

**Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007**

**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

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## Martin Starnes & Associates, CPAs, P.A.

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*A Professional Association of Certified Public Accountants and Management Consultants*

### INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Cleveland County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cleveland County, North Carolina, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Cleveland County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cleveland County, North Carolina, as of June 30, 2007, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund and the school capital reserve fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance Required Supplementary Information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 5, 2007, on our consideration of Cleveland County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Other data in this report, designated as "Introductory Section" and "Statistical Section" in the table of contents, except as noted above, have not been audited by us and, accordingly, we express no opinion on such data.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
October 5, 2007

Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Fiscal Year Ended June 30, 2007  
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
B. Management's Discussion and Analysis

Via this subsection entitled "Management's Discussion and Analysis," management of Cleveland County, North Carolina offer readers of this *Annual Financial and Compliance Report For the Fiscal Year Ended June 30, 2007* a narrative overview and analysis of the County's fiscal performance. This subsection follows "Subsection A: Report from the Independent Auditor" and serves as an introduction to "Section II: Financial Statements and Supplementary Information." To gain valuable insight, please read the following discussion in conjunction with the financial statements and supplementary information furnished in this section.

**SIGNIFICANT FINANCIAL HIGHLIGHTS**

- On a government-wide basis, assets exceeded liabilities at the close of the fiscal year by \$116,595,109. This amount is also referred to as total net assets.
- On a government-wide basis, total net assets increased by \$10,787,652 from last year, primarily due to 1) donation of additions and renovations at Cleveland Healthcare System, which resides on County-owned land and 2) accumulation of current resources to finance construction of a new landfill facility and other planned assets.
- The ending fund balances of all governmental funds combined equals \$38,539,642, an increase of \$1,402,021 from last year. The use of conservative spending habits and the intentional accumulation of resources for future use has primarily contributed to an increase in cash. Of the total fund balance, \$29,507,810, or approximately 76.6%, is available for spending at the government's discretion. This amount is also referred to as unreserved fund balance.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$21,182,508, or 27.0% of total general fund expenditures for the fiscal year.
- Total bonded debt decreased by \$4,891,829 (29.5%) to \$11,666,458 during the current fiscal year due to making scheduled principal payments.

**DESCRIPTION OF SECTION II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

This narrative, "Management's Discussion and Analysis," serves as an introduction to this section. This section, which is the primary focus of the annual report, can be broken down into five subsections as follows:

- A. Report from the Independent Auditor
- B. Management's Discussion and Analysis,
- C. Basic Financial Statements,
- D. Required Supplementary Information, and
- E. Other Supplementary Information.

"Subsection C: Basic Financial Statements" can be further broken down into three primary parts:

1. Government-Wide Financial Statements,
2. Fund Financial Statements, and
3. Notes to Financial Statements.

The supplementary information that follows the Basic Financial Statements provides more details to enhance our understanding of the financial condition and recent financial performance of Cleveland County, North Carolina.

"Subsection D: Required Supplementary Information" has these five parts:

1. Law Enforcement Officers' Special Separation Allowance Financial Schedules,
2. Major Governmental Funds Financial Statements,
3. Non-major Governmental Funds Financial Statements,
4. Major Proprietary Fund Financial Schedule, and
5. Fiduciary Funds Financial Statement

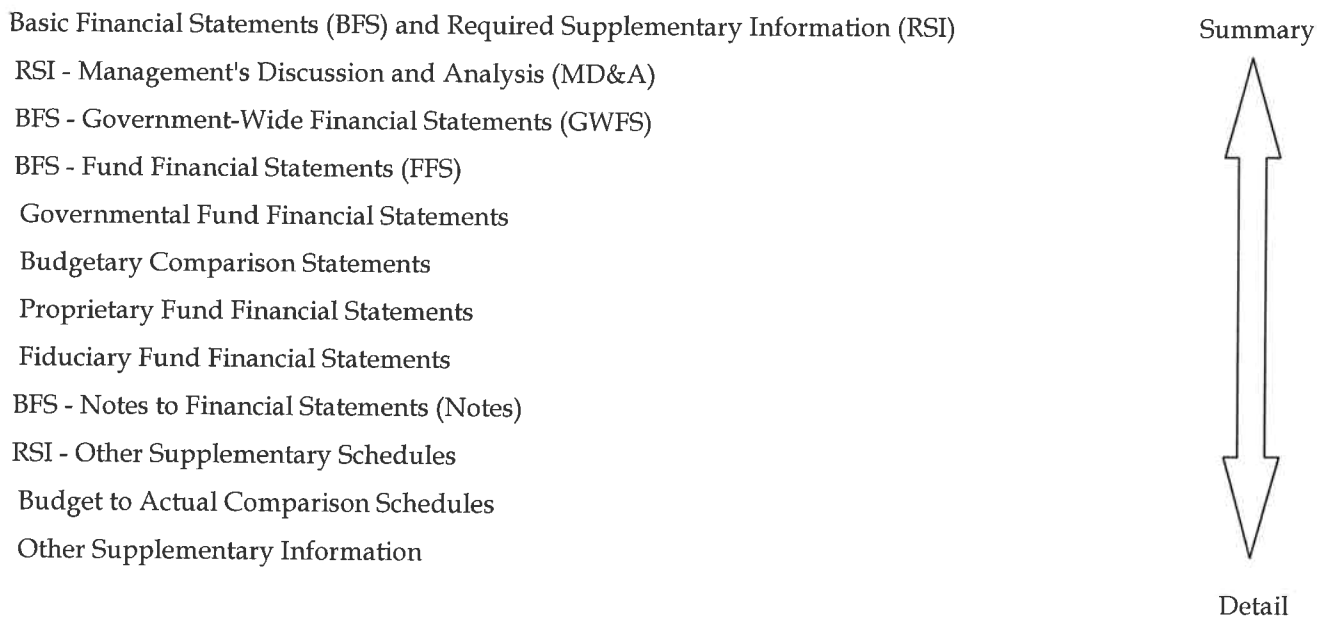


Figure 1. Level of Detail

**Basic Financial Statements**

Through the Government-Wide Financial Statements and the Fund Financial Statements, the Basic Financial Statements present two different views of the County. The Government-Wide Financial Statements provide both short-term and long-term information about the County's overall financial status. The Fund Financial Statements, however, focus exclusively on short-term information and provide more detail on the activities of the individual components of the County's operations. Following the Fund Financial Statements, the Notes to Financial Statements explain and add insight to the data contained in the Government-Wide Financial Statements and Fund Financial Statements.

**Government-Wide Financial Statements**

The Government-Wide Financial Statements comprise governmental activities and business-type activities. Governmental activities, which are financed primarily through property taxes, local sales taxes, and intergovernmental revenues, include the County's basic services such as education funding, emergency services, law enforcement provision, public health and social services. Business-type activities, which are financed through charges to customers, include only the County's solid waste collection and disposal services. This segregation of activities provides a summarized analysis of the cost of various governmental services and simplifies comparisons to other local government entities.

Government-Wide Financial Statements report the amount of net assets of the County at the end of the fiscal year and how the net assets have changed over the fiscal year. In both the Government-Wide Statement of Net Assets (see Exhibit II.C.1.a) and the Government-Wide Statement of Activities (see Exhibit II.C.1.b), the County has applied accounting methods similar to those used by for-profit entities. For example, certain revenues and expenses are reported although related cash flows will occur in future periods (see Exhibit II.C.2.b.i). By using such methods, these two government-wide reports provide us with a business-like overview of the County's finances and both short-term and long-term information about the County's financial status as a whole.

Net assets, computed similar to net worth, is the difference between the County's total assets (or possessions) and total liabilities (or debts). Measuring net assets is one way to assess the County's financial condition. Through the for-profit perspective, changes in the net assets from year to year help one determine whether the County's financial status is improving or deteriorating. Other additional financial and non-financial factors will also help one assess the overall financial health of the County.

## Fund Financial Statements

Whereas the Government-Wide Financial Statements comprise the consolidation of the County's governmental activities and business-type activities, the more familiar Fund Financial Statements provide much more detailed data about the County's individual funds. The Fund Financial Statements have four components:

1. Governmental Fund Financial Statements (Exhibits II.C.2.a, II.C.2.a.i, II.C.2.b, and II.C.2.b.i),
2. Budgetary Comparison Statements (Exhibits II.C.2.c and II.C.2.d),
3. Proprietary Fund Financial Statements (Exhibits II.C.2.e, II.C.2.f, and II.C.2.g), and
4. Fiduciary Fund Financial Statements (Exhibit II.C.2.h).

Like all other governmental entities in North Carolina, Cleveland County uses the fund concept to ensure and reflect compliance with finance-related legal requirements. Such requirements typically are derived from the North Carolina General Statutes, the Local Government Commission of North Carolina, the County's budget ordinance, or other parties interested in the County's finances. Also, Cleveland County uses fund accounting to control resources that are restricted in purpose and/or time. A fund is a grouping of assets and related debts that are used to maintain control over resources that have been segregated for specific activities or objectives. For an example, review the balance sheet of one or more funds in this report. (Find the larger individual funds, labeled as major funds, within the "Fund Financial Statements" part and the non-major funds within "Subsection D: Required Supplementary Information.")

*Governmental Fund Financial Statements* - Governmental funds are used to account for the same functions reported as governmental activities in the Government-Wide Financial Statements. The majority of the County's basic services are accounted for in governmental funds. Governmental funds are reported using an accounting method called "modified accrual basis of accounting." This method focuses on current financial resources. Therefore, governmental funds focus on what resources are left at year-end that will be available for spending in the next year. Accordingly, these funds measure the current financial position and changes in the current financial position. As a result, the Governmental Fund Financial Statements give readers a detailed short-term view that helps to determine whether working capital is sufficient to finance the County's programs. To aid the reader in gaining a long-term perspective, the relationship between governmental funds and governmental activities (reported in the Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities) is described in a reconciliation that is a part of the Governmental Fund Financial Statements.

*Budgetary Comparison Statements* - As required by North Carolina General Statutes Chapter 159, Cleveland County adopts an annual balanced budget ordinance, except where a project ordinance has been adopted, for each governmental fund. The process by which the budget ordinance becomes reality incorporates input from citizens, the Board of County Commissioners, and County management as to which services to provide and what resources will be used to fund the services provided. Cleveland County's budget and budgetary comparison statements are presented on the modified accrual basis of accounting. The budgetary comparison statements, provided for each major governmental fund for which an annual balanced budget ordinance is adopted, demonstrates by fund whether the County complied with the budget ordinance and how well the County performed in providing the services as planned when the budget was adopted. Each fund shown has 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; and
4. the difference or variance between the final budget and the actual resources and charges.

*Proprietary Fund Financial Statements* - Cleveland County uses one type of proprietary fund called the enterprise fund. The Fund Financial Statements of the enterprise fund are used to report more details of the same function, solid waste collection and disposal operations, that are presented as business-type activities in the Government-Wide Financial Statements. Since the activities accounted for in enterprise funds are similar to for-profit operations, enterprise funds use the full accrual basis of accounting rather than the modified accrual basis of accounting that is used by governmental funds. Therefore, enterprise funds and other types of proprietary funds provide both long-term and short-term financial information similar to that found in the Government-Wide Financial Statements.

*Fiduciary Fund Financial Statements* – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Cleveland County has numerous fiduciary funds, one of which is classified as a trust fund and the remaining fiduciary funds are classified as agency funds. Look for the Statement of Fiduciary Net Assets. Additional information on fiduciary funds can be found in “Subsection D: Required Supplementary Information.” Since fiduciary resources cannot be used to finance the County’s operations, fiduciary activities are not included in the Government-Wide Financial Statements.

### Notes to Financial Statements

The notes provide a summary of significant accounting policies and additional details that are essential to a full understanding of the data provided in the Government-Wide Financial Statements and the Fund Financial Statements. For example, certain schedules provide details concerning capital assets and other schedules provide various details on long-term obligations. Other details and schedules regarding various items are also found.

### Required Supplementary Information and Other Supplementary Information

These two subsections include certain information needed to discern Cleveland County’s current financial situation and its financial progress over recent years. The required supplementary information concerns, first, the County’s progress in funding its obligation to provide pension benefits to its law enforcement officers through the Law Enforcement Officers’ Special Separation Allowance (LEOSSA) and, second, more detailed results for each individual fund, both major and non-major funds. Additional supplementary information concerning the cash and investments, transfers between funds, and property taxes are also displayed to help reasonably estimate future progress.

### GOVERNMENT-WIDE FINANCIAL HIGHLIGHTS

With the changes in the financial statement reporting model mandated by the Government Accounting Standards Board (GASB), Cleveland County was required to add two Government-Wide Financial Statements and implement other changes for the fiscal year ended June 30, 2003. The two net statements focus on net assets and the changes in net assets. As noted earlier, net assets and the changes therein may serve as useful indicators of a government’s financial condition. The tables included herein contain data that allow opportunities for comparative analysis of the two most recent fiscal years. See Table 1 below. Additional comparisons can be found in Section III: Statistical and Trend Information.

Table 1. Condensed Statement of Net Assets

Category	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
	(amounts depicted in thousands of dollars)					
Current and other assets	\$ 45,924	\$ 45,106	\$ 14,618	\$ 13,276	\$ 60,542	\$ 58,382
Capital assets	72,999	69,435	5,575	5,298	78,574	74,733
<b>Total assets</b>	<b>118,923</b>	<b>114,541</b>	<b>20,193</b>	<b>18,574</b>	<b>139,116</b>	<b>133,115</b>
Current and other liabilities	4,109	4,631	115	29	4,224	4,660
Long-term liabilities	14,928	19,582	3,369	3,049	18,297	22,631
<b>Total liabilities</b>	<b>19,037</b>	<b>24,213</b>	<b>3,484</b>	<b>3,078</b>	<b>22,521</b>	<b>27,291</b>
Invested in capital assets, net	68,763	62,126	5,575	5,298	74,338	67,424
Restricted	10,298	8,020	-	-	10,298	8,020
Unrestricted	20,825	20,182	11,134	10,198	31,959	30,380
<b>Total net assets</b>	<b>\$ 99,886</b>	<b>\$ 90,328</b>	<b>\$ 16,709</b>	<b>\$ 15,496</b>	<b>\$ 116,595</b>	<b>\$ 105,824</b>



## Net Assets and Changes in Net Assets

In the fiscal year ended June 30, 2007, net assets increased by \$10,787,652 to \$116,595,109. Therefore, the County's overall financial condition continues to improve.

Net assets have three components, namely 1) unrestricted net assets, 2) restricted net assets, and 3) invested in capital assets, net of related debt. The figure given as the amount "invested in capital assets, net of related debt" reflects the County's costs of acquiring capital assets (e.g. land, buildings, equipment, and vehicles) less accumulated depreciation that is annually recognized as expenditures over the life of depreciable assets and any related debt still outstanding that was issued to acquire those items. Although the investment in 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. Since the County uses capital assets to provide services to citizens, the assets are not available for future spending.

