** On August 2, 2021, the Commissioners gave County employees a 3% cost of living adjustment (COLA) for an approximate cost of \$503,638.
- C.** On January 4, 2022, a State Capital and Infrastructure Fund (SCIF) grant in the amount of \$1,200,000 was received to assist with the cost of constructing the new EMS station 1.
- D.** On January 4, 2022, a State Capital and Infrastructure Fund (SCIF) grant in the amount of \$500,000 was received to assist with the cost of constructing the new EMS station 2.
- E.** On March 21, 2022 a contract to construct a new EMS Station 1 was approved in the amount of \$2,403,365.
- F.** On June 9, 2022, the County received the second tranche of the Coronavirus State and Local Fiscal Recovery Funds in the amount of \$2,778,773.
- G.** On June 29, 2022, a settlement agreement on the DSS lawsuits was reached in the amount of \$24.5 million. Judicial approval of the settlement was granted on December 14, 2022. The County's insurance will pay \$17.5 million plus the judgments entered on June 21, 2021 and February 22, 2022. The County will pay \$4 million by February 15, 2023 and \$2,928,571 annually beginning on July 15, 2024 through July 15, 2030. Accordingly, the County has recorded a \$24.5 million liability as of June 30, 2021.

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 Eight Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.1809%	0.1776%	0.1833%	0.1814%	0.1960%	0.1753%	0.1750%	0.1878%
County's proportionate share of the net pension liability (asset) \$	\$ 6,463,970	\$ 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	\$12,284,289	\$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	52.62%	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 **	88.61%	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 Eight Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,325,298	\$ 1,110,737	\$ 934,147	\$ 866,150	\$ 814,234	\$ 763,586	\$ 719,701	\$ 713,599
Contributions in relation to the contractually required contribution	1,325,298	1,110,737	934,147	866,150	814,234	763,586	719,701	713,599
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$12,971,650	\$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	10.22%	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 Eight Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.3687%	0.3406%	0.4001%	0.3629%	0.3823%	0.3797%	0.3564%	0.3611%
County's proportionate share of the net pension liability (asset) \$	\$ (84,487)	\$ (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 **	173.62%	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 Eight Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 4,465	\$ 3,530	\$ 3,237	\$ 3,424	\$ 3,153	\$ 3,124	\$ 3,038	\$ 2,910
Contributions in relation to the contractually required contribution	4,465	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, 2021

	2021	2020	2019	2018	2017
Beginning balance	\$ 394,606	\$ 371,464	\$ 372,964	\$ 367,600	\$ 338,197
Service cost	43,666	32,465	37,738	29,990	34,449
Interest on the total pension liability	12,864	13,494	11,685	14,066	11,960
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	64,591	(34,792)	(27,798)	(63,368)	-
Changes of assumptions or other inputs	262,246	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>\$ 777,973</u>	<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, 2021

	2021	2020	2019	2018	2017
Total pension liability	\$ 777,973	\$ 394,606	\$ 371,464	\$ 372,964	\$ 367,600
Covered payroll	1,687,189	1,459,468	1,529,513	1,399,494	1,521,291
Total pension liability as a percentage of covered payroll	46.11%	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, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	209,009	191,659	146,446	160,159
Interest	113,638	101,799	77,865	68,178
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(803,597)	137,932	389,971	(28,429)
Changes of assumptions	447,790	140,766	17,857	(156,930)
Benefit payments	(106,642)	(195,026)	(209,860)	(33,326)
Net change in total OPEB liability	(139,802)	377,130	422,279	9,652
Total OPEB liability - beginning	3,090,644	2,713,514	2,291,235	2,281,583
Total OPEB liability - ending	2,950,842	3,090,644	2,713,514	2,291,235
Covered payroll	11,249,347	9,974,969	9,974,969	9,903,685
Total OPEB liability as a percentage of covered payroll	26.23%	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. The following are

<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.

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

Special Revenue Funds:

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

Coronavirus State and Local Fiscal Recovery Grant Project Fund – The federal government signed into law the American Rescue Plan Act on March 11, 2021, and established the Coronavirus State and Local Fiscal Recovery Funds program, to provide support to State, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and in their efforts to contain impacts on their communities, residents, and businesses. This fund accounts for such expenses.

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, 2021

	General Fund	Revaluation Fund	Eliminations	Total
REVENUES				
Ad valorem taxes	\$ 17,669,545	\$ -	\$ -	\$ 17,669,545
Local option sales tax	10,418,237	-	-	10,418,237
Other taxes and licenses	1,422,952	-	-	1,422,952
Unrestricted intergovernmental	1,867,829	-	-	1,867,829
Restricted intergovernmental	6,374,908	-	-	6,374,908
Permits and fees	2,447,242	-	-	2,447,242
Sales and services	5,439,562	-	-	5,439,562
Investment earnings	21,130	49	-	21,179
Miscellaneous	152,621	-	-	152,621
Total revenues	45,814,026	49	-	45,814,075
EXPENDITURES				
Current:				
General government	4,252,626	55,526	-	4,308,152
Public safety	10,730,541	-	-	10,730,541
Transportation	933,053	-	-	933,053
Environmental protection	1,666,580	-	-	1,666,580
Economic and physical development	1,229,376	-	-	1,229,376
Human services	9,113,659	-	-	9,113,659
Cultural and recreational	653,987	-	-	653,987
Intergovernmental:				
Education	8,446,410	-	-	8,446,410
Debt service:				
Principal	1,849,906	-	-	1,849,906
Interest	87,222	-	-	87,222
Total expenditures	38,963,360	55,526	-	39,018,886
Excess (deficiency) of revenues over expenditures	6,850,666	(55,477)	-	6,795,189
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	75,000	(75,000)	-
Transfers to other funds	(1,030,282)	-	75,000	(955,282)
Total other financing sources (uses)	(1,030,282)	75,000	-	(955,282)
Net change in fund balances	5,820,384	19,523	\$ -	5,839,907
FUND BALANCES				
Fund balances, beginning as previously reported	18,959,154	62,565		19,021,719
Prior period adjustment	5,382	-		5,382
Fund balances, beginning	18,964,536	62,565		19,027,101
Fund balances, ending	\$ 24,784,920	\$ 82,088		\$ 24,867,008

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, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Ad valorem taxes:			
Current year taxes		\$ 17,472,583	
Penalties and interest		196,962	
Total	<u>\$ 17,156,279</u>	<u>17,669,545</u>	<u>\$ 513,266</u>
Local option sales taxes:			
Article 39 one percent		4,427,931	
Article 40 one-half of one percent		2,352,120	
Article 42 one-half of one percent		2,252,914	
Article 44 one-half of one percent		229,441	
Article 46 one-quarter of one percent		1,155,831	
Total	<u>6,047,735</u>	<u>10,418,237</u>	<u>4,370,502</u>
Other taxes and licenses:			
Register of deeds - excise tax		636,457	
Car rental tax		6,737	
Local occupancy tax		709,200	
Solid waste disposal tax		25,012	
Franchise tax		44,329	
Civil licenses		1,217	
Total	<u>1,182,000</u>	<u>1,422,952</u>	<u>240,952</u>
Unrestricted intergovernmental:			
Payments in lieu of taxes		1,759,631	
Beer and wine tax		108,198	
Total	<u>1,508,000</u>	<u>1,867,829</u>	<u>359,829</u>
Restricted intergovernmental:			
ABC bottle fees		16,118	
Court facility fees		24,135	
Controlled substance tax		19,433	
Health Department grants		39,812	
Health Department state revenues		1,171,515	
Juvenile Crime Prevention		119,470	
Other grants		226,991	
Senior Center		276,422	
Social Services		3,571,062	
Tire Disposal Tax Grant		43,648	
Transportation		723,046	
US Forest Service Timber		143,256	
Total	<u>6,123,604</u>	<u>6,374,908</u>	<u>251,304</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, 2021