Restricted net assets represent the portion of Cleveland County's resources that are subject to external restrictions on how they may be used. The remaining balance of net assets is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

Table 2. Condensed Statement of Activities

Category	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:	(amounts depicted in thousands of dollars)					
Program revenues						
Charges for services	\$ 20,454	\$ 19,454	\$ 4,927	\$ 5,049	\$ 25,381	\$ 24,503
Program grants & contributions	30,642	36,051	326	336	30,968	36,387
General revenues						
Property and other taxes	48,180	46,812	-	-	48,180	46,812
General grants & contributions	2,270	2,205	-	-	2,270	2,205
Investment earnings	1,529	1,106	703	471	2,232	1,577
<b>Total revenues</b>	<b>103,075</b>	<b>105,628</b>	<b>5,956</b>	<b>5,856</b>	<b>109,031</b>	<b>111,484</b>
Program expenses:						
General government	8,102	7,685	-	-	8,102	7,685
Public safety	18,573	18,635	-	-	18,573	18,635
Human services	38,399	36,663	-	-	38,399	36,663
Education	23,310	23,633	-	-	23,310	23,633
Economic and phys. development	3,528	1,635	-	-	3,528	1,635
Cultural	1,101	1,079	-	-	1,101	1,079
Solid waste	-	-	4,568	4,469	4,568	4,469
Interest on long-term liabilities	663	691	-	-	663	691
<b>Total expenses</b>	<b>93,676</b>	<b>90,021</b>	<b>4,568</b>	<b>4,469</b>	<b>98,244</b>	<b>94,490</b>
<b>Excess (deficiency) before transfers</b>	<b>9,399</b>	<b>15,607</b>	<b>1,388</b>	<b>1,387</b>	<b>10,787</b>	<b>16,994</b>
Transfers	175	143	(175)	(143)	-	-
<b>Change in net assets</b>	<b>9,574</b>	<b>15,750</b>	<b>1,213</b>	<b>1,244</b>	<b>10,787</b>	<b>16,994</b>
Net assets, beginning	90,312	74,562	15,496	14,252	105,808	88,814
Net assets, ending	<b>\$ 99,886</b>	<b>\$ 90,312</b>	<b>\$ 16,709</b>	<b>\$ 15,496</b>	<b>\$ 116,595</b>	<b>\$ 105,808</b>

Table 3. Condensed Statement of Activities (Percentages)

Category	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues						
Charges for services	19.84%	18.42%	82.72%	86.22%	23.28%	21.98%
Program grants & contributions	29.73%	34.13%	5.47%	5.74%	28.40%	32.64%
General revenues						
Property and other taxes	46.74%	44.32%	0.00%	0.00%	44.19%	41.99%
General grants & contributions	2.20%	2.09%	0.00%	0.00%	2.08%	1.98%
Investment earnings	1.48%	1.05%	11.80%	8.04%	2.05%	1.41%
<b>Total revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
Program expenses:						
General government	8.65%	8.54%	0.00%	0.00%	8.25%	8.13%
Public safety	19.83%	20.70%	0.00%	0.00%	18.90%	19.72%
Human services	40.99%	40.73%	0.00%	0.00%	39.09%	38.80%
Education	24.88%	26.25%	0.00%	0.00%	23.73%	25.01%
Economic and phys. development	3.77%	1.82%	0.00%	0.00%	3.59%	1.73%
Cultural	1.18%	1.20%	0.00%	0.00%	1.12%	1.14%
Solid waste	0.00%	0.00%	100.00%	100.00%	4.65%	4.73%
Interest on long-term liabilities	0.71%	0.77%	0.00%	0.00%	0.67%	0.73%
<b>Total expenses</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Unrestricted net assets have been reduced by the outstanding bonded debt used to finance construction of school buildings. Since school buildings are titled to the school board, these assets are not recorded as the County's capital assets. As the principal of such debt increases or decreases, unrestricted net assets will decrease or increase, respectively. As a matter of fact, one of the primary positive influences on the County's total unrestricted governmental net assets resulted from meeting debt service requirements of existing debt that was used to finance construction of school buildings (\$1,683,691).

Of total revenues, about 44.19% stems from property and other taxes. Of total expenses, about 39.09% is spent toward human service programs. To summarize, the County's total revenues are about \$109.0 million and total expenses are about \$98.2 for the year ended June 30, 2007, adding about \$10.8 million to the total net assets of the County.

### Governmental Activities

Governmental activities increased the County's net assets by \$9,573,754, thereby accounting for 88.7% of the total growth in the net assets of Cleveland County. See both Table 2 and Table 3 above. Key elements of this increase are as follows:

- Use of conservative spending habits and adhering to conservative estimates of appropriations. Whereas charges for services and direct program grants and contributions amounts to 54.5% percent of expenses, general property taxes amounts to another 37.7% of expenses, local option sales tax amounts to 12.8% of expenses, and other general revenues amount to 5.2% of expenses. Total revenues amounted to 110.2% of expenses.
- Acquisition of capitalized assets, such as land, buildings, equipment, and building improvements, funded by grants and contributions. Total capital assets, before depreciation, increased by \$6,300,097 during the year. Part of this increase was offset by the increase of \$2,736,815 in accumulated depreciation.
- Successful efforts to increase collection of both current and delinquent property taxes and other accounts.

## Business-Type Activities

Business-type activities increased Cleveland County's net assets by \$1,213,898, which accounts for 11.3% of the total growth in the government's net assets. See both Table 2 and Table 3 above. Key elements of this increase are as follows:

- Use of conservative spending habits and adhering to conservative estimates of appropriations. Total revenues amounted to 126.6% of expenses.
- Revenue generated from an agreement to discard debris created by a major manufacturer.

Due to the nature of the landfill business, we intend to continue to build cash reserves. Generally, increases in assets begets increases in net assets. A large amount of cash reserves is needed to fund the construction of additional landfill cells. One new cell will be constructed during the fiscal year ending June 30, 2008.

## FUND HIGHLIGHTS

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

**Governmental Funds.** The focus of Cleveland County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Cleveland County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. Also, as a measure of a fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. And, the North Carolina Local Government Commission recommends that local governments maintain an undesignated fund balance of at least 8% of expenditures in the General Fund.

Further, reservations and designations of fund balance for special purposes have not had a significant affect on the availability of fund resources for future use. Reserved and designated resources are typically restricted to a specific use and not a specific time period. However, some restricted resources do not promise a continuing revenue stream to support ongoing operations since the restricted resources were provided solely to complete a specific project. Such resources may be eventually depleted.

On June 30, 2007, the County reported \$38,539,642 as the combined fund balance of all governmental funds. The total increase in the combined fund balance of all governmental funds of \$1,402,021 may be attributed to various causes. Primarily, the reason for this increase results from the accumulation of resources to fund future projects and to fund the purchase of planned assets. Due to this accumulation, the Schools Capital Reserve Fund has become a major fund for the year ended June 30, 2007.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$21,182,508, while total fund balance reached \$29,020,411. The total decrease in the fund balance of the General Fund of \$499,154 is primarily attributed to two large incentive grants used to attract two new businesses to the County, which was partially offset by conservative estimates of revenues and expenditures. In the General Fund, actual revenues exceeded budget by nearly \$2.66 million and actual expenditures were less than budget by over \$3.72 million. Unreserved fund balance represents 27.0% of total General Fund expenditures, while total fund balance represents 37.1% of that same amount, amounts generally consistent with the prior year.

**Proprietary Funds.** Cleveland County's sole proprietary fund, an enterprise fund, provides the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Solid Waste Collection and Disposal Fund at the end of the fiscal year amounted to \$11,134,022. The growth in total net assets for this fund was \$1,213,898. Factors concerning the finances of this sole enterprise fund have already been addressed in the discussion of Cleveland County's business-type activities.

## BUDGETARY HIGHLIGHTS

During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of four 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 continue incomplete projects from the prior fiscal year; 3) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 4) increases in appropriations that become necessary to maintain services. And, the Commissioners have granted the County Manager authority to carry-forward unspent donations and other designated proceeds for which budget was approved by the Commissioners in a prior year but some expenditures have not yet occurred. See Table 4 and Table 5 following the discussion below.

**General Fund:** Total amendments to the General Fund increased budgeted revenues by \$2,462,370 and appropriations of fund balance by \$2,783,964. The primary reason for the increases was to carry-forward unspent grant awards and accept new grants for the purchase of various supplies, equipment, and services. Also, a portion of the increases was to recognize and make available transfers to the Capital Projects Fund and to the Capital Reserve Fund related to the purchase and renovation of buildings and other property. As noted earlier, a large portion of this increase was due to two new incentive grants awarded to attract businesses to the County.

**Enterprise Fund.** Total amendments to the Solid Waste Collection and Disposal Fund increased revenues and expenditures by \$681,442 primarily to account for an erosion control project (\$360,100) near a stream next to the Landfill and to account for the purchase of equipment not included in the original budget.

**Non-major Funds.** Total amendments to non-major funds include the carry-forward budget of incomplete special projects (budget for items already spent also forwarded) and carry-forward budget of uncollected property taxes from prior years for the County-wide public schools district (collected taxes could not be distributed without sufficient budget).

In addition, two special revenue funds are budgeted by project ordinance instead of the annual budget ordinance. The two funds are the Cleveland Community College Bond Fund and the Community Development Fund. The County budgeted \$426,189 in the Cleveland Community College Bond Fund and \$349,883 in the Community Development Fund. Since these funds are not included in the original adopted budget, all budgeted expenditures within these funds are shown as budget amendments.

Total amendments to the Capital Projects Fund and Capital Reserve Fund increased revenues and expenditures primarily to account for increases in transfers from the General Fund and increases in appropriations of fund balance related to the purchase and renovation of buildings and other property both now and in future years.

Table 4. Schedule of Budget Amendments

Fund	Original Adopted Budget	Amendments to Budget	Final Amended Budget
General Fund	\$ 77,540,775	\$ 4,497,352	\$ 82,038,127
Enterprise Fund	9,688,867	681,442	10,370,309
Non-major Funds	16,744,282	11,749,310	28,493,592
<b>Totals</b>	<b>\$ 103,973,924</b>	<b>\$ 16,928,104</b>	<b>\$ 120,902,028</b>

Table 5. Schedule of Budget Amendments (Percentages)

Fund	Original Adopted Budget	Amendments to Budget	Final Amended Budget
General Fund	74.58%	26.57%	67.86%
Schools Capital Reserve Fund	0.00%	0.00%	0.00%
Enterprise Fund	9.32%	4.03%	8.58%
Non-major Funds	16.10%	69.41%	23.57%
<b>Totals</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

### CAPITAL ASSET AND LONG-TERM DEBT HIGHLIGHTS

**Capital assets.** Cleveland County's capital assets for its governmental and business-type activities as of June 30, 2007 totals \$78,573,980 (net of accumulated depreciation). These assets include construction in progress, equipment and vehicles, buildings, land, improvements to both land and buildings, leasehold improvements, and infrastructure items. Major capital asset transactions during the year include:

- Increase in accumulated depreciation, including depreciation expense of \$4,005,171 and elimination of \$627,494 (\$3,377,677 decrease to reported capital assets).
- Acquisition of capital assets other than equipment and vehicles through the purchase, major renovation, or received donation of land and buildings (\$6,470,130 increase)
- Acquisition of new equipment and vehicles (\$1,670,352 increase).
- Retirement and subsequent disposal of items sold, traded-in, made obsolete by newer equipment, or otherwise properly disposed (\$922,368 decrease).

Table 6. Statement of Capital Assets, net of Accumulated Depreciation

Category	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
	(amounts depicted in thousands of dollars)					
Land and land improvements	\$ 7,729	\$ 7,619	\$ 1,614	\$ 1,614	\$ 9,343	\$ 9,233
Construction in progress	132	2	823	511	955	513
Buildings and improvements	60,025	56,714	317	327	60,342	57,041
Equipment (including vehicles)	3,455	3,711	1,079	828	4,534	4,539
Leasehold improvements	292	306	11	12	303	318
Infrastructure	1,366	1,083	1,731	2,006	3,097	3,089
<b>Total capital assets, net</b>	<b>\$ 72,999</b>	<b>\$ 69,435</b>	<b>\$ 5,575</b>	<b>\$ 5,298</b>	<b>\$ 78,574</b>	<b>\$ 74,733</b>

The County's investments in capital assets increased 6.5% from the previous year. Additional information on the County's capital assets can be found in the Notes to Financial Statements, see Note 1.E. and Note 3.A.

**Long-term Debt.** As of June 30, 2006, Cleveland County had total bonded debt outstanding of \$16,558,287 all of which is debt backed by the full faith and credit of the County. As of June 30, 2007, the total outstanding bonded debt had been reduced to \$11,666,458. Cleveland County's total bonded debt decreased by \$4,891,829 (29.5%) during the past fiscal year. During the year, the County met all normal debt service requirements.

In 2003, when the County last issued debt by refinancing an existing general obligation bond issue, both Standard & Poor's and Fitch, Inc. reaffirmed the County's A bond ratings. The North Carolina Municipal Council issued a score of 83 out of 100 possible points.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. Virtually none of the state's 100 counties have issued debt of more than 2.5% of the total assessed value. The legal debt margin for Cleveland County is \$451,035,931. See Subsection III.C for more information on the calculation of the legal debt margin and other information concerning long-term debt. Additional information regarding the County's long-term obligations can be found in the Notes to Financial Statements, see Note a.D.8 and Note b.B.7.

## ECONOMIC HIGHLIGHTS AND OTHER IMPORTANT FACTS

The area's higher than average unemployment rate has not significantly affected the County's revenues. However, major expenditure items such as the County share of Medicaid and other public assistance programs continues to rise substantially. The Cleveland County Board of Commissioners lowered the tax rates for fiscal year 2005 in the County-wide general district, County-wide school district, and County fire district, from a combined 81 cents per \$100 in assessed property value to 76 cents per \$100 in assessed property value, to help offset the increase in assessed property values due to a revaluation of property values. The County's current cycle is to conduct property revaluations every four years.

Total County budget decreased by 2.41% from the prior year, primarily due to the absence of the budget of \$6,153,000 for construction of a new landfill that was included in last year's budget. Absence the new budget for construction of a new landfill, the County budget would have grown by 3.61%. For a look at the County's adopted budget for fiscal year 2008, please review Table 7 at the end of this subsection.

**Governmental Activities:** Property taxes, revenues from local option sales taxes, and revenues from ambulance services are projected to lead the increase in revenues. Overall estimated revenues increase by 4.35% in the General Fund. The County will use these increases in revenues to finance programs currently in place.

Budgeted appropriations (excluding intergovernmental transfers) in the General Fund rose to \$81,097,311 partially due to normal increases in employee compensation, including funding compensation and benefits adjustments, and other planned expenditures. A large part of the increase is also attributed to increasing costs of doing business in the Health Department and the Employee Wellness Program overseen by the Health Department. Further, the Employee Wellness Program is funded primarily through premiums for health insurance set aside by the County.

**Business - type Activities:** General operating expenses will increase by 0.06%. Although personnel costs, costs of material, supplies, fuel, and other operating expenses continue to rise, a decrease in the equipment budget occurred after the unanticipated purchase of one large heavy truck during the fiscal year ended June 30, 2007. The total budget decreased because the prior appropriation included \$6,153,000 to formally begin construction on a new landfill. This amount is not included in the appropriation for fiscal year 2008. Instead, a new budget of \$412,000 is included for the renovation of an existing building on Landfill property.

## REQUESTS FOR ADDITIONAL FACTS

For those with an interest, the remainder of this annual financial report provides a more detailed overview of the County's finances. For additional information or answers to questions concerning any of the information found in this report, please visit <http://www.ccncgov/FinanceD/index.html> or address your request to:

County Finance Director  
Cleveland County Finance Department  
Post Office Box 1210  
Shelby, North Carolina 28151-1210

Table 7. FY 2008 Original Adopted Revenue Budget by Fund Classification

DESCRIPTION	FY 2007 BUDGET ORDINANCE	FY 2008 BUDGET ORDINANCE	AMOUNT CHANGE	% CHANGE
<b><u>GENERAL FUND CLASSIFICATION:</u></b>				
Primary Government Services	57,087,419	59,194,091	2,106,672	3.69%
Social Services and Public Assistance	27,661,586	28,661,228	999,642	3.61%
Public Health	9,869,427	10,707,370	837,943	8.49%
Employee Wellness	750,615	784,209	33,594	4.48%
Court Facilities	339,334	347,335	8,001	2.36%
Workers Compensation	375,000	375,000	-	0.00%
Health / Dental Insurance	554,615	629,209	74,594	13.45%
SUBTOTAL:	96,637,996	100,698,442	4,060,446	4.20%
<i>LESS INTERFUND TRANSFERS IN:</i>	(19,393,698)	(20,096,405)	(702,707)	3.62%
TOTAL:	77,244,298	80,602,037	3,357,739	4.35%
<b><u>SPECIAL REVENUE FUND CLASSIFICATION:</u></b>				
Public Schools District	8,424,000	8,676,000	252,000	2.99%
Schools Capital Reserve	3,168,595	3,157,592	(11,003)	-0.35%
Property Revaluation	23,900	25,800	1,900	7.95%
Emergency Telephone (E911)	411,274	382,984	(28,290)	-6.88%
County Fire Service District	1,432,890	1,194,891	(237,999)	-16.61%
SUBTOTAL:	13,460,659	13,437,267	(23,392)	-0.17%
<i>LESS INTERFUND TRANSFERS IN:</i>	-	(11,000)	(11,000)	0.00%
TOTAL:	13,460,659	13,426,267	(34,392)	-0.26%
<b><u>DEBT SERVICE FUND CLASSIFICATION:</u></b>				
SUBTOTAL:	5,436,265	5,143,429		
<i>LESS INTERFUND TRANSFERS:</i>	(3,031,165)	(2,877,429)	153,736	-5.07%
TOTAL:	2,405,100	2,266,000	(139,100)	-5.78%
<b><u>CAPITAL PROJECT FUND CLASSIFICATION:</u></b>				
Capital Projects	1,175,000	1,175,000	-	0.00%
Capital Reserve	1,175,000	1,175,000	-	0.00%
SUBTOTAL:	2,350,000	2,350,000	-	0.00%
<i>LESS INTERFUND TRANSFERS IN:</i>	(1,175,000)	(1,175,000)	-	0.00%
TOTAL:	1,175,000	1,175,000	-	0.00%
<b><u>ENTERPRISE FUND CLASSIFICATION:</u></b>				
Solid Waste Capital Projects	6,153,000	412,000	(5,741,000)	100.00%
Solid Waste Disposal	3,718,193	3,644,550	(73,643)	-1.98%
Solid Waste Collections	1,654,879	1,731,873	76,994	4.65%
SUBTOTAL:	11,526,072	5,788,423	(5,737,649)	-49.78%
SUBTOTAL:	129,410,992	127,417,561	(1,993,431)	-1.54%
<i>LESS INTERFUND TRANSFERS IN</i>	(23,599,863)	(24,159,834)	(559,971)	2.37%
TOTAL:	105,811,129	103,257,727	(2,553,402)	-2.41%

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**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
**For the Year Ended June 30, 2007**  
**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**C. Basic Financial Statements (includes Notes to Financial Statements)**

	<u>Identifier</u>	<u>Page No.</u>
1. Government-Wide Financial Statements	Part II.C.1	34
2. Fund Financial Statements	Part II.C.2	39
3. Notes to Financial Statements	Part II.C.3	50

The Basic Financial Statements provide a dual perspective summary overview of the financial position and operating results of the government as a whole (government-wide financial statements) and of all funds (fund financial statements). They also serve as a condensed introduction to the more detailed statements and schedules that follow. And, the "Notes to the Financial Statements" are an integral part of these exhibits.

**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
**For the Year Ended June 30, 2007**  
**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**C. Basic Financial Statements (includes Notes to Financial Statements)**  
**1. Government-Wide Financial Statements**

	<u>Identifier</u>	<u>Page No.</u>
a. Government-Wide Statement of Net Assets	Exhibit II.C.1.a	35
b. Government-Wide Statement of Activities	Exhibit II.C.1.b	36

Cleveland County, North Carolina  
a. Government-Wide Statement of Net Assets

June 30, 2007

With Comparative Totals as of June 30, 2006

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2007	2006
<b>ASSETS</b>				
Cash and cash equivalents	\$ 34,019,660	\$ 10,945,590	\$ 44,965,250	\$ 43,761,315
Taxes receivable, net	2,827,605	-	2,827,605	2,753,561
Accounts receivable, net	8,220,120	401,220	8,621,340	8,046,658
Inventories	168,177	-	168,177	139,599
Prepaid items	196,714	1,923	198,637	70,148
Restricted cash	-	3,269,213	3,269,213	2,952,289
Deferred charges - issuance costs	32,290	-	32,290	43,336
Deferred charges - refunding	459,491	-	459,491	614,674
Capital assets				
Land and construction in progress	7,860,681	2,437,261	10,297,942	9,746,734
Other capital assets, net of accumulated depreciation	65,137,881	3,138,158	68,276,039	64,986,810
Total capital assets	72,998,562	5,575,419	78,573,981	74,733,544
<b>Total Assets</b>	<b>\$ 118,922,619</b>	<b>\$ 20,193,365</b>	<b>\$ 139,115,984</b>	<b>\$ 133,115,124</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 2,591,645	\$ 112,450	\$ 2,704,095	\$ 2,747,533
Unearned revenues	1,261,325	2,682	1,264,007	1,578,904
Accrued interest payable	45,634	-	45,634	48,681
Due to other taxing units	203,122	-	203,122	226,479
Premium on bond issuance	7,566	-	7,566	59,319
Long-term liabilities				
Current portion of long-term liabilities	5,903,120	35,971	5,939,091	6,225,195
Noncurrent portion of long-term liabilities	9,024,538	3,332,821	12,357,359	16,421,556
Total Long-term liabilities	14,927,658	3,368,792	18,296,450	22,646,751
<b>Total Liabilities</b>	<b>\$ 19,036,950</b>	<b>\$ 3,483,924</b>	<b>\$ 22,520,874</b>	<b>\$ 27,307,667</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 68,762,375	\$ 5,575,419	\$ 74,337,794	\$ 67,424,937
Restricted net assets:				
Education	4,960,626	-	4,960,626	2,863,382
Human Services	2,856,899	-	2,856,899	2,523,149
Public Safety	2,237,765	-	2,237,765	2,379,065
Other purposes	242,972	-	242,972	254,167
Total restricted net assets	10,298,262	-	10,298,262	8,019,763
Unrestricted net assets	20,825,032	11,134,022	31,959,054	30,362,757
<b>Total Net Assets</b>	<b>\$ 99,885,669</b>	<b>\$ 16,709,441</b>	<b>\$ 116,595,110</b>	<b>\$ 105,807,457</b>

The "Notes to Financial Statements" are an integral part of this exhibit.

Cleveland County, North Carolina  
b. Government-Wide Statement of Activities

(continued on next page)

For the Year Ended June 30, 2007  
With Comparative Totals as of June 30, 2006

PRIMARY GOVERNMENT FUNCTIONS / PROGRAMS	Expenses	Program Revenues			Net program revenues (expenses)
		Charges for services	Operating grants and contributions	Capital grants and contributions	
<b>EXPENSES, PROGRAM REVENUES, AND NET RESULTS</b>					
<b>Governmental activities:</b>					
General government	\$ (8,102,560)	\$ 2,429,620	\$ 827,817	\$ 50,373	\$ (4,794,750)
Public safety	(18,572,762)	4,413,692	2,035,114	88,538	(12,035,418)
Human services	(38,398,880)	4,407,313	16,411,564	5,153,258	(12,426,745)
Education	(23,309,846)	9,091,504	24,458	5,359,018	(8,834,866)
Economic and physical development	(3,527,997)	81,421	302,598	4,226	(3,139,752)
Cultural and recreational	(1,101,380)	29,949	251,214	-	(820,217)
Interest on long-term liabilities	(662,667)	-	134,100	-	(528,567)
<b>Subtotal governmental activities</b>	<b>(93,676,092)</b>	<b>20,453,499</b>	<b>19,986,865</b>	<b>10,655,413</b>	<b>(42,580,315)</b>
<b>Business-type activities</b>					
Solid Waste Collection and Disposal	(4,567,905)	4,927,433	326,760	-	686,288
<b>Total primary government</b>	<b>\$ (98,243,997)</b>	<b>\$ 25,380,932</b>	<b>\$ 20,313,625</b>	<b>\$ 10,655,413</b>	<b>\$ (41,894,027)</b>

The "Notes to Financial Statements" are an integral part of this exhibit.

(continued from previous page)

PRIMARY GOVERNMENT FUNCTIONS / PROGRAMS	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2007	2006
<b>NET PROGRAM REVENUES (EXPENSES)--FROM PRIOR PAGE</b>				
<b>Governmental activities:</b>				
General government	\$ (4,794,750)	\$ -	\$ (4,794,750)	\$ (3,925,691)
Public safety	(12,035,418)	-	(12,035,418)	(12,433,735)
Human services	(12,426,745)	-	(12,426,745)	(9,091,838)
Education	(8,834,866)	-	(8,834,866)	(10,405,730)
Economic and physical development	(3,139,752)	-	(3,139,752)	(147,758)
Cultural and recreational	(820,217)	-	(820,217)	1,989,570
Interest on long-term liabilities	(528,567)	-	(528,567)	(501,598)
<b>Subtotal governmental activities</b>	<b>(42,580,315)</b>	<b>-</b>	<b>(42,580,315)</b>	<b>(34,516,780)</b>
<b>Business-type activities</b>				
Solid Waste Collection and Disposal	-	686,288	686,288	915,619
<b>Total primary government</b>	<b>(42,580,315)</b>	<b>686,288</b>	<b>(41,894,027)</b>	<b>(33,601,161)</b>
<b>GENERAL REVENUES AND TRANSFERS:</b>				
Property taxes	35,297,651	-	35,297,651	34,646,125
Local option sales taxes	12,037,091	-	12,037,091	11,372,497
Other taxes and licenses	844,704	-	844,704	793,545
Grants and contributions, general	2,270,000	-	2,270,000	2,205,000
Investment earnings, general	1,529,276	702,957	2,232,233	1,577,171
Miscellaneous revenues, general	-	-	-	-
Transfers:	175,347	(175,347)	-	-
<b>Total general revenues and transfers</b>	<b>52,154,069</b>	<b>527,610</b>	<b>52,681,679</b>	<b>50,594,338</b>
<b>CHANGE IN NET ASSETS</b>	<b>9,573,754</b>	<b>1,213,898</b>	<b>10,787,652</b>	<b>16,993,177</b>
<b>Net assets -- beginning</b>	<b>90,311,915</b>	<b>15,495,542</b>	<b>105,807,457</b>	<b>88,814,280</b>
<b>Net assets -- ending</b>	<b>\$ 99,885,669</b>	<b>\$ 16,709,440</b>	<b>\$ 116,595,109</b>	<b>\$ 105,807,457</b>

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**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
**For the Year Ended June 30, 2007**  
**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**C. Basic Financial Statements (includes Notes to Financial Statements)**  
**2. Fund Financial Statements**

	<u>Identifier</u>	<u>Page No.</u>
a. Governmental Funds: Balance Sheet	Exhibit II.C.2.a	40
a.i. Reconciliation of the 'Governmental Funds: Balance Sheet' to the 'Government-Wide Statement of Net Assets'	Exhibit II.C.2.a.i	41
b. Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.C.2.b	42
b.i. Reconciliation of the 'Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances' to the 'Government-Wide Statement of Activities'	Exhibit II.C.2.b.i	43
c. General Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.c	44
d. Schools Capital Reserve Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.d	45
e. Enterprise Fund: Statement of Fund Net Assets	Exhibit II.C.2.e	46
f. Enterprise Fund: Statement of Revenues, Expenses, and Changes in Fund Net Assets	Exhibit II.C.2.f	47
g. Enterprise Fund: Statement of Cash Flows	Exhibit II.C.2.g	48
h. Fiduciary Funds: Statement of Fiduciary Net Assets	Exhibit II.C.2.h	49

Cleveland County, North Carolina  
a. Governmental Funds: Balance Sheet

(continued on next page)

June 30, 2007

With Comparative Totals as of June 30, 2006

	Governmental Funds				
	General	Schools Capital Reserve	Other Non-major Funds	Totals	
				2007	2006
<b>ASSETS</b>					
Cash and cash equivalents	\$ 25,701,306	\$ 4,479,445	\$ 3,838,909	\$ 34,019,660	\$ 33,970,589
Taxes receivable, net	1,955,856	-	552,778	2,508,634	2,464,868
Accounts receivable, net	7,209,403	877,968	132,749	8,220,120	7,514,240
Due from other governmental funds	112	103,691	307,991	411,794	135,651
Inventories	168,177	-	-	168,177	139,599
Prepaid items	196,564	-	150	196,714	70,023
<b>Total assets</b>	<b>\$ 35,231,418</b>	<b>\$ 5,461,104</b>	<b>\$ 4,832,577</b>	<b>\$ 45,525,099</b>	<b>\$ 44,294,970</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 2,431,502	\$ -	\$ 151,403	\$ 2,582,905	\$ 2,685,416
Contract retainage	-	-	8,740	8,740	37,105
Unearned revenues	1,199,908	-	61,417	1,261,325	1,574,465
Deferred revenues	1,964,793	-	552,778	2,517,571	2,498,233
Due to other governmental funds	411,682	-	112	411,794	135,651
Due to other taxing units	203,122	-	-	203,122	226,479
<b>Total liabilities</b>	<b>6,211,007</b>	<b>-</b>	<b>774,450</b>	<b>6,985,457</b>	<b>7,157,349</b>
<b>Fund balances</b>					
<b>Reserved fund balance:</b>					
Encumbrances	257,463	-	62,034	319,497	193,637
Inventories	168,177	-	-	168,177	139,599
Prepaid items	196,564	-	150	196,714	70,023
Register of deeds	14,834	-	-	14,834	21,361
State Statute	7,200,865	981,659	150,086	8,332,610	7,537,036
<b>Unreserved designated fund balance:</b>					
for future insurance claims	1,591,412	-	-	1,591,412	1,711,492
for subsequent year's expenditures	2,729,017	-	1,189,800	3,918,817	4,565,169
<b>Unreserved undesignated fund balance:</b>					
Non-major Special Revenue funds	16,862,079	4,479,445	-	21,341,524	18,317,211
Non-major Capital Projects funds	-	-	2,656,057	2,656,057	4,111,559
Non-major Capital Projects funds	-	-	-	-	470,534
<b>Total fund balances</b>	<b>29,020,411</b>	<b>5,461,104</b>	<b>4,058,127</b>	<b>38,539,642</b>	<b>37,137,621</b>
<b>Total liabilities and fund balances</b>	<b>\$ 35,231,418</b>	<b>\$ 5,461,104</b>	<b>\$ 4,832,577</b>	<b>\$ 45,525,099</b>	<b>\$ 44,294,970</b>

The "Notes to Financial Statements" are an integral part of this exhibit.