	Final Budget	Actual	Variance Positive (Negative)
Permits and fees:			
Building permits		322,268	
Fire arm permits		49,485	
Fire inspections		12,543	
Landfill user fees		1,369,553	
Precious metal permits		142	
Register of deeds		337,406	
Water and septic permits		355,845	
Total	2,034,509	2,447,242	412,733
Sales and services:			
Ambulance fees		1,960,713	
Aviation gas sales		118,676	
Health Department fees		1,188,641	
Landfill tipping fees		457,742	
Jet fuel sales		105,569	
Other sales		339,950	
Personnel fees		94,391	
Rents, concessions, and fees		56,000	
Sheriff & jail fees		896,400	
Transportation fees		221,476	
Vehicle tax collection fees		4	
Total	5,271,492	5,439,562	168,070
Investment earnings	24,900	21,130	(3,770)
Miscellaneous:			
ABC Store distributions		75,429	
Insurance proceeds		22,681	
Other		54,511	
Total	90,579	152,621	62,042
Total revenues	39,439,098	45,814,026	6,374,928
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits		93,313	
Operating expenditures		219,690	
Total	313,152	313,003	149
Administration:			
Salaries and employee benefits		206,449	
Operating expenditures		4,394	
Total	211,749	210,843	906
Board of Elections:			
Salaries and employee benefits		290,656	
Operating expenditures		174,828	
Total	487,059	465,484	21,575

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, 2021

	Final Budget	Actual	Variance Positive (Negative)
Information technology:			
Salaries and employee benefits		239,256	
Operating expenditures		208,112	
Capital outlay		30,700	
Total	<u>484,471</u>	<u>478,068</u>	<u>6,403</u>
Finance:			
Salaries and employee benefits		326,257	
Operating expenditures		91,159	
Total	<u>450,542</u>	<u>417,416</u>	<u>33,126</u>
Tax assessor:			
Salaries and employee benefits		419,716	
Operating expenditures		77,465	
Total	<u>520,778</u>	<u>497,181</u>	<u>23,597</u>
Tax collector:			
Salaries and employee benefits		147,918	
Operating expenditures		113,888	
Total	<u>284,115</u>	<u>261,806</u>	<u>22,309</u>
Land records:			
Salaries and employee benefits		148,069	
Operating expenditures		26,113	
Total	<u>178,012</u>	<u>174,182</u>	<u>3,830</u>
Register of deeds:			
Salaries and employee benefits		176,704	
Operating expenditures		433,908	
Total	<u>618,805</u>	<u>610,612</u>	<u>8,193</u>
Public buildings:			
Salaries and employee benefits		357,421	
Operating expenditures		167,017	
Capital outlay		30,300	
Total	<u>624,711</u>	<u>554,738</u>	<u>69,973</u>
Court facilities:			
Operating expenditures		34,035	
Total	<u>36,300</u>	<u>34,035</u>	<u>2,265</u>
Central services:			
Salaries and employee benefits		6,751	
Operating expenditures		228,507	
Total	<u>238,000</u>	<u>235,258</u>	<u>2,742</u>
Contingency	<u>4,447,694</u>	<u>-</u>	<u>4,447,694</u>
Total general government	<u>4,447,694</u>	<u>4,252,626</u>	<u>195,068</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, 2021

	Final Budget	Actual	Variance Positive (Negative)
Public safety:			
Sheriff:			
Salaries and employee benefits		2,351,967	
Operating expenditures		370,820	
Capital outlay		114,230	
Total	3,110,712	2,837,017	273,695
Jail:			
Salaries and employee benefits		1,106,437	
Operating expenditures		1,015,166	
Capital outlay		115,437	
Total	2,808,482	2,237,040	571,442
Ambulance service:			
Salaries and employee benefits		2,784,371	
Operating expenditures		452,758	
Capital outlay		276,625	
Total	3,989,656	3,513,754	475,902
911 addressing:			
Salaries and employee benefits		66,892	
Operating expenditures		2,159	
Total	73,203	69,051	4,152
Emergency communications:			
Salaries and employee benefits		582,151	
Operating expenditures		82,166	
Capital outlay		617,520	
Total	1,687,801	1,281,837	405,964
Emergency management:			
Salaries and employee benefits		133,400	
Operating expenditures		39,866	
Total	221,109	173,266	47,843
Code enforcement:			
Salaries and employee benefits		399,408	
Operating expenditures		20,808	
Total	437,167	420,216	16,951
Medical examiner:			
Operating expenditures		41,750	
Total	50,000	41,750	8,250
Animal control:			
Operating expenditures		100,000	
Total	104,750	100,000	4,750

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, 2021

	Final Budget	Actual	Variance Positive (Negative)
Special appropriations:			
NC Forest Service-Fire protection		46,906	
Fire department rescue		9,704	
Total	156,170	56,610	99,560
Total public safety	12,739,050	10,730,541	2,008,509
Transportation:			
Airport:			
Operating expenditures		287,559	
Capital outlay		99,747	
Total	402,580	387,306	15,274
Public transportation:			
Salaries and employee benefits		421,375	
Operating expenditures		124,372	
Total	742,935	545,747	197,188
Total transportation	1,145,515	933,053	212,462
Environmental protection:			
Solid waste:			
Salaries and employee benefits		961,388	
Operating expenditures		534,949	
Capital outlay		170,243	
Total	1,917,799	1,666,580	251,219
Total environmental protection	1,917,799	1,666,580	251,219
Economic and physical development:			
Economic development:			
Operating expenditures		40,240	
Grants		136,324	
Total	245,723	176,564	69,159
Cooperative extension:			
Salaries and employee benefits		154,906	
Operating expenditures		15,646	
Grants		4,198	
Total	194,785	174,750	20,035
Soil and water conservation:			
Salaries and employee benefits		94,614	
Total	97,497	94,614	2,883
Special appropriations:			
Cherokee County Board of Tourism		687,806	
Soil and Water Conservation District		95,642	
Total	783,642	783,448	194
Total economic and physical development	1,321,647	1,229,376	92,271

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, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Human services:			
Health department:			
Administration:			
Salaries and employee benefits		215,509	
Operating expenditures		394,863	
Total		<u>610,372</u>	
Women, infants, and children:			
WIC - Breastfeeding		16,185	
WIC - Administration		21,315	
WIC - Client services		136,385	
WIC - Nutritional education		41,537	
Total		<u>215,422</u>	
Environmental health:			
Salaries and employee benefits		190,984	
Operating expenditures		12,647	
Total		<u>203,631</u>	
Food and lodging:			
Salaries and employee benefits		203,373	
Operating expenditures		8,043	
Total		<u>211,416</u>	
Health programs:			
Health promotion			
Salaries and employee benefits		24,582	
Operating expenditures		7,201	
Total		<u>31,783</u>	
Preparedness and planning			
Salaries and employee benefits		24,514	
Operating expenditures		1,130	
Total		<u>25,644</u>	
Immunization			
Salaries and employee benefits		260,563	
Operating expenditures		169,724	
Total		<u>430,287</u>	
Communicable disease			
Salaries and employee benefits		584,385	
Operating expenditures		3,238	
Total		<u>587,623</u>	
Andrews clinic			
Salaries and employee benefits		23,312	
Operating expenditures		13,209	
Total		<u>36,521</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, 2021