See 'Exhibit II.C.2.a.i' for a list of items that differ in treatment between the governmental activities column on the government-wide statement and totals for governmental funds on this statement.



Cleveland County, North Carolina

a.i. Reconciliation of the 'Governmental Funds: Balance Sheet' to the 'Government-Wide Statement of Net Assets'

(continued from previous page)

June 30, 2007

With Comparative Totals as of June 30, 2006

	2007	2006
Total fund balances of governmental funds	\$ 38,539,642	\$ 37,137,621
<p>The amount reported as total net assets of governmental activities in the Government-Wide Statement of Net Assets (Exhibit II.C.1.a) differs from the amount reported as total fund balances of governmental funds on the Governmental Funds: Balance Sheet (Exhibit II.C.2.a) due to the use of different measurement foci and bases of accounting, specifically relating to the following reasons:</p>		
1. Interest and penalties on overdue receivables are recognized as revenues when payment is received in the governmental funds, whereas an accrued receivable (asset), net of an allowance for uncollectible interest and penalties, is recognized on the Statement of Net Assets. The accrued receivable (asset) balance is:	318,971	288,693
2. Since the County refinanced existing debt in March 2003, the difference between the old and new debt on the Statement of Net Assets will be amortized over the remaining life of the new debt (or, if shorter, the remaining life of the old debt). The unamortized balance	484,215	598,691
3. Governmental funds report expenditures for items that are treated as additions to capital assets on the Statement of Net Assets. Total capital assets before accumulated depreciation is:	106,330,087	100,029,990
4. Instead, the cost of capital assets is allocated to depreciation expense over the estimated useful life of the items and reported on the Statement of Activities. Total accumulated depreciation is:	(33,331,525)	(30,594,710)
5. Whereas governmental funds record a deferred revenue (liability) for uncollected receivables because the monies are not available, uncollected receivables are recognized as revenues on the Statement of Activities when the monies are earned. The deferred revenue balance is:	2,517,571	2,498,233
6. Interest on long-term liabilities is recognized as an expenditure when due in the governmental funds, whereas accrued expense (liability) is recognized on the Statement of Net Assets. The accrued interest payable balance is:	(45,634)	(48,681)
7. Long-term liabilities that are not due and payable in the current period are not recognized as fund liabilities of governmental funds. Principal reductions are recognized as expenditures in the period that the payment is made rather than reductions in the liability that is reflected on the Statement of Net Assets.	(14,927,658)	(19,597,922)
Total net assets of governmental activities	<u>\$ 99,885,669</u>	<u>\$ 90,311,915</u>

The "Notes to Financial Statements" are an integral part of this exhibit.

## Cleveland County, North Carolina

## b. Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances

(continued on next page)

For the Year Ended June 30, 2007

With Comparative Totals as of June 30, 2006

	Governmental Funds				
	General	Schools Capital Reserve	Other Non-major Funds	Totals	
				2007	2006
<b>REVENUES</b>					
Ad valorem taxes	\$ 35,217,319	\$ -	\$ 9,876,069	\$ 45,093,388	\$ 44,483,730
Other taxes	12,881,974	3,467,859	746,503	17,096,336	16,123,160
Unrestricted intergovernmental revenues	101,559	-	-	101,559	112,949
Restricted intergovernmental revenues	18,294,363	1,626,074	2,793,371	22,713,808	20,599,720
Licenses, fees, and permits	1,139,917	-	-	1,139,917	1,174,717
Sales and services	8,351,036	-	-	8,351,036	8,351,003
Investment earnings	1,538,052	265,085	197,637	2,000,774	1,366,276
Miscellaneous	630,573	-	12,196	642,769	1,021,584
<b>Total revenues</b>	<b>78,154,793</b>	<b>5,359,018</b>	<b>13,625,776</b>	<b>97,139,587</b>	<b>93,233,139</b>
<b>EXPENDITURES</b>					
General government	8,019,607	-	-	8,019,607	7,852,209
Public safety	15,324,893	-	2,193,680	17,518,573	18,113,744
Human services	36,526,688	-	469,106	36,995,794	35,250,454
Education	10,868,342	-	9,091,504	19,959,846	19,841,118
Economic and physical development	3,234,068	-	358,128	3,592,196	1,676,751
Cultural and recreational	971,465	-	-	971,465	1,295,403
Schools capital outlay	3,300,000	-	50,000	3,350,000	3,792,372
Debt service, principal reduction	62,365	-	4,891,829	4,954,194	4,945,263
Debt service, interest and fees	7,730	-	543,508	551,238	690,823
<b>Total expenditures</b>	<b>78,315,158</b>	<b>-</b>	<b>17,597,755</b>	<b>95,912,913</b>	<b>93,458,137</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(160,365)</b>	<b>5,359,018</b>	<b>(3,971,979)</b>	<b>1,226,674</b>	<b>(224,998)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,475,347	-	4,597,111	6,072,458	6,432,728
Transfers out	(1,814,136)	(3,168,595)	(914,380)	(5,897,111)	(6,289,944)
<b>Total other financing sources (uses)</b>	<b>(338,789)</b>	<b>(3,168,595)</b>	<b>3,682,731</b>	<b>175,347</b>	<b>142,784</b>
<b>Net change in fund balances</b>	<b>(499,154)</b>	<b>2,190,423</b>	<b>(289,248)</b>	<b>1,402,021</b>	<b>(82,214)</b>
<b>FUND BALANCES</b>					
Beginning fund balances	29,519,565	3,270,681	4,347,375	37,137,621	37,219,835
Ending fund balances	\$ 29,020,411	\$ 5,461,104	\$ 4,058,127	\$ 38,539,642	\$ 37,137,621

The "Notes to Financial Statements" are an integral part of this exhibit.

See 'Exhibit II.C.2.b.i' for a list of items that differ in treatment between the governmental activities column on the government-wide statement and totals for governmental funds on this statement.

Cleveland County, North Carolina

b.i. Reconciliation of the 'Governmental Funds: Statement of Revenues,  
Expenditures, and Changes in Fund Balances' to the 'Government-Wide  
Statement of Activities'

(continued from previous page)

For the Year Ended June 30, 2007

With Comparative Totals as of June 30, 2006

	2007	2006
Net change in fund balances of governmental funds	\$ 1,402,021	\$ (82,214)
<p>The amount reported as net change in net assets of governmental activities in the Government-Wide Statement of Activities (Exhibit II.C.1.b) differs from the amount reported as net change in fund balances of governmental funds on the Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit II.C.2.b) due to the use of different measurement foci and bases of accounting, specifically relating to the following reasons:</p>		
1. Whereas all cash proceeds from the disposal of capital assets are recognized as revenues in governmental funds, both cash and non-cash gains and losses from the disposal of a capital asset are recorded on the Statement of Net Assets. Net gains (losses) are:	4,972,656	10,249,822
2. Governmental funds report expenditures for items that are treated as additions to capital assets on the Statement of Net Assets. The current year's expenditures are:	1,973,648	4,360,603
3. Instead, the cost of capital assets is allocated to depreciation expenses over the estimated useful life of the items and reported on the Statement of Activities. The current year's depreciation expenses are:	(3,383,022)	(2,968,508)
4. Accrued payables for compensated absences are recognized as expenditures when paid in governmental funds. The net decrease (increase) in accrued payables from prior year is recognized as prior (current) expenses.	(300,341)	(334,692)
5. Whereas governmental funds record a deferred revenue (liability) for uncollected receivables because the monies are not available, uncollected receivables are recognized as revenues on the Statement of Activities when the monies are earned. The net increase (decrease) in deferred revenues of governmental funds from prior fiscal year is recognized as a change in current revenues of governmental activities.	49,615	(326,582)
6. Governmental funds do not recognize long-term liabilities that are not due and payable in the current period. Thus, principal reductions are recognized as expenditures in the period that the payment is made rather than reductions in the liability as reflected on the Statement of Net Assets. The current year's principal payments made are:	4,970,606	4,928,451
7. Interest on long-term liabilities is recognized as an expenditure when due in the governmental funds, whereas accrued expense (liability) is recognized on the Statement of Net Assets. An increase (decrease) in the liability's balance is recognized as a decrease (increase) in reported interest expense on the Statement of Activities. Also, since the County refinanced existing debt in March 2003, the difference between the old and new debt on the Statement of Net Assets will be amortized over the remaining life of the new debt (which has the same remaining life as the old debt). This amortized cost is reported as an adjustment to interest expense.	(111,429)	(77,663)
Total net change in net assets of governmental activities	<u>\$ 9,573,754</u>	<u>\$ 15,749,217</u>

The "Notes to Financial Statements" are an integral part of this exhibit.

## Cleveland County, North Carolina

## c. General Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual

For the Year Ended June 30, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>				
Ad valorem taxes	\$ 33,920,878	\$ 33,920,878	\$ 35,217,319	\$ 1,296,441
Other taxes	12,140,000	12,158,000	12,881,974	723,974
Unrestricted intergovernmental revenues	117,000	117,000	101,559	(15,441)
Restricted intergovernmental revenues	17,790,615	19,305,815	18,294,363	(1,011,452)
Licenses, fees, and permits	1,010,000	1,012,000	1,139,917	127,917
Sales and services	6,625,685	6,788,668	8,351,036	1,562,368
Investment earnings	1,100,000	1,100,000	1,538,052	438,052
Miscellaneous	329,839	1,094,026	630,573	(463,453)
<b>Total revenues</b>	<b>73,034,017</b>	<b>75,496,387</b>	<b>78,154,793</b>	<b>2,658,406</b>
<b>EXPENDITURES</b>				
General government	8,656,106	9,178,572	8,019,607	1,158,965
Public safety	14,465,131	15,805,499	15,324,893	480,606
Human services	38,063,423	38,477,352	36,526,688	1,950,664
Education	10,868,342	10,868,342	10,868,342	-
Economic and physical development	1,176,727	3,329,091	3,234,068	95,023
Cultural and recreational	940,849	1,009,074	971,465	37,609
Schools capital outlay	3,300,000	3,300,000	3,300,000	-
Debt service, principal reduction	62,465	62,465	62,365	100
Debt service, interest and fees	7,732	7,732	7,730	2
<b>Total expenditures</b>	<b>77,540,775</b>	<b>82,038,127</b>	<b>78,315,158</b>	<b>3,722,969</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(4,506,758)</b>	<b>(6,541,740)</b>	<b>(160,365)</b>	<b>6,381,375</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,472,557	1,475,347	1,475,347	-
Transfers out	(1,162,570)	(1,914,342)	(1,814,136)	100,206
Fund balance appropriated	4,196,771	6,980,735	-	(6,980,735)
<b>Total other financing sources (uses)</b>	<b>4,506,758</b>	<b>6,541,740</b>	<b>(338,789)</b>	<b>(6,880,529)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(499,154)</b>	<b>\$ (499,154)</b>
<b>FUND BALANCES</b>				
Beginning fund balances			29,519,565	
Ending fund balances			<u>\$ 29,020,411</u>	

The "Notes to Financial Statements" are an integral part of this exhibit.

Cleveland County, North Carolina  
d. Schools Capital Reserve Fund: Statement of Revenues, Expenditures, and  
Changes in Fund Balances -- Budget to Actual

For the Year Ended June 30, 2007

	Public Schools Fund			Variance - Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Other taxes	\$ 2,368,595	\$ 1,484,904	\$ 3,467,859	\$ 1,982,955
Restricted intergovernmental revenues	800,000	1,683,691	1,626,074	(57,617)
Investment earnings	-	-	265,085	265,085
<b>Total revenues</b>	<b>3,168,595</b>	<b>3,168,595</b>	<b>5,359,018</b>	<b>2,190,423</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(3,168,595)	(3,168,595)	(3,168,595)	-
<b>Total other financing sources (uses)</b>	<b>(3,168,595)</b>	<b>(3,168,595)</b>	<b>(3,168,595)</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,190,423</b>	<b>\$ 2,190,423</b>
<b>FUND BALANCES</b>				
Beginning fund balances			3,270,681	
Ending fund balances			<u>\$ 5,461,104</u>	

The "Notes to Financial Statements" are an integral part of this exhibit.

Cleveland County, North Carolina  
e. Enterprise Fund: Statement of Fund Net Assets

June 30, 2007

With Comparative Totals as of June 30, 2006

	Solid Waste Collection and Disposal	
	Totals	
	2007	2006
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 10,945,590	\$ 9,790,726
Accounts receivable, net	401,220	532,418
Prepaid items	1,923	125
Total current assets:	<u>11,348,733</u>	<u>10,323,269</u>
Non-current assets:		
Restricted cash	3,269,213	2,952,289
Capital assets		
Land, land improvements, and construction in progress	2,437,261	2,125,574
Other capital assets, net of accumulated depreciation	3,138,158	3,172,690
Total capital assets	<u>5,575,419</u>	<u>5,298,264</u>
Total non-current assets	<u>8,844,632</u>	<u>8,250,553</u>
Total assets	<u>\$ 20,193,365</u>	<u>\$ 18,573,822</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 93,443	\$ 25,012
Contract retainages	19,007	-
Unearned revenues / customer deposits	2,682	4,439
Compensated absences	35,971	38,088
Total current liabilities	<u>151,103</u>	<u>67,539</u>
Non-current liabilities:		
Accrued landfill closure and postclosure care costs	3,269,213	2,952,289
Compensated absences	63,608	58,452
Total non-current liabilities	<u>3,332,821</u>	<u>3,010,741</u>
Total liabilities	<u>3,483,924</u>	<u>3,078,280</u>
<b>NET ASSETS</b>		
Invested in capital assets	5,575,419	5,298,264
Unrestricted net assets	<u>11,134,022</u>	<u>10,197,278</u>
Total net assets	<u>\$ 16,709,441</u>	<u>\$ 15,495,542</u>

The "Notes to Financial Statements" are an integral part of this exhibit.

## Cleveland County, North Carolina

f. Enterprise Fund: Statement of Revenues, Expenses, and Changes in Fund  
Net Assets

For the Year Ended June 30, 2007

With Comparative Totals as of June 30, 2006

	Solid Waste Collection and Disposal	
	Totals	
	2007	2006
<b>OPERATING REVENUES</b>		
Household user fees	\$ 1,402,512	\$ 1,394,824
Departmental fees	3,524,921	3,654,543
Other operating revenue	108,884	169,509
<b>Total operating revenues</b>	<b>5,036,317</b>	<b>5,218,876</b>
<b>OPERATING EXPENSES</b>		
Salaries / benefits	1,519,998	1,436,886
Other expenses	2,108,833	2,135,414
Depreciation	622,150	615,728
Landfill closure and postclosure care	316,924	281,488
<b>Total operating expenses</b>	<b>4,567,905</b>	<b>4,469,516</b>
<b>Operating income (loss)</b>	<b>468,412</b>	<b>749,360</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>		
Share of state's white goods and scrap tire taxes	145,736	138,020
Intergovernmental revenues, restricted	72,140	109,599
Investment earnings	702,957	470,625
Gain on disposal of capital assets	-	(81,360)
<b>Total nonoperating revenues and expenses</b>	<b>920,833</b>	<b>636,884</b>
<b>Income before contributions and transfers</b>	<b>1,389,245</b>	<b>1,386,244</b>
<b>Transfer to/from governmental funds (General Fund)</b>	<b>(175,347)</b>	<b>(142,784)</b>
<b>Change in net assets</b>	<b>1,213,898</b>	<b>1,243,460</b>
<b>Net assets, beginning</b>	<b>15,495,542</b>	<b>14,252,082</b>
<b>Net assets, ending</b>	<b>\$ 16,709,440</b>	<b>\$ 15,495,542</b>

The "Notes to Financial Statements" are an integral part of this exhibit.

Cleveland County, North Carolina  
g. Enterprise Fund: Statement of Cash Flows

For the Year Ended June 30, 2007  
With Comparative Totals as of June 30, 2006

	Solid Waste Collection and Disposal	
	Totals	
	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from household user fees	\$ 1,402,512	\$ 1,394,824
Cash received from customers	3,655,770	3,562,961
Cash received from sale of waste and recyclable materials	105,574	169,439
Cash received from other operations	3,310	70
Cash paid to employees for services	(1,516,959)	(1,433,724)
Cash paid for goods and services	(2,024,601)	(2,137,357)
<b>Net cash flows from operating activities</b>	<b>1,625,606</b>	<b>1,556,213</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Government grants	72,140	109,599
Transfer to governmental funds (General Fund)	(175,347)	(142,784)
<b>Net cash flows from noncapital financing activities</b>	<b>(103,207)</b>	<b>(33,185)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(899,304)	(306,391)
Share of state's white goods and scrap tire taxes	145,736	138,020
<b>Net cash flows from capital and related financing activities</b>	<b>(753,568)</b>	<b>(168,371)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earned on investments	702,957	470,625
<b>Net cash flows from investing activities</b>	<b>702,957</b>	<b>470,625</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,471,788</b>	<b>1,825,282</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: beginning balance</b>	<b>12,743,015</b>	<b>10,917,733</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: ending balance</b>	<b>\$ 14,214,803</b>	<b>\$ 12,743,015</b>
<b>Schedule of Noncash Capital and Related Financing Activities</b>		
Net capital assets transferred from (to) the General Fund	\$ -	\$ 3,205
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 468,412	\$ 749,360
The amount reported as operating income (see Exhibit II.C.2.f) differs from the amount reported as net cash flows from operating activities due to the following reasons:		
1. Decrease (increase) in accounts receivable, net	131,198	(91,203)
2. Decrease (increase) in prepayments	(1,798)	(53)
3. Increase (decrease) in accounts payable and contract retainages	87,438	(3,312)
4. Increase (decrease) in customer deposits	(1,757)	1,043
5. Increase (decrease) in accrued compensatory leave	3,039	3,162
6. Depreciation	622,150	615,728
7. Accrued landfill costs	316,924	281,488
<b>Net cash flows from operating activities</b>	<b>\$ 1,625,606</b>	<b>\$ 1,556,213</b>

The "Notes to Financial Statements" are an integral part of this exhibit.



Cleveland County, North Carolina  
 h. Fiduciary Funds: Statement of Fiduciary Net Assets

June 30, 2007

With Comparative Totals as of June 30, 2006

	Agency Funds	
	Totals	
	2007	2006
<b>ASSETS</b>		
Cash and cash equivalents	\$ 124,103	\$ 113,657
Taxes receivable, net	33,678	34,016
Accounts receivable, net	2,004,314	2,008,894
Intergovernmental receivable	203,122	226,479
Total assets	2,365,217	2,383,046
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	269,343	257,853
Due to other taxing units	2,095,874	2,125,193
Total liabilities	\$ 2,365,217	\$ 2,383,046

The "Notes to Financial Statements" are an integral part of this exhibit.

Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007  
**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**C. Basic Financial Statements (includes Notes to Financial Statements)**  
**3. Notes to Financial Statements**

	<u>Identifier</u>	<u>Page No.</u>
a. Summary of Significant Accounting Policies	Note a	51
b. Detail Notes on Important Items	Note b	58
c. Joint Ventures	Note c	74
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Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Fiscal Year Ended June 30, 2007  
C. Basic Financial Statements  
3. Notes to Financial Statements

**Note a: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Cleveland County and its component unit conform to generally accepted accounting principles as applicable to governments in the United States. For the year ended June 30, 2007, the County newly reports a pension trust fund in accordance with Governmental Accounting Standards Board (GASB) Statements No. 25 ("Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans") and 27 ("Accounting for Pensions by State and Local Governmental Employers"). For the year ended June 30, 2006, the County newly implemented Governmental Accounting Standards Board (GASB) Statement No. 44 entitled "Economic Condition Reporting: The Statistical Section" and Statement No. 42 entitled "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries." The effects of implementing GASB Statement No. 44 can be found by reviewing the changes in Section III of this report compared to previous reports. The results of implementing GASB Statement No. 42 may become apparent if and when large capital assets are damaged in the future. All previously issued statements from GASB and other standard-setting bodies have been implemented to the extent applicable. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

Cleveland 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 (NCGS) 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component unit, which is a legally separate entity for which the County is financially accountable. Cleveland County Industrial Facility and Pollution Control Financing Authority (the *Authority*) is the County's sole component unit. The Authority exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances and, therefore, is not presented in the Basic Financial Statements of the County. As well, the Authority does not issue separate financial statements. The Authority is considered a component unit of the County because Cleveland County's Board of County Commissioners appoints all seven members of the board of commissioners that oversee the Authority and can remove any member with or without cause.

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

**1. Basis of Presentation**

*a. Government-Wide Financial Statements:* The Statement of Net Assets and the Statement of Activities display information about the primary government (the County). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements 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. Business-type activities are financed primarily, in whole or in part, by fees charged to external parties. Nonetheless, fees for certain activities for which governments have a legal responsibility are included in governmental activities regardless of whether fees are charged to external parties.

The Statement of Activities presents a comparison between the direct expenses and the program revenues for each business-type activity of the County and 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. 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 the general property tax, are presented as general revenues.

b. Fund Financial Statements: The Fund Financial Statements provide information about the County's funds, including its fiduciary funds that were eliminated from the Government-Wide Financial Statements. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of Fund Financial Statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. All fiduciary funds are presented in a separate statement by type.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

*General Fund*. This fund, the County's primary operating fund, accounts for all financial resources of the general government, except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, other taxes, and federal and state grants. The primary expenditures are for education, emergency services, health services, law enforcement functions, and social services (including public assistance).

*Schools Capital Reserve Fund*. This fund accounts for various proceeds that are restricted by certain laws of the State of North Carolina to support buildings, renovations, and other capital needs of the County school district.

The County reports the following nine non-major governmental funds: the Public School Fund, the Community College Bond Fund, the Revaluation Fund, the Emergency Telephone Fund, the Fire District Fund, the Community Development Fund, the Debt Service Fund, the Capital Project Fund, and the Capital Reserve Fund. These funds have been combined and reported as non-major funds in the Fund Financial Statements. Combining and individual fund statements may be found on the pages following these Notes to Financial Statements.

Also, the County reports the following major enterprise fund:

*Solid Waste Fund*. This fund accounts for the operation, maintenance, and development of the County landfills and each collection/recycling center.

In addition, the County reports the following fiduciary fund types:

*Agency Funds*. Agency funds are custodial in nature (where assets equal liabilities) and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: 1) the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; 2) the Inmate Fund, which accounts for monies deposited with the County's Detention Center for the benefit of certain inmates; 3) the Rescue Squad Fund, which accounts for monies that the County holds for the benefit of five rescue squads entities (Boiling Springs Rescue Squad, Grover Rescue Squad, Kings Mountain Rescue Squad, Shelby Rescue Squad, and Upper Cleveland Rescue Squad); 4) the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the County is required to remit to the County school district and for the three percent interest penalty on the first month of delinquent registered motor vehicle property taxes that the County is required to remit through the North Carolina Department of State Treasurer to the Division of Motor Vehicles of the North Carolina Department of Transportation; and 5) the Property Tax Fund, which accounts for property taxes that are billed and collected by the County on behalf of three fire districts, one sanitary district, and twelve municipalities within the County (three other municipalities do not levy property taxes).

## 2. Measurement Focus, Basis of Accounting

In accordance with NCGS 159, all funds of the County are maintained during the year using the modified accrual basis of accounting. However, year-end adjustments are made to proprietary funds to report the funds on a different basis of accounting called the full accrual basis of accounting.

*a. Government-Wide, Proprietary, and Fiduciary Fund Financial Statements.* The Government-Wide, Proprietary, and Fiduciary Fund Financial Statements are reported using the economic resources measurement focus and the full accrual basis of accounting, except that agency funds have no measurement focus. 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 receives (or gives) value without directly giving (or receiving) equal value in exchange, include property taxes, grants, entitlements, and donations. On a full 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise fund are charges to customers for services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, depreciation on capital assets, and landfill closure and post-closure care costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*b. 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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues applicable to the fiscal year, except for ad valorem property taxes, as available if they are collected within 90 days after year-end. Ad valorem property taxes are not accrued as revenues because the amount is not susceptible to accrual. At June 30, ad valorem property taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Therefore, ad valorem property taxes receivable are offset by deferred revenues which are reported as a liability on the balance sheet. Prepayments on unbilled taxes that are not due until the following fiscal year are reported as unearned revenues.

Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Cleveland County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County.

For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due.

In addition, as of January 1, 2006, state law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, motor vehicles were renewed and billed under the annual system, annual registration expired on December 31, and taxes were due on May 1 of the following year. To transition from the staggered into the annual registration, registration renewals will vary from 7 to 18 months after December 31, 2005. As of June 30, 2007, all vehicles that were previously annually registered will be in the staggered system. Therefore, taxes for vehicles registered from March 2006 through February 2007 apply to the fiscal year ended June 30, 2007. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. The taxes for vehicles registered from March 2007

and afterward and due on or after July 1, 2007 that were collected as of year-end are reflected as unearned revenues because they are intended to finance the County's operations during the ensuing fiscal year. Any property taxes collected by the County for municipalities or special tax districts prior to June 30 which are not remitted to those governmental entities until after the fiscal year end should be reported as property tax revenues and as an intergovernmental receivable at year end by those entities. The County reports amounts of such tax collections due from the County as a year end payable to the other taxing districts.

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

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

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

Since the governmental funds apply the modified accrual basis of accounting during the year and in the Fund Financial Statements, yet report using the full accrual basis of accounting in the Government-Wide Financial Statements, a reconciliation is included in the Fund Financial Statements. The reconciliation itemizes the differences between the total fund balances of the governmental funds and the total net assets of the governmental activities. Both of these items constitute equity, yet are measured differently.

### **C. Budgetary Data**

The County's budgets are adopted as required by NCGS 159. The annual 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 budget ordinance can be adopted. An annual budget ordinance sets equal amounts for estimated revenues and for appropriations by fund and is adopted for all annually budgeted funds, which includes the General Fund, the Public School Fund, the Schools Capital Reserve Fund, the Revaluation Fund, the Emergency Telephone Fund, the Fire District Fund, the Debt Service Fund, the Capital Projects Fund, the Capital Reserve Fund, and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for large projects that overlap multiple fiscal years, such as for the Community College Bond and Community Development Funds, some capital projects, and certain grant funded projects. All budgets, project ordinances, and amendments are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for the General Fund, at the department level for the special revenue, debt service, and enterprise funds, and at the object level for the multi-year funds. The County Manager is authorized to transfer appropriations between any and all funds and departments without affecting the County's total budget. However, the governing board must consider for approval any amendments that alter the total appropriations of the budget. During the year, several immaterial amendments to the original budget were necessary.

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

#### **1. Deposits and Investments**

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

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

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

## **2. Cash and Cash Equivalents**

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

## **3. Restricted Assets**

State and federal laws and regulations require that the County establish a capital reserve fund to provide for future obligations of the landfill for closure costs (such as the placement of a final cover on the solid waste landfill facility once waste is no longer accepted) and post-closure care costs (such as maintenance and monitoring functions for thirty years after closure). The assets of the capital reserve fund are presented as restricted assets of the enterprise fund. An equal amount is also reported as liabilities of the enterprise fund.

## **4. Ad Valorem Property Taxes Receivable**

In accordance with NCGS 105-347 and NCGS 159-13(a), the County levies ad valorem taxes on property other than motor vehicles on July 1, which is the beginning of the fiscal year. These taxes are based on the assessed values as of the January 1 that immediately precedes the July 1 levy. The taxes are due on September 1, which is called the lien date; however, penalties and interest do not accrue until the following January 6. As allowed by State law, the County has established a schedule of discounts that apply to such 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 Uncollectible Accounts**

All receivables that historically experience significant uncollectible accounts are shown net of an allowance for doubtful accounts. The allowance 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). The County's General Fund inventory consists of pharmaceuticals and certain pharmaceutical supplies that are recorded as expenditures when purchased. In the Fund Financial Statements, the amount of inventory is offset by a fund balance reserve on the balance sheet. A fund balance reserve indicates an amount of resources that is not available for liquidating fund liabilities.

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. The consumption method of accounting for prepaid items is used. In the Fund Financial Statements, the amount of prepaid items is offset by a fund balance reserve to indicate that these resources are not available for liquidating fund liabilities.

## 7. Capital Assets

The County's capital assets are shown as assets in the Government-Wide Financial Statements and financial statements of the enterprise fund. In the financial statements of the governmental funds, these purchases are shown as expenditures. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are as follows: infrastructure, \$100,000; improvements, \$50,000; computer equipment, electronic items, firearms, furniture, other equipment, utility trailers, and vehicles \$2,000; and land and buildings at \$0. The cost of normal maintenance and repairs that do neither add to the value of the asset nor materially extend the estimated life of the asset are not capitalized.

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

<u>Capital Asset Category</u>	<u>Useful Life</u>
Computer equipment	3 years
Electronic items, utility trailers, and vehicles	5 years
Firearms, furniture, and other equipment	7 years
Infrastructure and depreciable improvements	15 years
Buildings	39 years

## 8. Long-term Obligations

In the Government-Wide Statement of Net Assets and in the Enterprise Fund's Statement of Net Assets in the Fund Financial Statements, long-term debt and other long-term obligations are appropriately reported as liabilities of the applicable governmental activities, business-type activities, or enterprise fund. Bond premiums and discounts, as well as refunding and issuance costs, are not expensed. Instead, these items are reported on the balance sheet and amortized (or expensed) over the life of the bonds using the straight-line method that approximates the effective interest method.

In the Fund Financial Statements for governmental fund types, the face amount of debt issued is reported as Other Financing Sources in the fiscal year that debt is issued and corresponding payments of principal, interest, and underwriter fees are shown as expenditures in the appropriate fiscal year. Related bond premiums and discounts, as well as refunding and issuance costs, are recorded as Other Financing Uses in the year that the debt is issued. No balance sheet recognition is made for outstanding debt or other long-term obligations.