	Final Budget	Actual	Variance Positive (Negative)
Infant mortality reduction			
Salaries and employee benefits		14,775	
Operating expenditures		23,470	
Total		38,245	
Pregnancy care management (OBCM)			
Salaries and employee benefits		60,251	
Operating expenditures		1,670	
Total		61,921	
Maternal health			
Salaries and employee benefits		629	
Operating expenditures		1,807	
Total		2,436	
Breast and cervical cancer			
Salaries and employee benefits		25,500	
Operating expenditures		8,302	
Total		33,802	
Breast feeding peer counseling			
Salaries and employee benefits		11,671	
Operating expenditures		1,113	
Total		12,784	
Family planning			
Salaries and employee benefits		79,606	
Operating expenditures		27,640	
Total		107,246	
Child health			
Salaries and employee benefits		17,608	
Operating expenditures		7,157	
Total		24,765	
Care coordination for children			
Salaries and employee benefits		68,628	
Operating expenditures		326	
Total		68,954	
School nurse initiative			
Operating expenditures		100,000	
Total		100,000	
Medication management			
Salaries and employee benefits		16,728	
Operating expenditures		4,296	
Total		21,024	
Total Health programs		1,583,035	
Total Health department	2,955,418	2,823,876	131,542

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, 2021

	Final Budget	Actual	Variance Positive (Negative)
Social services:			
Administration:			
Salaries and employee benefits		3,724,407	
Operating expenses		357,645	
Capital outlay		18,270	
Total		<u>4,100,322</u>	
Programs:			
Operating expenses		1,420,460	
Total		<u>1,420,460</u>	
Total Social services	<u>6,247,749</u>	<u>5,520,782</u>	<u>726,967</u>
Senior citizens program:			
Salaries and employee benefits		207,094	
Operating expenses		145,417	
Capital outlay		34,875	
Total	<u>544,819</u>	<u>387,386</u>	<u>157,433</u>
Mental health:			
Operating expenses		75,000	
Total	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Veterans service officer:			
Salaries and employee benefits		93,083	
Operating expenses		3,415	
Total	<u>101,612</u>	<u>96,498</u>	<u>5,114</u>
Special appropriations:			
Industrial Opportunities, Inc.		60,000	
State of Franklin Health Council		14,000	
Haven Child Advocacy		10,000	
Juvenile Crime Prevention Programs		126,117	
Total	<u>223,073</u>	<u>210,117</u>	<u>12,956</u>
Total human services	<u>10,147,671</u>	<u>9,113,659</u>	<u>1,034,012</u>
Cultural and recreational:			
Library:			
Operating expenditures		192,645	
Total	<u>192,645</u>	<u>192,645</u>	<u>-</u>
Parks and recreation:			
Salaries and employee benefits		233,630	
Operating expenditures		132,054	
Capital outlay		47,009	
Total	<u>481,797</u>	<u>412,693</u>	<u>69,104</u>
Museum:			
Salaries and employee benefits		48,628	
Operating expenditures		21	
Total	<u>49,980</u>	<u>48,649</u>	<u>1,331</u>
Total cultural and recreation	<u>724,422</u>	<u>653,987</u>	<u>70,435</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, 2021**

	Final Budget	Actual	Variance Positive (Negative)
Education:			
Public schools:			
Public schools - current		7,075,872	
Public schools - capital outlay		391,770	
Public schools - SRS USFS Timber		121,768	
Total	<u>7,898,817</u>	<u>7,589,410</u>	<u>309,407</u>
Community college:			
Community college - current		857,000	
Total	<u>857,000</u>	<u>857,000</u>	<u>-</u>
Total education	<u>8,755,817</u>	<u>8,446,410</u>	<u>309,407</u>
Debt service:			
Principal retirements		1,849,906	
Interest and fees		87,222	
Total debt service	<u>1,938,987</u>	<u>1,937,128</u>	<u>1,859</u>
Contingency	<u>629,689</u>	<u>-</u>	<u>629,689</u>
Total expenditures	<u>43,768,291</u>	<u>38,963,360</u>	<u>4,804,931</u>
Revenues over (under) expenditures	(4,329,193)	6,850,666	11,179,859
OTHER FINANCING SOURCES (USES)			
Transfers to other funds:			
Revaluation Fund	(75,000)	(75,000)	-
School Improvement Fund	(955,282)	(955,282)	-
Total other financing sources (uses)	<u>(1,030,282)</u>	<u>(1,030,282)</u>	<u>-</u>
Revenues and other sources over (under) expenditures	(5,359,475)	5,820,384	11,179,859
Appropriated fund balance	<u>5,359,475</u>	<u>-</u>	<u>(5,359,475)</u>
Net change in fund balance	<u>\$ -</u>	<u>5,820,384</u>	<u>\$ 5,820,384</u>
Fund balance, beginning as previously reported		18,959,154	
Prior period adjustment		5,382	
Fund balance, beginning as restated		<u>18,964,536</u>	
Fund balance, ending		<u>\$ 24,784,920</u>	

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, 2021

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Investment earnings	\$ 150	\$ 49	\$ (101)
Total revenues	<u>150</u>	<u>49</u>	<u>(101)</u>
EXPENDITURES			
Current:			
General government:			
Salaries and employee benefits		42,620	
Operating expenditures		12,906	
Total expenditures	<u>85,416</u>	<u>55,526</u>	<u>29,890</u>
Revenues over (under) expenditures	(85,266)	(55,477)	29,789
OTHER FINANCING SOURCES (USES)			
Transfer from other funds:			
General Fund	75,000	75,000	-
Total other financing sources (uses)	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Revenues and other sources over (under) expenditures	(10,266)	19,523	29,789
Appropriated fund balance	<u>10,266</u>	<u>-</u>	<u>(10,266)</u>
Net change in fund balance	<u>\$ -</u>	19,523	<u>\$ 19,523</u>
Fund balance, beginning		<u>62,565</u>	
Fund balances, ending		<u>\$ 82,088</u>	

Cherokee County, North Carolina
Coronavirus State and Local Fiscal Recovery Grant Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Favorable (Unfavorable)
REVENUES					
Restricted intergovernmental:					
Coronavirus State and Local Recovery Funds	\$ 5,557,546	\$ -	\$ -	\$ -	\$ (5,557,546)
Investment earnings	-	-	173	173	173
Total revenues	<u>5,557,546</u>	<u>-</u>	<u>173</u>	<u>173</u>	<u>(5,557,373)</u>
EXPENDITURES					
Public Safety:					
Capital outlay	2,728,773	-	-	-	-
Professional services	100,000	-	-	-	-
Salaries and employee benefits	2,728,773	-	-	-	-
Total expenditures	<u>5,557,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,557,546</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>173</u>	<u>173</u>	<u>(173)</u>
OTHER FINANCING SOURCES (USES)					
Transfer from other funds:					
General Fund	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriated fund balance	-	-	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>173</u>	<u>\$ 173</u>	<u>\$ (173)</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 173</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, 2021

	Project Authorization	Prior Years	Current Year	Total to Date	Variance Positive (Negative)
REVENUES					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenditures:					
Environmental Protection:					
Construction	3,011,883	2,826,788	127,257	2,954,045	57,838
Permitting	250,000	153,005	-	153,005	96,995
Engineering	210,000	199,698	10,302	210,000	-
Contingency	100,000	-	34,000	34,000	66,000
Total expenditures	3,571,883	3,179,491	171,559	3,351,050	220,833
Revenues over (under) expenditures	(3,571,883)	(3,179,491)	(171,559)	(3,351,050)	(220,833)
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	-	(2,107,608)	(171,559)	(2,279,167)	(2,279,167)
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	\$ -	\$ (2,107,608)	(171,559)	\$ (2,279,167)	\$ (2,279,167)
Fund balance, beginning			254,541		
Fund balance, ending			\$ 82,982		

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, 2021

	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	\$ 996,509	\$ 1,257,507	\$ (13,742,493)
Investment earnings	-	-	748	748	748
Total revenues	<u>15,000,000</u>	<u>260,998</u>	<u>997,257</u>	<u>1,258,255</u>	<u>(13,741,745)</u>
Expenditures:					
Education:					
School of Innovation & Technology Project:					
Construction	17,844,367	-	543,717	543,717	17,300,650
Planning & design	1,333,333	347,997	873,608	1,221,605	111,728
Land acquisition	822,300	822,300	-	822,300	-
Total expenditures	<u>20,000,000</u>	<u>1,170,297</u>	<u>1,417,325</u>	<u>2,587,622</u>	<u>17,412,378</u>
Revenues over (under) expenditures	(5,000,000)	(909,299)	(420,068)	(1,329,367)	(31,154,123)
OTHER FINANCING SOURCES (USES)					
Transfer from other funds:					
General Fund	5,000,000	4,867,018	955,282	5,822,300	822,300
Total other financing sources (uses)	<u>5,000,000</u>	<u>4,867,018</u>	<u>955,282</u>	<u>5,822,300</u>	<u>822,300</u>
Revenues and other sources over (under) expenditures	-	3,957,719	535,214	4,492,933	4,492,933
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ 3,957,719</u>	<u>535,214</u>	<u>\$ 4,492,933</u>	<u>\$ 4,492,933</u>
Fund balance, beginning			<u>3,957,719</u>		
Fund balance, ending			<u>\$ 4,492,933</u>		

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 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.