## 9. Compensated Absences

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

The holiday leave policy of the County provides for the accumulation of earned holiday leave with such leave being fully vested when earned. For the County's Government-Wide and enterprise fund, an expense and a liability for compensated absences and the salary-related payments are recorded as the holiday leave is earned.

The overtime policy of the County provides for the accumulation of up to sixty days for public safety employees and up to thirty days for all other non-exempt employees. Non-exempt employees will earn compensatory hours at the rate of one and one-half times the number of hours worked above forty hours during a specific week. Exempt employees earn an hour of compensatory leave for each hour worked above forty hours during the workweek, yet no maximum is set since compensatory hours earned by exempt employees will not be paid upon termination of employment. For the County's Government-Wide and enterprise fund, an expense and a liability for compensated absences and the salary-related payments are recorded as the overtime is earned by public safety employees and all other non-exempt employees.



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 added in the determination of length of service for retirement benefit purposes. Since the County has no obligation for accumulated sick leave until it is actually taken, an accrual for sick leave has not been made.

The County has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the Government-Wide Financial Statements.

## **10. Net Assets/Fund Balances**

### *a. Net Assets*

Net assets in the Government-Wide Financial Statements and enterprise Fund Financial Statements are classified as "unrestricted," "restricted," or "invested in capital assets, net of related debt." Restricted net assets represent constraints on resources that are either a) imposed by law through state statute or b) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. The component called "invested in capital assets, net of related debt" reports the total amount of capital assets as reduced by accumulated depreciation and remaining outstanding debt used to finance the purchase or construction of any capital assets. Unrestricted net assets is the remainder of net assets not classified as either restricted or invested in capital assets, net of related debt. More information can be found in the detail notes that begin on the next page.

### *b. Fund Balances*

In the governmental Fund Financial Statements, reservations or restrictions of fund balance represent amounts that either are legally segregated for a specific purpose or are not appropriable. NCGS 159-13(b)(16) restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as calculated at the end of the fiscal year preceding the appropriation. After accounting for all other reservations of fund balance, Reserved by State Statute is the remaining non-appropriable portion of fund balance. Unreserved fund balances may be designated and designations of fund balance represent tentative management plans that are subject to change.

The governmental fund types classify fund balances as follows:

#### Reserved:

Reserved for Inventories - portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable (i.e. not available) resources.

Reserved for Prepaid Expenditures - portion of fund balance not available for appropriation because it represents the year-end fund balance of prepaid expenditures, which are not expendable resources.

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

Reserved for Register of Deeds - portion of fund balance available and legally restricted to pay for computer and imaging technology in the Register of Deeds' office, also called the Automation Enhancement and Preservation Fund, which is funded by 10% of the fees collected and maintained by the Register of Deeds.

Reserved by State Statute - portion of fund balance, in addition to reserves for encumbrances, reserves for prepaid expenditures, and reserves for inventories, that is not available for appropriation under NCGS 159-8(a). This amount is typically comprised of receivables that are not offset by deferred revenues.

#### Unreserved:

Designated for subsequent year's expenditures - portion of fund balance that is available for appropriation and has been appropriated in the adopted budget ordinance of the following fiscal year.

Designated for future insurance claims - portion of fund balance that is available for appropriation and has been designated for future liabilities arising from both current and future workers' compensation, health insurance, and dental insurance claims.

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

## **E. Reconciliation of Government-Wide Financial Statements and Fund Financial Statements**

A schedule of reconciliations is required to explain the differences both 1) between total net assets of governmental activities of the Government-Wide Statement of Net Assets and total fund balance of governmental fund Balance Sheet and 2) between changes in net assets of governmental activities of the Government-Wide Statement of Activities and changes in total fund balances of the governmental funds of the Statement of Revenues, Expenditures, and Changes in Fund Balance.

Following the governmental fund Balance Sheet, 'Exhibit II.C.2.a.i' in Part 2 of Subsection C of Section II provides the reconciliation between 1) total fund balance of governmental funds as reported in the governmental fund Balance Sheet and 2) total net assets of governmental activities as reported in the Government-Wide Statement of Net Assets. The primary differences result from the treatment of capital assets and long-term liabilities.

Following the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances, 'Exhibit II.C.2.b.i' in Part 2 of Subsection C of Section II provides the reconciliation between 1) changes in total fund balances of the governmental funds as reported in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and 2) changes in net assets of governmental activities as reported in the Government-Wide Statement of Activities. The primary differences result from the treatment of capital assets and long-term liabilities.

### **Note b: DETAIL NOTES ON ALL FUNDS**

#### **A. Assets**

##### **1. Deposits**

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

For bank deposits, custodial credit risk is the risk that, in the event of the failure of a financial institution, the County will not be able to recover its deposits or collateral securities that are in the possession of the financial institution or another counterparty. In an effort to minimize the County's exposure to custodial credit risk, the County's policy states that periodic evaluations will be conducted to determine the creditworthiness of each financial institution. Also, the County complies with the provisions of NCGS 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2007, the County's deposits had a carrying amount of \$32,921,478 and a bank balance of \$34,013,021. Of the bank balance, \$218,414 was covered by federal depository insurance, \$32,988,129 in certificates of deposit was covered by collateral held under the dedicated method, and the remaining \$806,478 in interest bearing deposits was covered by collateral held under the pooling method. Also at June 30, 2007, Cleveland County had \$21,338 cash on hand.

The County had a carrying amount of \$32,988,129 in certificates of deposit. Of this balance, \$16,647,038 was scheduled to mature within 3 months, \$13,289,102 was scheduled to mature within 3 to 12 months, and \$3,051,989 was scheduled to mature within 1 to 2 years.

## 2. Investments

For a schedule of cash and investment balances by fund and other information, see 'Exhibit II.E.01' in Subsection E of Section II of this report. At June 30, 2007, the County's investment balances and maturities were as follows:

Investment type	Fair Market Value	Due to Mature Within:		
		0 to 3 months	4 to 12 months	1 to 2 years
Federal government agencies	\$ 4,521,707	\$ 4,521,707	\$ -	\$ -
NCCMT -- Cash Portfolio	10,894,043	n/a	n/a	n/a
<b>Total investments</b>	<b>\$ 15,415,750</b>	<b>\$ 4,521,707</b>	<b>\$ -</b>	<b>\$ -</b>

Together, deposits and investments represent significant resources that are exposed to certain common risks. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than three years. Both of these methods serve to reduce the County's interest rate risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to relinquish the County's assets in a timely manner. State law limits investments to certain types of instruments and credit ratings. For example, investments in commercial paper must have the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the County's investments in the North Carolina Capital Management Trust (NCCMT) Cash Portfolio carried a credit rating of AAAM by Standard & Poor's. The County's investments in US Agencies (Federal Home Loan Bank and Federal National Mortgage Association) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. To further hedge against credit risk, the County's policy on investments requires diversification among financial instruments and requires the investment officer to routinely monitor financial market conditions.

During the year ended June 30, 2007, all investments sold were held to maturity with no recognized (realized or unrealized) gains or losses. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. The calculation of the net increase in the fair value of investments takes into account all changes in fair value (including purchases and sales) that occurred during the year. The net increase in the fair value of investments and the unrealized loss on investments held at year-end for the year ended June 30, 2007 was \$46,562 and \$8,303, respectively.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's policy specifies various limits that may be invested at any one financial institution. For example, the County's policy limits the County's investments with the North Carolina Capital Management Trust at 33% of the total portfolio. At June 30, 2007, the County held 22.53% of its deposits and investments with the North Carolina Capital Management Trust, 66.17% in certificates of deposits at various financial institutions, 9.31% in federal government agencies, and the remaining deposits reside with a variety of issuers.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover its investments or collateral securities that are in the possession of an outside party. In

an effort to minimize the County's exposure to custodial credit risk, the County complies with the provisions of NCGS 159-30 when choosing investments and verifying that investments are properly secured.

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

In accordance with NCGS, the County may assess agriculture, horticulture, and forest land at the present-use value rather than market value for taxing purposes. When property loses its eligibility for present-use value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with accrued interest from the original due date. The recomputed property tax that is based on market value would be immediately due and payable. The amount of lost revenue from assessing certain properties at the present-use value has not been recorded in the financial statements. The following chart displays the amount of property taxes that would have become due if present-use value eligibility was lost before June 30, 2007:

Year Levied	Additional Tax	Interest	Total
2007	\$ 1,278,828	\$ 73,533	\$ 1,352,361
2006	1,278,828	73,533	1,352,361
2005	1,367,744	201,742	1,569,486
2004	965,373	229,276	1,194,649
<b>Total</b>	<b>\$ 4,890,773</b>	<b>\$ 578,084</b>	<b>\$ 5,468,857</b>

### 4. Receivables

Receivables reported on the Government-Wide Financial Statements and Fund Financial Statements at June 30, 2007 are reported net of an allowance for uncollectible accounts as follows:

	Accounts	Taxes & Other Assessments	Total
<b>Governmental activities:</b>			
General Fund	\$ 15,582,231	\$ 3,334,007	\$ 18,916,238
Schools Capital Reserve Fund	877,968	-	877,968
Nonmajor governmental funds	132,749	932,688	1,065,437
Accrued interest (government-wide reporting)	-	946,161	946,161
<b>Total receivables</b>	<b>16,592,948</b>	<b>5,212,856</b>	<b>21,805,804</b>
General Fund	(8,372,828)	(1,378,151)	(9,750,979)
Public School Fund	-	-	-
Nonmajor governmental funds	-	(379,910)	(379,910)
Accrued interest (government-wide reporting)	-	(627,190)	(627,190)
<b>Total allowances for uncollectible accounts</b>	<b>(8,372,828)</b>	<b>(2,385,251)</b>	<b>(10,758,079)</b>
<b>Total governmental activities</b>	<b>\$ 8,220,120</b>	<b>\$ 2,827,605</b>	<b>\$ 11,047,725</b>
<b>Business-type activities:</b>			
Solid Waste Fund	\$ 417,700	\$ 272,017	\$ 689,717
Allowances for uncollectible accounts	(16,480)	(272,017)	(288,497)
<b>Total business-type activities</b>	<b>\$ 401,220</b>	<b>\$ -</b>	<b>\$ 401,220</b>

### 5. Capital Assets

The table below displays the changes in capital assets, including accumulated depreciation, by expenditure functions/programs of governmental activities. Depreciation expense was charged to functions/programs as shown under "Additions" to accumulated depreciation. Other changes in accumulated depreciation were offset by changes in capital assets or by recording gains/losses on the disposition of capital assets.

	Beginning				Ending
	Balance	Additions	Retirements	Transfers	Balance
<b>GOVERNMENTAL ACTIVITIES</b>					
General government	\$ 7,326,118	\$ 234,751	\$ (200,763)	\$ 20,342	\$ 7,380,448
Public Safety	18,898,338	1,139,590	(355,680)	(45,359)	19,636,889
Human Services	66,740,552	5,751,040	(323,085)	(2,006)	72,166,501
Economic and Phys. Development	2,254,115	88,739	(7,609)	(12,526)	2,322,719
Cultural and Recreational	4,810,867	27,058	(14,395)	-	4,823,530
<b>Total capital assets</b>	<b>100,029,990</b>	<b>7,241,178</b>	<b>(901,532)</b>	<b>(39,549)</b>	<b>106,330,087</b>
Less accumulated depreciation on:					
General government	(2,125,755)	(300,808)	170,901	(2,581)	(2,258,243)
Public Safety	(9,776,540)	(1,232,242)	327,625	42,456	(10,638,701)
Human Services	(17,823,053)	(1,701,100)	95,738	2,006	(19,426,409)
Economic and Phys. Development	(77,522)	(4,841)	7,609	(2,332)	(77,086)
Cultural and Recreational	(791,840)	(144,031)	4,785	-	(931,086)
<b>Total accumulated depreciation</b>	<b>(30,594,710)</b>	<b>(3,383,022)</b>	<b>606,658</b>	<b>39,549</b>	<b>(33,331,525)</b>
<b>Total capital assets, net</b>	<b>\$ 69,435,280</b>	<b>\$ 3,858,156</b>	<b>\$ (294,874)</b>	<b>\$ -</b>	<b>\$ 72,998,562</b>

Capital asset activity, by asset class, for the year ended June 30, 2007 was as follows for governmental activities:

	Beginning				Ending
	Balance	Additions	Retirements	Transfers	Balance
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital assets not being depreciated:					
Land and land improvements	\$ 7,619,180	\$ 240,661	\$ (131,057)	\$ -	\$ 7,728,784
Construction in Progress	1,980	131,897	-	(1,980)	131,897
Subtotal	7,621,160	372,558	(131,057)	(1,980)	7,860,681
Capital assets being depreciated:					
Buildings and improvements	79,682,877	5,428,051	(113,147)	-	84,997,781
Equipment (including vehicles)	11,162,669	1,082,735	(657,328)	(39,549)	11,548,527
Leasehold improvements	425,178	-	-	-	425,178
Infrastructure	1,138,106	357,834	-	1,980	1,497,920
Subtotal	92,408,830	6,868,620	(770,475)	(37,569)	98,469,406
<b>Total capital assets</b>	<b>100,029,990</b>	<b>7,241,178</b>	<b>(901,532)</b>	<b>(39,549)</b>	<b>106,330,087</b>
Less accumulated depreciation on:					
Buildings and improvements	(22,968,719)	(2,017,177)	13,165	-	(24,972,731)
Equipment (including vehicles)	(7,451,706)	(1,275,144)	593,493	39,549	(8,093,808)
Leasehold improvements	(119,017)	(14,172)	-	-	(133,189)
Infrastructure	(55,268)	(76,529)	-	-	(131,797)
<b>Total accumulated depreciation</b>	<b>(30,594,710)</b>	<b>(3,383,022)</b>	<b>606,658</b>	<b>39,549</b>	<b>(33,331,525)</b>
<b>Total capital assets, net</b>	<b>\$ 69,435,280</b>	<b>\$ 3,858,156</b>	<b>\$ (294,874)</b>	<b>\$ -</b>	<b>\$ 72,998,562</b>

All business-type activities relate to the environmental protection expenditure function. Capital asset activity, by asset class, for the year ended June 30, 2007 was as follows for business-type activities.

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
<b>BUSINESS-TYPE ACTIVITIES</b>					
Capital assets not being depreciated:					
Land and land improvements	\$ 1,614,409	\$ -	\$ -	\$ -	\$ 1,614,409
Construction in Progress	511,165	311,687	-	-	822,852
Subtotal	2,125,574	311,687	-	-	2,437,261
Capital assets being depreciated:					
Buildings and improvements	389,052	-	-	-	389,052
Equipment (including vehicles)	3,650,344	587,617	(20,836)	39,549	4,256,674
Leasehold improvements	16,518	-	-	-	16,518
Infrastructure	4,130,636	-	-	-	4,130,636
Subtotal	8,186,550	587,617	(20,836)	39,549	8,792,880
<b>Total capital assets</b>	<b>10,312,124</b>	<b>899,304</b>	<b>(20,836)</b>	<b>39,549</b>	<b>11,230,141</b>
Less accumulated depreciation on:					
Buildings and building improvements	(62,090)	(9,976)	-	-	(72,066)
Equipment (including vehicles)	(2,822,372)	(336,247)	20,836	(39,549)	(3,177,332)
Leasehold improvements	(4,624)	(550)	-	-	(5,174)
Infrastructure	(2,124,774)	(275,376)	-	-	(2,400,150)
<b>Total accumulated depreciation</b>	<b>(5,013,860)</b>	<b>(622,149)</b>	<b>20,836</b>	<b>(39,549)</b>	<b>(5,654,722)</b>
<b>Total capital assets, net</b>	<b>\$ 5,298,264</b>	<b>\$ (277,155)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,575,419</b>

## 6. Construction Commitments

The County is involved with the following incomplete construction/renovation projects as of June 30, 2007:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitments</u>
New Scalehouse	186,596	185,624
Health Department Renovations	87,400	10,300

## B. Liabilities

### 1. Payables

Payables at the Government-Wide and Fund level at June 30, 2007 were as shown in the following table.

\* The estimated liability for outstanding losses from health insurance, dental insurance, and workers' compensation includes \$575,515 for incurred but not reported claims.

	Vendors	Employee Benefits	Cash Held in Trust	Insurance Claims *	Total
<b>Governmental activities:</b>					
General Fund	\$ 1,516,255	\$ 339,732		\$ 575,515	\$ 2,431,502
Schools Capital Reserve Fund	-	-		-	-
Nonmajor governmental funds	160,143	-		-	160,143
<b>Total governmental activities</b>	<b>\$ 1,676,398</b>	<b>\$ 339,732</b>		<b>\$ 575,515</b>	<b>\$ 2,591,645</b>
<b>Business-type activities:</b>					
Solid Waste Fund	\$ 112,450	\$ -		\$ -	\$ 112,450
<b>Fiduciary activities:</b>					
Agency Funds	\$ 145,240	\$ -	\$ 124,103	\$ -	\$ 269,343

## 2. Pension Plan Obligations

### a. Local Governmental Employees' Retirement System

*Plan Description.* The statewide Local Governmental Employees' Retirement System (LGERS) provides retirement and disability benefits to plan members and beneficiaries. Cleveland County contributes to LGERS, a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. According to Article 3 of NCGS 128, the North Carolina General Assembly has the authority to establish and amend benefit provisions. The State of North Carolina's annual financial report includes financial statements and required supplementary information for LGERS. You may obtain the State's annual financial report by submitting your request to the Office of the State Controller, (919) 981-5454, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.89% and 4.86%, respectively, of annual covered payroll. The contribution requirements of members and of Cleveland County are established and may be amended by the North Carolina General Assembly. The County's normal benefit contributions to LGERS for the year ended June 30, 2007 is \$1,163,090. The contributions made by the County equaled the required contributions for each year. For trend information, see Exhibit III.E.5 in Subsection E of Section III of this report.

*Death Benefit.* The County has elected to provide death benefits (also known as term life insurance) to employees through the Death Benefit Plan for members of the LGERS, 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 LGERS, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the LGERS at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, subject to a minimum of \$25,000 and a maximum of \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.09% and 0.14% of covered payroll, respectively. 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, 2007, the County made contributions to the State for death benefits of \$23,382. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount. The County considers these contributions to be immaterial. For trend information, see Exhibit III.E.5 in Subsection E of Section III of this report.

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

*Plan Description.* Cleveland County administers a public employee retirement system named the *Law Enforcement Officers' Special Separation Allowance* (LEOSSA). The LEOSSA is a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. According to Article 12D of NCGS 143, the North Carolina General Assembly has the authority to establish and amend benefit provisions. The retirement benefit 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. Since no assets have been set aside to provide for future benefit payments, the LEOSSA is not reported as a pension trust fund in the County's annual financial report. See details in Part II.D.1 of this annual financial report. A separate report has not been issued for this pension plan.

All full-time County law enforcement officers are covered by the LEOSSA. At June 30, 2007, the LEOSSA's membership consisted of:

<u>Member Category</u>	<u>No.</u>
Retirees currently receiving benefits	10
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members:	
Vested	48
Non-vested	35
<b>Total members</b>	<u>93</u>

*Summary of Significant Accounting Policies.* Financial statements are prepared using the accrual basis of accounting. The County's contributions to the plan are recognized when due and when a formal commitment has been made to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. However, no funds are set aside to pay benefits and administration costs; instead, these expenditures are paid as they come due.

*Contributions.* Article 12D of NCGS 143 requires the County to provide these retirement benefits. Cleveland County funds the LEOSSA benefit payments and administration expenses on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Members made no contributions. The County's contribution for the year ended June 30, 2007 is \$105,507. For trend information, see Exhibit III.E.5 in Subsection E of Section III of this report.

*Annual Required Contribution.* The annual required contribution for the current year was determined as part of the December 31, 2005 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included projected salary increases of 4.5% to 12.3% per year, including an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2005 was 25 years. For trend information, see Exhibit III.E.5 in Subsection E of Section III of this report.

*Annual Pension Cost and Net Pension Obligation.* The County's annual pension cost and net pension obligation to the Separation Allowance for the current year ended June 30, 2007 are \$103,641 and \$284,823, respectively. For trend information, see Exhibit III.E.5 in Subsection E of Section III of this report.

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

*Plan Description.* The County contributes to the Supplemental Retirement Income Plan (SRIP), a defined contribution pension plan administered by the North Carolina Department of State Treasurer and a Board of Trustees. SRIP provides retirement benefits to law enforcement officers employed by the County. According to



Article 5 of NCGS 135, the North Carolina General Assembly has the authority to establish and amend benefit provisions.

*Funding Policy.* Article 12E of NCGS 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2007 were \$193,290, which consisted of \$153,610 from the County and \$39,680 from the law enforcement officers. For trend information, see Exhibit III.E.5 in Subsection E of Section III of this report.

**d. Deferred Compensation Plan (401(k)) for Employees Other Than Law Enforcement Officers**

*Plan Description.* The County offers all employees, other than law enforcement officers, a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k). Through the plan, employees may defer a portion of their salary until future years. The deferred compensation will become available upon the employee's termination, retirement, death, or unforeseeable emergency. Branch Banking and Trust Company administers the plan.

*Funding Policy.* The County contributes each month an amount equal to five percent of qualified salary. Also, the employees may make voluntary contributions to the plan. Contributions for the year ended June 30, 2007 were \$1,421,657, which consisted of \$1,061,542 from the County and \$360,115 from the employees. For trend information, see Exhibit III.E.5 in Subsection E of Section III of this report.

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

*Plan Description.* Cleveland County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer (DST). 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. According to Article 3 of NCGS 161, the North Carolina General Assembly has the authority to establish and amend benefit provisions.

*Funding Policy.* On a monthly basis, the County remits to DST an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of NCGS 161. When the law changed effective July 1, 2007, the County began remitting to DST an amount equal to one and one-half percent (1.5%) of the monthly receipts. Immediately following January 1 of each year, DST divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by DST in administering the Fund. For the fiscal year ended June 30, 2007, the County's required and actual contributions were \$22,426. For trend information, see Exhibit III.E.5 in Subsection E of Section III of this report.

**f. Other Post employment Benefits - Cleveland County**

*Retirees Health Care Benefits.* According to a County resolution, the County provides health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have twenty or more years of creditable service with the County until they attain the age for Medicaid eligibility. Retirees and all employees can purchase coverage for their dependents at the County's group rates. At June 30, forty-three retirees were receiving postretirement health benefits. The County has contracted with a private insurer to administer the payment of claims and the County reimburses the insurer each week. For the fiscal year ended June 30, 2007, the County made payments for postretirement health benefit premiums of \$174,720. For trend information, see Exhibit III.E.5 in Subsection E of Section III of this report.

**3. Closure and Post-closure Care Costs - Solid Waste Landfill Facility**

State regulations require the County to establish a reserve fund to accumulate resources for the payment of closure and post-closure care costs. This reserve fund is reported as part of the Solid Waste Collection and Disposal Enterprise Fund. During the fiscal year ended June 30, 2007, the County added \$316,924 to the reserve

fund. The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that helps determine if a unit is financially able to meet closure and post-closure care requirements.

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 in advance of any cash payments. The \$3,269,213 reported as landfill closure and post-closure care liability at June 30, 2007 represents a cumulative amount reported to-date. The County is required to contribute to the reserve at least \$316,924 annually hereafter until the total balance accumulated reaches \$3,903,062. These figures are adjusted each year for inflation and changes in technology. These reported amounts are based on what it would cost to perform all closure and post-closure care in 2007 and the fact that the County expects to close the current facility in 2008. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

#### 4. Deferred / Unearned Revenues

Deferred revenues are reported in the fund financial statements, but not in the Government-Wide Financial Statements. The balance in unearned and deferred revenues on the fund statements and unearned revenues on the Government-Wide Statement of Net Assets at year-end is composed of the following elements:

Reporting Fund / Revenue Item	Unearned Revenues	Deferred Revenues
<b>General Fund:</b>		
Prepaid taxes not yet earned	\$ 127,954	\$ -
Other accounts, net	857,223	8,937
Taxes receivable, net	214,731	1,955,856
Subtotal	1,199,908	1,964,793
Public Schools Fund, taxes receivable, net	55,533	505,974
Fire District Fund, taxes receivable, net	5,884	46,804
Total governmental activities	\$ 1,261,325	\$ 2,517,571
<b>Solid Waste Collection and Disposal Fund:</b>		
Prepaid fees not yet earned	\$ 2,682	\$ -
Total business-type activities	\$ 2,682	\$ -

#### 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 participated in a self-funded risk-financing pool administered by the North Carolina Association of County Commissioners. Through this pool, the County obtained property coverage equal to replacement cost values of owned property subject to a limit as outlined in the contract per occurrence with an annual aggregate of \$55 million for flood and earthquake, with other sub-limits for other coverage per the County's contract. The County also purchased general, auto, public officials, law enforcement, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, and crime coverage of \$250,000 per occurrence. The pool is audited annually by certified public accountants, and the audited financial statements are available to the County upon request. For liability and property, the pool is reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 per occurrence and an additional \$1,500,000 annual aggregate up to a \$2 million limit for liability coverage, \$150 million of aggregate annual losses in excess of \$100,000 per

occurrence and an additional \$1 million annual aggregate for property, auto physical damage, and crime coverage, and single occurrence losses of \$500,000 per occurrence.

Effective July 1, 2002, the County became self-insured for health insurance coverage on a cost-reimbursement basis. Under this program, the County is obligated for claims payments. As of July 1, 2007, employees have the option of choosing either a P.P.O. plan or H.S.A. plan. A stop loss insurance contract executed with an insurance carrier covers claims in excess of \$75,000 per person. The estimated liability for outstanding losses includes \$507,099 for incurred and unpaid claims as of June 30, 2007. The County has contracted with a private insurer to administer the payment of claims and the County reimburses the insurer each week.

The County also operates a dental plan on a cost-reimbursement basis up to \$1,025 per person per year. The estimated liability for outstanding losses includes \$25,865 for incurred and unpaid claims as of June 30, 2007. The County reimburses qualified claims to employees and their eligible dependents each month.

The County has also established a Workers' Compensation Self-Insurance program for the purpose of providing medical and indemnity payments as required by law for on-the-job related injuries. The County purchases workers' compensation coverage up to the statutory limits. Under the program, the County has obtained reinsurance coverage for excess workers' compensation and employer's liability. The retention (deductible) for the policy for the year ended June 30, 2007 is \$300,000 per occurrence. The estimated liability for outstanding losses includes \$42,551 for incurred and unpaid claims as of June 30. The County has contracted with a private insurer to administer the payment of claims and the County reimburses the insurer each week.

In accordance with NCGS 159-29, County employees that have access to County funds are performance bonded through a commercial surety bond. The Finance Director and Tax Collector are individually bonded for \$50,000 and \$25,000, respectively. Also, all employees are bonded under a blanket bond for \$250,000 per incident. The County carries commercial coverage for other risks of loss, including limited coverage for floods and other natural disasters as set by the insurance carrier. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

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

The County has received proceeds from several federal and state grant awards. 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 refunds required as a result of such audits will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant revenue.

At June 30, 2007, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

## **7. Long-Term Obligations**

### **a. Capital Leases**

The County has entered into agreements to lease certain computer equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The present value of the future minimum lease payments is equal to the current outstanding principal of the capital lease.

An agreement to lease computer equipment for the Information Technology department was executed in July 2003 and requires 60 monthly payments of \$2,986. Another agreement to lease imaging and related computer equipment for the Register of Deeds' office was executed in November 2004 and requires 60 monthly payments of \$2,864.

In each of these agreement, title passes to the County at the end of the lease term. These payments are recorded as debt service expenditures in the General Fund. The outstanding principal payments are recorded in the Government-Wide Statement of Net Assets, along with interest payments scheduled for the ensuing year.

At June 30, 2007, the County's leased equipment had a value of:

<u>Governmental Activities</u>	<u>Recorded Value of Asset</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Type of property:			
Imaging equipment	162,769	(78,211)	84,557
Computer equipment - Info. Tech.	146,374	(109,635)	36,739
Total \$	309,143	\$ (187,847)	\$ 121,296

More information on the annual requirements of these leases are found under *d. Total Indebtedness*.

**b. General Obligation Bonds**

All general obligation bonds serviced by the County are collateralized by the full faith, credit, and taxing power of the County. When due, principal and interest payments are appropriated in the County's Debt Service Fund. The face value of the outstanding bonds are recorded in the Government-Wide Statement of Net Assets, along with any accrued interest payable at year-end. More information on these bonds are found under *d. Total Indebtedness*.

**c. Contractual Obligation Bonds**

The County entered a contract with the City of Shelby to help finance the costs of constructing the Broad River Waterline. In FY 2005, the City of Shelby issued \$12,225,000 of debt to finance this project and other projects. The County's portion of that original principal debt is \$634,599. When due, principal and interest payments are appropriated in the County's Debt Service Fund. The face value of the outstanding bonds are recorded in the Government-Wide Statement of Net Assets, along with any accrued interest payable at year-end. More information on these bonds are found under *d. Total Indebtedness*.

**d. Total Indebtedness**

The County's general obligation and contractual bonds payable at June 30, 2007 are comprised of the following individual issues:

<u>General Obligation Bonds</u>	<u>Outstanding at June 30, 2006</u>
\$3,100,000 - Community College Bonds, Series 1998; due in annual installments of \$100,000 to \$250,000 through June 1, 2017; interest from 4.6% to 4.7%	2,200,000
\$29,920,000 - Refunding Serial Bonds, Series 2003; due in annual installments of \$2,075,000 to \$4,875,000 through June 1, 2010; interest from 2.6% to 3.1%	8,865,000
Subtotal \$	11,065,000
<u>Contractual Obligation Bonds</u>	
\$12,255,000 - City of Shelby Enterprise System Revenue Bonds, Series 2004; due in annual installments of \$315,000 to \$810,000 through May 1, 2029; County's portion of revenue bonds per contract with City of Shelby are due in annual installments of \$16,312 to \$41,944 through May 1, 2029; interest at 5.0%	601,458
Total \$	11,666,458

In addition to the County's own needs, the County issues general obligation bonds on behalf of both the public schools and the community college and makes the necessary and related debt service payments. The public schools and the community college, however, hold title to these constructed assets. A portion of the original issue from the 1990 Public Improvement Series that is included in the 2003 Refunding Serial Bonds Series relates to construction of public school facilities. At June 30, 2007, \$4,479,760 of the \$8,865,000 remaining balance relates to financing the construction of public school facilities.