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

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

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

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, 2021

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 160,801	\$ -	\$ 160,801
Taxes receivable (net)	68,144	-	68,144
Accounts receivable	24,656	131,528	156,184
Total assets	<u>253,601</u>	<u>131,528</u>	<u>385,129</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	67,320	29,323	96,643
Due to other funds	-	102,204	102,204
Total liabilities	<u>67,320</u>	<u>131,527</u>	<u>198,847</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes receivable	68,144	-	68,144
Total deferred inflows of resources	<u>68,144</u>	<u>-</u>	<u>68,144</u>
Fund balances:			
Restricted:			
Stabilization by State statute	24,656	131,528	156,184
Public safety	59,759	-	59,759
Human services	33,722	-	33,722
Unassigned	-	(131,527)	(131,527)
Total fund balances	<u>118,137</u>	<u>1</u>	<u>118,138</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 253,601</u>	<u>\$ 131,528</u>	<u>\$ 385,129</u>

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2021

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Ad valorem taxes	\$ 2,217,671	\$ -	\$ 2,217,671
Restricted intergovernmental	1,875,182	87,825	1,963,007
Permits and fees	7,772	-	7,772
Sales and services	84,379	-	84,379
Investment earnings	55	-	55
Total revenues	<u>4,185,059</u>	<u>87,825</u>	<u>4,272,884</u>
EXPENDITURES			
Current:			
General government	415,544	-	415,544
Public safety	3,427,903	-	3,427,903
Transportation	-	87,825	87,825
Human services	303,407	-	303,407
Total expenditures	<u>4,146,854</u>	<u>87,825</u>	<u>4,234,679</u>
Excess (deficiency) of revenues over expenditures	<u>38,205</u>	<u>-</u>	<u>38,205</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	38,205	-	38,205
Fund balances, beginning as previously reported	45,395	-	45,395
Prior period adjustment	34,468	-	34,468
Fund balances, beginning as restated	<u>79,932</u>	<u>1</u>	<u>79,933</u>
Fund balances, ending	<u>\$ 118,137</u>	<u>\$ 1</u>	<u>\$ 118,138</u>

Cherokee County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue Funds
June 30, 2021

	Emergency Telephone System Fund	Fire District Fund	Bear Paw Service District Fund	Disaster Recovery & Response Fund	Representative Payee Fund	Fines and Forfeitures Fund	Deed of Trust Fund	Total Nonmajor Special Revenue Funds
ASSETS								
Cash and cash equivalents	\$ 61,064	\$ 62,154	\$ 2,786	\$ -	\$ 34,797	\$ -	\$ -	\$ 160,801
Taxes receivable (net)	-	63,734	4,410	-	-	-	-	68,144
Accounts receivable	24,656	-	-	-	-	-	-	24,656
Total assets	<u>\$ 85,720</u>	<u>\$ 125,888</u>	<u>\$ 7,196</u>	<u>\$ -</u>	<u>\$ 34,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253,601</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable and accrued liabilities	\$ 1,305	\$ 62,154	\$ 2,786	\$ -	\$ 1,075	\$ -	\$ -	\$ 67,320
Total liabilities	<u>1,305</u>	<u>62,154</u>	<u>2,786</u>	<u>-</u>	<u>1,075</u>	<u>-</u>	<u>-</u>	<u>67,320</u>
DEFERRED INFLOWS OF RESOURCES								
Taxes receivable	-	63,734	4,410	-	-	-	-	68,144
Total deferred inflows of resources	<u>-</u>	<u>63,734</u>	<u>4,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,144</u>
Fund balances:								
Restricted:								
Stabilization by State statute	24,656	-	-	-	-	-	-	24,656
Public safety	59,759	-	-	-	-	-	-	59,759
Human services	-	-	-	-	33,722	-	-	33,722
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>84,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,722</u>	<u>-</u>	<u>-</u>	<u>118,137</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 85,720</u>	<u>\$ 125,888</u>	<u>\$ 7,196</u>	<u>\$ -</u>	<u>\$ 34,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253,601</u>

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
For the Fiscal Year Ended June 30, 2021

	Emergency Telephone System Fund	Fire District Fund	Bear Paw Service District Fund	Disaster Recovery & Response Fund	Representative Payee Fund	Fines and Forfeitures Fund	Deed of Trust Fund	Total Nonmajor Special Revenue Funds
REVENUES								
Ad valorem taxes	\$ -	\$1,894,278	\$ 323,393	\$ -	\$ -	\$ -	\$ -	\$2,217,671
Restricted intergovernmental	295,876	-	-	1,270,827	308,479	-	-	1,875,182
Permits and fees	-	-	-	-	-	-	7,772	7,772
Sales and services	-	-	-	-	-	84,379	-	84,379
Investment earnings	6	-	-	49	-	-	-	55
Total revenues	295,882	1,894,278	323,393	1,270,876	308,479	84,379	7,772	4,185,059
EXPENDITURES								
Current:								
General government	-	-	323,393	-	-	84,379	7,772	415,544
Public safety	262,680	1,894,278	-	1,270,945	-	-	-	3,427,903
Human services	-	-	-	-	303,407	-	-	303,407
Total expenditures	262,680	1,894,278	323,393	1,270,945	303,407	84,379	7,772	4,146,854
Excess (deficiency) of revenues over expenditures	33,202	-	-	(69)	5,072	-	-	38,205
OTHER FINANCING SOURCES (USES)								
Transfers from other funds	-	-	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	33,202	-	-	(69)	5,072	-	-	38,205
Fund balances, beginning as previously reported	45,395	-	-	-	-	-	-	45,395
Prior period adjustment	5,818	-	-	-	28,650	-	-	34,468
Fund balances, beginning as restated	51,213	-	-	69	28,650	-	-	79,932
Fund balances, ending	\$ 84,415	\$ -	\$ -	\$ -	\$ 33,722	\$ -	\$ -	\$ 118,137

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, 2021

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental	\$ 295,876	\$ 295,876	\$ -
Investment earnings	20	6	(14)
Total revenues	<u>295,896</u>	<u>295,882</u>	<u>(14)</u>
EXPENDITURES			
Public safety			
Operating expenditures		254,839	
Capital outlay		7,841	
Total expenditures	<u>364,481</u>	<u>262,680</u>	<u>101,801</u>
Revenues over (under) expenditures	(68,585)	33,202	101,787
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	(68,585)	33,202	101,787
Appropriated fund balance	<u>68,585</u>	<u>-</u>	<u>(68,585)</u>
Revenues, other sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	33,202	<u>\$ 33,202</u>
Fund balance, beginning as previously reported		45,395	
Prior period adjustment		5,818	
Fund balance, beginning		<u>51,213</u>	
Fund balance, ending		<u>\$ 84,415</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, 2021**

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Ad valorem taxes	\$ 1,863,100	\$ 1,894,278	\$ 31,178
Total revenues	<u>1,863,100</u>	<u>1,894,278</u>	<u>31,178</u>
EXPENDITURES			
Public safety:			
Collection Fees		8,777	
Bellview Fire District		104,250	
Brasstown Fire District		15,468	
Culberson Fire District		99,969	
Grape Creek Fire District		43,286	
Hanging Dog Fire District		76,195	
Hiwassee Fire District		269,871	
Wolf Creek Fire District		73,692	
Martins Creek Fire District		88,765	
Peachtree Fire District		191,729	
Murphy Rural Fire District		346,187	
Ranger Fire District		199,530	
Topton Fire District		2,756	
Unaka Fire District		36,759	
Valleytown Fire District		316,882	
Violet Fire District		20,162	
Total expenditures	<u>1,863,100</u>	<u>1,894,278</u>	<u>(31,178)</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, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Ad valorem taxes	\$ 327,200	\$ 323,393	\$ (3,807)
Total revenues	<u>327,200</u>	<u>323,393</u>	<u>(3,807)</u>
EXPENDITURES			
General government:			
Collection fees		276	
Bear Paw Service District		323,117	
Total expenditures	<u>327,200</u>	<u>323,393</u>	<u>3,807</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		-	
Fund balance, ending		<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, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Restricted intergovernmental:			
Coronavirus Relief Fund	\$ 1,270,827	\$ 1,270,827	\$ -
Investment earnings	280	49	(231)
Total revenues	<u>1,271,107</u>	<u>1,270,876</u>	<u>(231)</u>
EXPENDITURES			
Public safety			
Salaries and employee benefits		911,878	
Operating expenditures		41,360	
Municipal subrecipients		317,707	
Total expenditures	<u>1,271,107</u>	<u>1,270,945</u>	<u>162</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		69	
Fund balance, ending		<u>\$ -</u>	

Cherokee County, North Carolina
Representative Payee Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Restricted intergovernmental	312,000	308,479	(3,521)
Total revenues	312,000	308,479	(3,521)
EXPENDITURES			
Current:			
Human Services			
Payments made for the benefit of beneficiaries	312,000	303,407	8,593
Total expenditures	312,000	303,407	8,593
Excess (deficiency) of revenues over expenditures	-	5,072	5,072
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	-	5,072	5,072
Appropriated fund balance	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	\$ -	5,072	\$ 5,072
Fund balance, beginning as previously reported		-	
Prior period restatement - change in accounting principle		28,650	
Fund balance, beginning as restated		28,650	
Fund balance, ending		\$ 33,722	

Cherokee County, North Carolina
Fines and Forfeitures Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Sales and services			
Penalties, fines and forfeitures	88,000	84,379	(3,621)
Total revenues	88,000	84,379	(3,621)
EXPENDITURES			
Current:			
General government			
Payments of penalties, fines and forfeitures to the Cherokee County Board of Education	88,000	84,379	3,621
Total expenditures	88,000	84,379	3,621
Excess (deficiency) of revenues over expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	-	-	-
Appropriated fund balance	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	\$ -	-	\$ -
Fund balance, beginning as previously reported		-	
Prior period restatement - change in accounting principle		-	
Fund balance, beginning as restated		-	
Fund balance, ending		\$ -	

Cherokee County, North Carolina
Deed of Trust Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2021

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Permits and fees			
Register of deeds	8,000	7,772	(228)
Total revenues	8,000	7,772	(228)
EXPENDITURES			
Current:			
General government			
Payments of fees collected to the			
State of North Carolina	8,000	7,772	228
Total expenditures	8,000	7,772	228
Excess (deficiency) of revenues over expenditures	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	-	-	-
Appropriated fund balance	-	-	-
Revenues, other sources, and appropriated fund balance over (under) expenditures	\$ -	-	\$ -
Fund balance, beginning as previously reported		-	
Prior period restatement - change in accounting principle		-	
Fund balance, beginning as restated		-	
Fund balance, ending		\$ -	

Cherokee County, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds - Capital Project Funds
June 30, 2021

	Airport Improvements	Total Nonmajor Capital Projects Funds
ASSETS		
Accounts receivable	\$ 131,528	\$ 131,528
Total assets	<u>\$ 131,528</u>	<u>\$ 131,528</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ 29,323	\$ 29,323
Due to other funds	102,204	102,204
Total liabilities	<u>131,527</u>	<u>131,527</u>
DEFERRED INFLOWS OF RESOURCES		
Taxes receivable	-	-
Prepaid taxes	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>
Fund balances:		
Restricted:		
Stabilization by State statute	131,528	131,528
Unassigned	<u>(131,527)</u>	<u>(131,527)</u>
Total fund balances	<u>1</u>	<u>1</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 131,528</u>	<u>\$ 131,528</u>

Cherokee County, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Capital Project Funds
June 30, 2021

	Airport Improvements	Total Nonmajor Capital Projects Funds
REVENUES		
Restricted intergovernmental	\$ 87,825	\$ 87,825
Total revenues	<u>87,825</u>	<u>87,825</u>
EXPENDITURES		
Current:		
Transportation	87,825	87,825
Total expenditures	<u>87,825</u>	<u>87,825</u>
Revenues over (under) expenditures	-	-
OTHER FINANCING SOURCES (USES)		
Transfer from General Fund	-	-
Transfer to General Fund	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	-	-
Fund balances, beginning as previously reported	-	-
Prior period adjustment	-	-
Fund balances, beginning	<u>1</u>	<u>1</u>
Fund balances, ending	<u><u>\$ 1</u></u>	<u><u>\$ 1</u></u>

Cherokee County, North Carolina
Airport Improvement Project
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

		Actual			Variance
	Project Authorization	Prior Years	Current Year	Total to Date	Positive Negative
REVENUES					
Restricted intergovernmental:					
Grant-36237.41.12.2	\$ 19,095	\$ 19,094	\$ -	\$ 19,094	\$ (1)
Grant-36237.41.12.3	11,976	11,976	-	11,976	-
Grant-36237.41.13.1	158,962	158,962	-	158,962	-
Grant-36237.41.13.2	15,188	10,125	-	10,125	(5,063)
Grant-36237.41.16.1	141,660	-	87,825	87,825	(53,835)
Total revenues	<u>346,881</u>	<u>200,157</u>	<u>87,825</u>	<u>287,982</u>	<u>(58,899)</u>
EXPENDITURES					
Transportation:					
Airport obstruction removal 41.12.2	21,217	21,216	-	21,216	1
Approach survey and obstruction evaluation 41.12.3	13,307	13,307	-	13,307	-
Airport layout plan update 41.13.1	176,625	176,625	-	176,625	-
Airport tower obstruction 41.13.2	16,876	11,250	-	11,250	5,626
Airfield Lighting System (Design/Bid Phase) 41.16.1	141,660	-	87,825	87,825	53,835
Total expenditures	<u>369,685</u>	<u>222,398</u>	<u>87,825</u>	<u>310,223</u>	<u>59,462</u>
Revenues over (under) expenditures	(22,804)	(22,241)	-	(22,241)	(563)
OTHER FINANCING SOURCES (USES)					
Transfer from General Fund					
Grant-36237.41.12.2	2,122	2,122	-	2,122	-
Grant-36237.41.12.3	1,331	1,331	-	1,331	-
Grant-36237.41.13.1	17,663	17,663	-	17,663	-
Grant-36237.41.13.2	1,688	1,125	-	1,125	563
Total other financing sources (uses)	<u>22,804</u>	<u>22,241</u>	<u>-</u>	<u>22,241</u>	<u>563</u>
Revenues and other sources over (under) expenditures	-	-	-	-	-
Appropriated fund balance	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>1</u>		
Fund balance, ending			<u>\$ 1</u>		

Custodial Funds

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

- **Municipal Tax Fund** - which accounts for vehicle property taxes that are billed and collected by the County for the municipality within the County but that are not revenues to the County.
- **Jail Inmate Pay Fund** - which accounts for funds held by the County on the behalf of inmates while they are incarcerated.
- **Sheriff's Civil Executions Fund** - which accounts for monies collected by the Sheriff's office for civil judgments.

Cherokee County, North Carolina
Combining Statement of Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2021

	Municipal Tax Fund	Jail Inmate Pay Fund	Sheriff's Civil Executions Fund	Custodial Funds
ASSETS				
Cash and cash equivalents	\$ 8,732	\$ 70,967	\$ -	\$ 79,699
LIABILITIES AND NET POSITION				
LIABILITIES				
Due to other governments	8,732	-	-	8,732
Total liabilities	8,732	-	-	8,732
NET POSITION				
Restricted for:				
Individuals, organizations, and other governments	-	70,967	-	70,967
Total fiduciary net position	\$ -	\$ 70,967	\$ -	\$ 70,967

Cherokee County, North Carolina
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended June 30, 2021

	Municipal Tax Fund	Jail Inmate Pay Fund	Sheriff's Civil Executions Fund	Custodial Funds
ADDITIONS				
Ad valorem taxes collected for other governments	\$ 107,206	\$ -	\$ -	\$ 107,206
Collection on behalf of inmates	-	327,276	-	327,276
Collections for civil judgments	-	-	33,852	33,852
Total additions	<u>107,206</u>	<u>327,276</u>	<u>33,852</u>	<u>468,334</u>
DEDUCTIONS				
Tax distributions to other governments	107,206	-	-	107,206
Payments on behalf of inmates	-	298,950	-	298,950
Payments to satisfy civil judgments	-	-	33,852	33,852
Total deductions	<u>107,206</u>	<u>298,950</u>	<u>33,852</u>	<u>440,008</u>
Net increase (decrease) in fiduciary net position	-	28,326	-	28,326
Net position, beginning as previously reported	-	-	-	-
Prior period restatement - change in accounting principle	-	42,641	-	42,641
Net position, beginning as restated	<u>-</u>	<u>42,641</u>	<u>-</u>	<u>42,641</u>
Net position, ending	<u>\$ -</u>	<u>\$ 70,967</u>	<u>\$ -</u>	<u>\$ 70,967</u>

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, 2021

<u>Fiscal Year</u>	<u>Uncollected Beginning Balance</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Ending Balance</u>
2020-2021	\$ -	\$ 17,384,607	\$ 17,046,551	\$ 338,056
2019-2020	455,785	-	339,843	115,942
2018-2019	125,867	-	75,856	50,011
2017-2018	76,381	-	42,300	34,081
2016-2017	43,388	-	18,586	24,802
2015-2016	27,540	-	9,587	17,953
2014-2015	20,255	-	6,201	14,054
2013-2014	25,497	-	4,533	20,964
2012-2013	24,050	-	2,732	21,318
2011-2012	18,484	-	1,944	16,540
2010-2011	14,667	-	14,667	-
	<u>\$ 831,914</u>	<u>\$ 17,384,607</u>	<u>\$ 17,562,800</u>	653,721
Less: allowance for uncollectible accounts:				
General Fund				<u>(263,093)</u>
Ad valorem taxes receivable - net:				
General Fund				<u>\$ 390,628</u>
 <u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 17,669,545
Reconciling items:				
Interest collected				(160,165)
Release and adjustments				38,976
Taxes written off				14,444
Total reconciling items				<u>(106,745)</u>
Total collections and credits				<u>\$ 17,562,800</u>

Cherokee County, North Carolina
Analysis of Current Tax Levy
County - Wide Levy
For the Fiscal Year Ended June 30, 2021

	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	\$ 3,699,503,261	0.460	\$ 17,017,715	\$ 15,497,159	\$ 1,520,556
Penalties	-		17,033	17,033	-
Total	<u>3,699,503,261</u>		<u>17,034,748</u>	<u>15,514,192</u>	<u>1,520,556</u>
Discoveries:					
Current year taxes	<u>76,056,304</u>	0.460	<u>349,859</u>	<u>349,859</u>	<u>-</u>
Total	<u>76,056,304</u>		<u>349,859</u>	<u>349,859</u>	<u>-</u>
Abatements:					
Penalties	-		(731)	(731)	-
Taxes	<u>(11,041,087)</u>	0.460	<u>(50,789)</u>	<u>(37,192)</u>	<u>(13,597)</u>
Total property valuation	<u><u>\$ 3,764,518,478</u></u>		<u><u>(51,520)</u></u>	<u><u>(37,923)</u></u>	<u><u>(13,597)</u></u>
Net levy			17,333,087	15,826,128	1,506,959
Unpaid (by taxpayer) taxes at June 30, 2021			<u>338,056</u>	<u>331,898</u>	<u>6,158</u>
Current year's taxes collected			<u><u>\$ 16,995,031</u></u>	<u><u>\$ 15,494,230</u></u>	<u><u>\$ 1,500,801</u></u>
Current levy collection percentage			<u><u>98.05%</u></u>	<u><u>97.90%</u></u>	<u><u>99.59%</u></u>

Cherokee County, North Carolina
Schedule of Transfers
For the Fiscal Year Ended June 30, 2021

Operating Transfers From/To Other Funds	Transfers	
	From	To
General Fund	75,000	
Revaluation Fund		75,000
General Fund	955,282	
School Improvement Fund		955,282
	<u>1,030,282</u>	<u>1,030,282</u>

Compliance Section

Turner & Company CPAs P.A.

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

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

To the Board of County Commissioners
Cherokee County, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Cherokee County, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the County's basic financial statements, and have issued our report thereon dated January 13, 2023. The financial statements of the Cherokee County Tourism Development Authority were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency as item 2021-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Cherokee County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the 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
January 13, 2023

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 Commissioners
Cherokee County, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cherokee County, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2021. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our audit 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 compliance and, accordingly, we express no opinion on the response.

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 OMB Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Turner & Company CPAs P.A.

Murphy, North Carolina

January 13, 2023

Turner & Company CPAs P.A.

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

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

To the Board of Commissioners
Cherokee County, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited Cherokee County, North Carolina's, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the County's major state programs for the year ended June 30, 2021. The County's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2021.

Basis for Opinion on Each Major State Program

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Turner & Company CPAs P.A.

Turner & Company CPAs P.A.

Murphy, North Carolina

January 13, 2023

Cherokee County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

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 | <u> X </u> yes | <u> </u> no |
| • Significant deficiency(s) | <u> </u> yes | <u> X </u> none reported |

Noncompliance material to financial statements noted	<u> </u> yes	<u> X </u> no
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Federal Awards

Internal control over major federal programs:

- | | | |
|--------------------------------|-------------------|-----------------------------|
| • Material weakness identified | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(s) | <u> X </u> yes | <u> </u> 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)?	<u> </u> yes	<u> X </u> no
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Identification of major Federal Programs:

<u>Name of Federal Program or Cluster</u>	<u>ALN#</u>
Medical Assistance Program (Title XIX Medicaid)	93.778
Coronavirus Relief Fund	21.019

Dollar threshold used to distinguish between Type A and Type B programs:	<u> </u> \$	<u> </u> 750,000
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Auditee qualified as low-risk auditee	<u> X </u> yes	<u> </u> no
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State Awards

Internal control over major State programs:

- | | | |
|--------------------------------|-------------------|----------------------------|
| • Material weakness identified | <u> </u> yes | <u> X </u> no |
| • Significant deficiency(s) | <u> </u> yes | <u> X </u> 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	<u> </u> yes	<u> X </u> no
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Identification of major State Programs (Dollar threshold over \$500,000):

<u>Program Name</u>
Medical Assistance Program (Medicaid; Title XIX)
Public School Building Capital Fund - Needs Based Lottery Proceeds

Cherokee County, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

II. Financial Statement Findings

Finding: 2021-001

MATERIAL WEAKNESS

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

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

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

Cause: The financial data of the County is kept current, reconciled monthly, and is designed to detect financial and/or operational problems. The existing procedures revealed an internal error within the tax office, which required a significant amount of time and resources to resolve. Also, multiple software issues and significant turnover within the County's Finance Department reduced the time available for the Finance Department to prepare the Schedule of Expenditures of Federal and State Awards and to gather necessary information required to complete the audit. The completion of the audit was further delayed due to the continued impact of the COVID-19 pandemic.

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

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

III. Federal Award Findings and Questioned Costs

U.S. Department of Health & Human Services

Passed-through the N.C. Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

ALN #: 93.778

Finding: 2021-002

SIGNIFICANT DEFICIENCY

Eligibility

Criteria: Per the NC Department of Health and Human Services-Division of Health Benefits, the County Department of Social Services Agency is responsible to determine client eligibility in accordance with eligibility requirements defined in the approved State Plan (42 CFR Section 431.10).

An applicant/beneficiary (a/b) whose net countable income exceeds the income limit must meet a deductible before he may be authorized for Medicaid.

Condition: One case file did not have documentation for determining deductible amount.

Cause: The caseworker did not correctly include the proper documentation in the case file.

Effect: Case file did not have the proper documentation, which could allow benefits to be provided to individuals who are not eligible.

Questioned Costs: There were no known effects to eligibility and there were no known questioned costs.

Context: We examined 91 Medicaid applicants from the Medicaid Beneficiary report provided by NC Department of Health and Human Services to re-determine eligibility. These findings are being reported with the financial statement audit as it relates to the Medicaid administrative cost compliance audit.

Identification of a repeat finding: This is not a repeat finding from the immediate previous audit.

Recommendation: Files should be reviewed internally to ensure proper information is in place and necessary procedures are taken when determine eligibility. The results found or documentation made in case notes should clearly indicate what actions were performed and the results of those actions.

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

IV. State Award Findings and Questioned Costs

None reported.



CHEROKEE COUNTY

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

County Administration

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

Board of Commissioners

Cal Stiles, Chairman (828) 361-2357
Jan Griggs, Vice-Chairman (828) 557-9535
Ben Adams, Member (828) 557-6992
Dr. Dan Eichenbaum, Member (828) 361-2649
Randy Phillips, Member (828) 557-8473

Corrective Action Plan For the Fiscal Year Ended June 30, 2021

II. Financial Statement Findings

Finding: 2021-001

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

Corrective Action: The County has continued to improve existing procedures to ensure that financial data that is collected and reviewed is reported timely. Additional staff positions have been added to the Finance Department to assist with the existing workload. Training of new staff is ongoing.

Proposed Completion Date: Ongoing

III. Federal Award Findings and Questioned Costs

Finding: 2021-002

Name of contact person: Amanda McGee, Director of Social Services

Corrective Action: Management concurs and has already implemented a process of reviewing previously approved files for corrections to go along with the process of reviewing new files to ensure caseworkers are obtaining and reviewing all required evidence and maintaining it in the case file.

Proposed Completion Date: Immediately

IV. State Award Findings and Questioned Costs

None reported.



CHEROKEE COUNTY

75 Peachtree Street
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828-837-5527

County Administration

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Summary Schedule of Prior Year Audit Findings For the Fiscal Year Ended June 30, 2021

Finding: 2020-001

Status: This finding is repeated as 2021-001

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
Federal Awards:					
<u>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	\$ 297,031	\$ -	\$ -
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	206,296	-	-
Total U.S. Department of Agriculture			503,327	-	-
<u>U.S. Department of Transportation</u>					
Passed-through the N.C. Department of Transportation:					
Airport Improvement Program					
Project 36237.41.15.1	20.106	XXXX	30,000	-	-
Project 36237.41.16.1	20.106	XXXX	87,825	-	-
Total Airport Improvement Program			117,825	-	-
Formula Grants for Other than Urbanized Areas					
Project 36233.22.22.1	20.509	DOT-11	132,033	8,251	-
Project 49233.16.1.2	20.509	XXXX	430,836	-	-
Total Formula Grants for Other than Urbanized Areas			562,869	8,251	-
Transit Services Programs Cluster:					
Enhanced Mobility of Seniors and Individuals with Disabilities					
Project 51001.30.9.2	20.513	XXXX	37,496	-	-
Total Transit Services Programs Cluster			37,496	-	-
Total U.S. Department of Transportation			718,190	8,251	-
<u>U.S. Department of Treasury</u>					
Passed-through the Office of State Budget and Management:					
NC Pandemic Recovery Office					
COVID-19 - Coronavirus Relief Fund (Note 6)	21.019	XXXX	1,270,827	-	-
Passed-through the N.C. Department of Health and Human Services:					
Division of Public Health:					
COVID-19 - Coronavirus Relief Fund	21.019	XXXX	60,488	-	-
Total U.S. Department of Treasury			1,331,315	-	-
<u>U. S. Election Assistance Commission (EAC)</u>					
Passed-through N.C. State Board of Elections:					
Help America Vote Act (HAVA)	90.401	XXXX	57,880	-	-
HAVA CARES FY2020 Elections	90.404	XXXX	35,701	-	-
Total U. S. Election Assistance Commission			93,581	-	-
<u>U. S. Department of Homeland Security</u>					
Passed-through N.C. Department of Public Safety:					
Division of Emergency Management					
Emergency Management Performance Grants (EMPG)	97.042	XXXX	39,378	-	-
Homeland Security Grant Program (HSGP)	97.067	XXXX	12,695	-	-
Total U. S. Department of Homeland Security			52,073	-	-
<u>U.S. Department of Health & Human Services</u>					
Direct Payments:					
COVID-19 - Provider Relief Fund (Note 7)	93.498	XXXX	59,748		

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
Administration on Aging					
Passed-through Southwest Commission Council of Governments:					
Division of Aging and Adult Services:					
Aging Cluster:					
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers	93.044	XXXX	129,958	6,840	-
Special Programs for the Aging - Title III C					
Nutrition Services	93.045	XXXX	177,492	10,441	-
Families First Funding	93.045	XXXX	21,719	-	-
CARES Act	93.045	XXXX	63,833	-	-
			263,044	10,441	-
Nutrition Services Incentive Program	93.053	XXXX	17,404	-	-
Total Aging Cluster			410,406	17,281	-
Passed-through the N.C. Department of Health and Human Services:					
Division of Social Services:					
Temporary Assistance for Needy Families (TANF) Cluster					
Special Children Adoption	93.558	XXXX	6,093	-	-
TANF - Work First Administration	93.558	XXXX	30,585	-	-
TANF - Work First Service	93.558	XXXX	224,367	-	-
Total TANF Cluster			261,045	-	-
Foster Care and Adoption Cluster (Note 5)					
Adoption Assistance Title IV-E - Optional Adoption Training	93.659	XXXX	12,765	-	-
Foster Care Title IV-E - Administration	93.658	XXXX	135,343	-	-
Foster Care Title IV-E - Child Protective Services	93.658	XXXX	39,380	17,919	-
Foster Care Title IV-E - Foster Care Training	93.658	XXXX	3,659	-	-
Foster Care Title IV-E - Foster Care/Off Training	93.658	XXXX	219,247	-	-
Direct Benefit Payments					
Foster Care Title IV-E - IV-E Administration	93.658	XXXX	10,360	5,180	-
Foster Care Title IV-E - Foster Care	93.658	XXXX	131,278	26,252	-
Foster Care Title IV-E - Foster Care & Extended Max	93.658	XXXX	134,811	25,485	-
Total Foster Care and Adoption Cluster (Note 5)			686,843	74,836	-
Refugee and Entrant Assistance - State					
Replacement Designee Administered Programs	93.566	XXXX	264	-	-
Promoting Safe and Stable Families	93.556	XXXX	19,146	-	-
Child Support Enforcement	93.563	XXXX	223,048	100	-
Low-Income Home Energy Assistance:					
Administration	93.568	XXXX	22,391	-	-
COVID-19 - Administration	93.568	XXXX	508	-	-
Energy Assistance Payments	93.568	XXXX	128,806	-	-
COVID-19 - Energy Assistance Payments	93.568	XXXX	98,676	-	-
Crisis Intervention Program	93.568	XXXX	42,574	-	-
Total Low-Income Home Energy Assistance			292,955	-	-
Stephanie Tubbs Jones Child Welfare Services Program:					
- Permanency Planning - Families for Kids	93.645	XXXX	12,370	-	-
John H. Chafee Foster Care Program for Successful					
Transition to Adulthood					
Administration	93.674	XXXX	6,008	1,502	-
Public Assistance	93.674	XXXX	36,029	-	-
SSBG - TANF Transferred to Social Services Block Grant	93.667	XXXX	35,561	-	-
SSBG - Other Service and Training	93.667	XXXX	143,734	-	-
SSBG - State In Home Service Fund	93.667	XXXX	15,529	-	-
SSBG - Adult Protective Services	93.667	XXXX	10,939	-	-
Total Social Service Block Grant			205,763	-	-

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
Division of Child Development and Early Education:					
Subsidized Child Care (Note 5)					
<u>Child Care Development Fund Cluster:</u>					
Division of Social Services:					
Child Care Development Mandatory and Match Fund					
- Administration	93.596	XXXX	80,970	-	-
Total Subsidized Child Care (Note 5)			80,970	-	-
Passed-through the N.C. Department of Health and Human Services:					
Division of Medical Assistance:					
Division of Social Services:					
Administration:					
Medical Assistance Program (Note 5)	93.778	XXXX	1,235,381	3,017	-
Total Medical Assistance Program			1,235,381	3,017	-
Division of Social Services:					
Administration:					
Children's Health Insurance Program - N.C. Health Choice (Note 5)	93.767	XXXX	33,097	374	-
Total Children's Health Insurance Program - N.C. Health Choice			33,097	374	-
Passed-through the N.C. Department of Health and Human Services:					
Division of Public Health:					
Public Health Emergency Preparedness	93.069	XXXX	31,025	-	-
Project Grants & Cooperative Agreements					
for Tuberculosis Control Programs	93.116	XXXX	50	-	-
Family Planning Services	93.217	XXXX	31,135	-	-
Temporary Assistance for Needy Families	93.558	XXXX	1,896	-	-
Immunization Cooperation Agreements	93.268	XXXX	140,103	-	-
Viral Hepatitis Prevention and Control	93.270	XXXX	639	-	-
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	3,325	-	-
Epidemiology and Laboratory Capacity for Infectious Diseases:					
COVID-19 - CARES Activities	93.323	XXXX	22,946	-	-
ED Regional Prevention Support Teams	93.323	XXXX	130,094	-	-
ELC Enhancing Detection Activities	93.323	XXXX	90,512	-	-
Preventive Health and Health Services Block Grant	93.991	XXXX	30,607	-	-
Maternal and Child Health Services Block Grant					
Care Coordination for Children	93.994	XXXX	1,612	-	-
Child Health	93.994	XXXX	8,514	-	-
Infant Mortality Reduction	93.994	XXXX	23,374	17,532	-
HMHC-FP - February Start	93.994	XXXX	5,797	4,349	-
Total Maternal and Child Health Services Block Grant	93.994	XXXX	39,297	21,881	-
Passed-through the N.C. Department of Health and Human Services:					
Division of Insurance:					
Medicare Improvements for Patients Providers Act	93.071	XXXX	3,070	-	-
CDAP - State Health Insurance Assistance Program	93.324	XXXX	5,828	-	-
Total U.S. Department of Health and Human Services			4,093,700	118,991	-
Total federal awards			6,792,186	127,242	-
State Awards:					
<u>N.C. Department of Administration</u>					
Veterans Service		XXXX	-	2,084	-
Total N.C. Department of Administration			-	2,084	-
<u>N.C. Department of Commerce</u>					
Building Reuse Program		XXXX	-	58,508	-
Total N.C. Department of Commerce			-	58,508	-

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
<u>N.C. Department of Environmental Quality</u>					
Division of Waste Management					
Scrap Tire Program		XXXX	-	43,648	-
Total N.C. Department of Environmental Quality			-	43,648	-
<u>N.C. Department of Health and Human Services</u>					
Division of Social Services					
Direct Benefit Payments					
State Foster Home		XXXX	-	39,177	-
State Child Welfare/CPS/CS LD		XXXX	-	59,411	-
Foster Care at Risk Maximization		XXXX	-	731	-
State Foster Home Fund (SFHF) Maximization		XXXX	-	15,562	-
COVID-19 - Foster Care Stipend		XXXX	-	27,939	-
COVID-19 - Adult/Child Protective Services		XXXX	-	23,200	-
Extended Foster Care Maximization Non IV-E programs		XXXX	-	13,948	-
Total Division of Social Service			-	179,968	-
Division of Public Health					
Food and Lodging Fees		XXXX	-	10,090	-
Aid-to-Counties		XXXX	-	89,813	-
General Communicable Disease Control		XXXX	-	11,066	-
Child Health		XXXX	-	9,468	-
HIV/STD - State		XXXX	-	500	-
Healthy Communities		XXXX	-	3,747	-
STD Drugs		XXXX	-	89	-
Breast and Cervical Cancer Control		XXXX	-	6,500	-
School Health Center		XXXX	-	44,440	-
School Nurse Funding Initiative		XXXX	-	100,000	-
Family Planning - State		XXXX	-	13,276	-
Maternal Health		XXXX	-	5,858	-
Women Health Service Fund		XXXX	-	5,714	-
Tuberculosis Control		XXXX	-	1,680	-
Total Division of Public Health			-	302,241	-
Total N. C. Department of Health and Human Services			-	482,209	-
<u>N.C. Department of Public Instruction</u>					
Public School Building Capital Fund - Needs Based Lottery Proceeds		XXXX	-	996,509	996,509
Total N.C. Department of Public Instruction			-	996,509	996,509
<u>N.C. Department of Public Safety</u>					
Division of Juvenile Justice and Delinquency Prevention					
Juvenile Crime Prevention Programs		XXXX	-	106,042	100,377
Total N.C. Department of Public Safety			-	106,042	100,377
Total State awards			-	1,689,000	1,096,886
Total federal and State awards			\$ 6,792,186	\$ 1,816,242	\$ 1,096,886

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, 2021. 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.

Cherokee County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing No.	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Provided to Subrecipients
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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	ALN No.	Federal	State
Special Supplemental Nutrition Program for Women Infant and Children	10.557	429,382	-
Supplemental Nutrition Assistance Program	10.551	11,143,376	-
Temporary Assistance for Needy Families	93.558	55,549	-
Adoption Assistance	93.659	312,440	56,789
Medical Assistance Program	93.778	42,161,752	16,488,318
Children's Health Insurance Program	93.767	490,636	96,864
Child Welfare Services Adoption		-	192,132
Special Assistance Aged / Special Assistance Disabled (SAA/SAD HB 1030)		-	117,493
State / County Special Assistance program (Domiciliary Care)		-	194,071

Note 6: Coronavirus Relief Funds

Cherokee County received funding from the Coronavirus Relief Fund (CFR) (21.019) of \$555,300 and \$715,527 in 2021 and 2020, respectively. At least twenty-five percent (25%) of the funds are mandated to go to the municipalities located within Cherokee County, at the discretion of the County. The municipalities utilized their allocations of \$317,707 in 2021. Municipalities are to have a plan to spend these funds by December 31, 2021, 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 31, 2021.

Note 7: Provider Relief Funds

In accordance with the 2021 OMB Compliance Supplement, the amounts for this program (including both expenditures and lost revenues) are based upon the Period 1 PRF report submission to the HRSA reporting portal.