At June 30, 2007, Cleveland County had an amount of bonds authorized but un-issued of \$0 and a legal debt margin of \$451,035,931.

Annual debt service requirements to maturity for the County's general obligation bonds, contractual obligations, and capitalized leases are as follows:

	<i>General Obligation Bonds:</i>		<i>Contractual Obligations:</i>		<i>Capitalized Leases:</i>		<i>Grand Total Debt Service:</i>	
	<i>Totals</i>		<i>City of Shelby 2004</i>		<i>Totals</i>		<i>Totals</i>	
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>
2008	\$ 4,715,000	\$ 368,500	\$ 17,347	\$ 26,582	\$ 66,227	\$ 3,968	\$ 4,798,574	\$ 399,050
2009	2,425,000	225,450	17,866	26,060	35,939	1,114	2,478,805	252,624
2010	2,325,000	148,700	18,642	25,168	14,197	121	2,357,839	173,989
2011	250,000	74,950	19,677	24,236	-	-	269,677	99,186
2012	250,000	63,450	20,196	23,620	-	-	270,196	87,070
Sum 5 yrs.	9,965,000	881,050	93,728	125,666	116,363	5,202	10,175,091	1,011,918
Next 5 yrs. (2013-2017)	1,100,000	141,000	112,628	107,140	-	-	1,212,628	248,140
Next 5 yrs. (2018-2022)	-	-	137,742	81,796	-	-	137,742	81,796
Next 5 yrs. (2023-2027)	-	-	175,284	44,426	-	-	175,284	44,426
Next 5 yrs. (2028-2032)	-	-	82,076	5,736	-	-	82,076	5,736
<b>Totals</b>	<b>\$11,065,000</b>	<b>\$ 1,022,050</b>	<b>\$ 601,458</b>	<b>\$ 364,764</b>	<b>\$ 116,353</b>	<b>\$ 5,202</b>	<b>11,782,821</b>	<b>1,392,016</b>
					Less Capitalized Leases:		116,353	5,202
					Total Bonded Debt:		<u>\$11,666,458</u>	<u>\$ 1,386,814</u>

**e. Conduit Debt Obligations**

Cleveland County Industrial Facility and Pollution Control Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. As of June 30, 2007, there were seven series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$36,715,000 million. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**f. Compensated Absences (Accrued Leave)**

Compensated absences typically have been liquidated in the general fund. The County has assumed a first-in, first-out method of using accumulated compensated leave time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The table below displays the changes in earned leave, including sick leave for which no accrual is recognized, by expenditure functions/programs of governmental activities. Additional personnel expenses were charged to functions/programs as shown under "Difference" to both the current and non-current portions of the accrued liability.

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Difference (or Expense)</b>
Vacation Leave	\$ 1,895,489	\$ 1,537,307	\$ (1,367,539)	\$ 2,065,257	\$ 169,768
General Government	240,997	184,392	(159,294)	266,095	25,098
Public Safety	701,985	502,702	(502,756)	701,931	(54)
Human Services	912,429	814,394	(685,287)	1,041,535	129,107
Other	40,079	35,819	(20,202)	55,696	15,617
Subtotal	1,895,489	1,537,307	(1,367,539)	2,065,257	169,768
Compensatory Leave	565,242	671,512	(888,884)	347,870	(217,372)
General Government	61,579	63,540	(94,344)	30,775	(30,804)
Public Safety	273,182	157,036	(252,087)	178,131	(95,051)
Human Services	215,360	423,271	(505,834)	132,797	(82,563)
Other	15,122	27,665	(36,619)	6,167	(8,954)
Subtotal	565,242	671,512	(888,884)	347,870	(217,372)
Holiday Leave	383,765	1,292,128	(1,229,006)	446,887	63,122
General Government	-	136,488	(136,488)	-	-
Public Safety	380,801	518,809	(454,792)	444,818	64,017
Human Services	2,965	605,248	(606,143)	2,070	(895)
Other	-	31,583	(31,583)	-	-
Subtotal	383,765	1,292,128	(1,229,006)	446,887	63,122
<b>Subtotal</b>	<b>2,844,496</b>	<b>3,500,947</b>	<b>(3,485,429)</b>	<b>2,860,014</b>	<b>15,518</b>
Sick Leave (unaccrued)	2,185,715	1,291,235	(1,107,412)	2,369,538	183,823
General Government	282,587	148,896	(119,348)	312,134	29,548
Public Safety	795,441	447,614	(422,459)	820,596	25,155
Human Services	1,040,401	660,271	(534,964)	1,165,708	125,307
Other	67,286	34,454	(30,640)	71,100	3,814
Subtotal	2,185,715	1,291,235	(1,107,411)	2,369,538	183,824
<b>Grand Totals</b>	<b>\$ 5,030,211</b>	<b>\$ 4,792,182</b>	<b>\$ (4,592,841)</b>	<b>\$ 5,229,552</b>	<b>\$ 199,341</b>

All business-type activities relate to the environmental protection expenditure function. Accrued leave activity, by type of leave, for the year ended June 30, 2007 was as follows for business-type activities.

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Difference (or Expense)</b>
Vacation Leave	\$ 68,767	\$ 53,308	\$ (47,242)	\$ 74,833	\$ 6,066
Compensatory Leave (accrued)	13,581	10,446	(12,379)	11,648	(1,933)
Holiday Leave	14,192	43,511	(44,605)	13,098	(1,094)
<b>Subtotal</b>	96,540	107,265	(104,226)	99,579	3,039
Sick Leave (unaccrued)	74,908	47,467	(39,502)	82,873	7,965
<b>Grand Totals</b>	<b>\$ 171,448</b>	<b>\$ 154,732</b>	<b>\$ (143,728)</b>	<b>\$ 182,452</b>	<b>\$ 11,004</b>

**g. Long-Term Obligation Activity**

The following tables summarize interest and principal payable in the next fiscal year and the changes in the County's long-term obligations for the fiscal year ended June 30, 2007:

<b>Governmental Activities</b>	<b>Next Year Interest Payable</b>	<b>Next Year Obligation</b>	<b>Future Year Obligation</b>	<b>Total</b>
G.O. Bonds (capital related)	\$ 131,557	\$ 2,991,801	\$ 1,393,439	\$ 4,516,797
G.O. Bonds (non-capital related)	236,943	1,723,199	4,956,561	6,916,703
Contractual Obligations	26,582	17,347	584,111	628,040
<b>Total Bonds</b>	<b>395,082</b>	<b>4,732,347</b>	<b>6,934,111</b>	<b>12,061,540</b>
Capitalized Leases	3,968	66,227	50,136	120,330
Net Pension Obligation	-	-	284,823	284,823
Accrued (earned, unpaid) Leave	-	1,104,546	1,755,468	2,860,014
<b>Totals</b>	<b>\$ 399,050</b>	<b>\$ 5,903,120</b>	<b>\$ 9,024,538</b>	<b>\$ 15,326,708</b>
<b>Business-type Activities</b>				
Accrued (earned, unpaid) Leave	\$ -	\$ 35,971	\$ 63,608	\$ 99,578
Landfill closure/ post-closure care	-	-	3,269,213	3,269,213
<b>Totals</b>	<b>\$ -</b>	<b>\$ 35,971</b>	<b>\$ 3,332,821</b>	<b>\$ 3,368,791</b>

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
G.O. Bonds (capital related)	\$ 7,476,549	\$ -	\$ (3,091,309)	\$ 4,385,240
G.O. Bonds (non-capital related)	8,463,451	-	(1,783,691)	6,679,760
Contractual Obligations	634,599	-	(33,141)	601,458
Capitalized Leases	178,826	-	(62,464)	116,363
Net Pension Obligation	-	284,823	-	284,823
Accrued (earned, unpaid) Leave	2,844,496	3,500,947	(3,485,429)	2,860,014
<b>Totals</b>	<b>\$ 19,597,922</b>	<b>\$ 3,785,770</b>	<b>\$ (8,456,034)</b>	<b>\$ 14,927,658</b>

By purpose:

County	\$ 3,006,549	\$ -	\$ (821,309)	\$ 2,185,240
Community College	2,300,000	-	(100,000)	2,200,000
Hospital	4,470,000	-	(2,270,000)	2,200,000
Public Schools (K-12)	6,163,451	-	(1,683,691)	4,479,760
Waterline	634,599	-	(33,141)	601,458
Equipment--Capitalized Leases	178,826	-	(62,464)	116,363
Employment/Post-employment	2,844,496	3,785,770	(3,485,429)	3,144,837
<b>Totals</b>	<b>\$ 19,597,922</b>	<b>\$ 3,785,770</b>	<b>\$ (8,456,034)</b>	<b>\$ 14,927,658</b>

**Business-type Activities**

Accrued (earned, unpaid) Leave	\$ 96,540	\$ 107,265	\$ (104,226)	\$ 99,579
Landfill closure/ post-closure care	2,952,289	316,924	-	3,269,213
<b>Totals</b>	<b>\$ 3,048,829</b>	<b>\$ 424,189</b>	<b>\$ (104,226)</b>	<b>\$ 3,368,792</b>

**C. Interfund Activity and Balances**

Interfund transfers enable the County to move unrestricted revenues from one fund to another fund to sustain programs that must be reported in the other fund. Also, see 'Exhibit II.E.02' in Subsection E of Section II. Transfers to/from other funds for the year ended June 30, 2007 consists of the following:

<u>Activity description</u>	<u>Amount</u>
From General Fund to Community Development Fund for current housing rehabilitation activity above the amount of the grant	\$ 275
From General Fund to Debt Service Fund for debt service payments on outstanding long-term bonds	1,162,642
From General Fund to Capital Projects Fund for current capital projects activity of the County	276,219
From General Fund to Capital Reserve Fund to accumulate resources for future capital projects	375,000
Subtotal from General Fund	<u>1,814,136</u>
From Schools Capital Projects Fund to General Fund for current capital projects activity of the school system	1,300,000
From Schools Capital Projects Fund to Debt Service Fund for debt service payments on outstanding long-term bonds used for construction of school buildings	1,868,595
Subtotal from Schools Capital Projects Fund	<u>3,168,595</u>
From Capital Reserve Fund to Capital Projects Fund for current capital projects activity of the County	914,380
From Solid Waste Disposal and Collection Fund to General Fund for workers' compensation and medical insurance on employees	175,347
<b>Total interfund activity</b>	<u><u>\$ 6,072,458</u></u>

The composition of interfund balances as of June 30, 2007 is as follows:

<u>Reporting Fund</u>	<u>Due from General Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<b>Governmental Funds</b>			
General Fund	\$ -	\$ 112	\$ 411,682
Schools Capital Reserve Fund	103,691	-	-
Emergency Telephone Fund	-	-	112
Fire District Fund	6,680	-	-
Capital Projects Fund	92,386	-	-
Capital Reserve Fund	208,925	-	-
<b>Total interfund balances</b>	<u><u>\$ 411,682</u></u>	<u><u>\$ 112</u></u>	<u><u>\$ 411,794</u></u>

Due to/from balances represent advances/reimbursements to be made among funds based upon the fact that the County utilizes a central depository. Amounts are expected to be offset with recorded revenues and expenditures in the ensuing fiscal year.

#### D. Net Assets

Net assets in the Government-Wide Financial Statements and enterprise Fund Financial Statements are classified as "unrestricted," "restricted," or "invested in capital assets, net of related debt." Restricted net assets represent constraints on resources that are either a) imposed by law through state statute or b) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. The balance of restricted net assets at June 30, 2007, consists of the following:



<b>Governmental activities</b>	<b>Beginning Balance</b>	<b>Activity</b>	<b>Ending Balance</b>
General government	\$ 21,361	\$ (6,527)	\$ 14,834
Register of Deeds Automation Fund (3,994.19)	21,361	(6,527)	14,834
Public safety	\$ 2,379,065	\$ (141,300)	\$ 2,237,765
E911 Service Cash (FD26)	1,075,013	30,659	1,105,672
Fire Districts Cash (FD28)	1,301,187	(226,149)	1,075,038
Unspent EMS Donations	359	1,050	1,409
Unspent Sheriff Donations	1,518	1,731	4,969
Unspent Reading Fathers Donations	939	(874)	65
Unspent Dare Fundraisers	13	(13)	-
Unspent Emergency Management Donations	25	825	850
Unspent Federal Forfeiture Monies	-	48,165	48,165
Unspent State Forfeiture Monies	-	1,595	1,595
Human services	\$ 2,523,149	\$ 333,750	\$ 2,856,899
Unspent grants to Social Services	75	-	75
Unspent earnings from Health Department	2,523,074	333,750	2,856,824
Education	\$ 2,863,382	\$ 2,097,244	\$ 4,960,626
Schools Capital Reserve Cash (FD21)	2,406,659	2,072,786	4,479,445
Community College Bond Cash (FD23)	456,723	24,458	481,181
Economic and physical development	\$ 29,527	\$ 1,508	\$ 31,035
Unspent Coop Exp Special Project	4,476	-	4,476
Unspent Soil Conservation Special Project	25,051	1,508	26,559
Culture and recreation	\$ 203,278	\$ (6,176)	\$ 197,102
Unspent Library Donations	203,278	(6,176)	197,102
<b>Total</b>	<b>\$ 8,019,763</b>	<b>\$ 2,278,499</b>	<b>\$ 10,298,262</b>

The component called "invested in capital assets, net of related debt" reports the total amount of capital assets as reduced by accumulated depreciation and remaining outstanding debt used to finance the purchase or construction of any capital assets. The balance of invested in capital assets, net of related debt at June 30, 2007, consists of the following:

<b>Governmental activities:</b>	<b>Beginning Balance</b>	<b>Activity</b>	<b>Ending Balance</b>
Capital assets	\$ 100,029,990	\$ 6,300,097	\$ 106,330,087
Adjustments			
Depreciation on capital assets	(30,594,710)	(2,736,815)	(33,331,525)
Bonds issued for capital purposes, current portion	(3,091,309)	99,508	(2,991,801)
Leases issued for capital equipment, current portion	(62,464)	(3,763)	(66,227)
Bonds issued for capital purposes, future portion	(4,385,240)	2,991,801	(1,393,439)
Leases issued for capital equipment, future portion	(116,363)	66,227	(50,136)
Premium on bonds issued for capital purposes	(34,358)	30,212	(4,146)
Deferred charges on bonds issued for capital purposes	381,127	(111,565)	269,562
Subtotal adjustments	(37,903,317)	335,605	(37,567,712)
<b>Invested in capital assets, net of related debt</b>	<b>\$ 62,126,673</b>	<b>\$ 6,635,702</b>	<b>\$ 68,762,375</b>

Unrestricted net assets is the remainder of net assets not classified as either restricted or invested in capital assets, net of related debt.

**Note c: JOINT VENTURES**

The County, in conjunction with the State of North Carolina and Cleveland County Board of Education (the local area school board), participates in a joint venture to operate the Cleveland Community College (CCC). The County, the State of North Carolina, and Cleveland County Board of Education each appoint four members of the thirteen-member Board of Trustees of CCC. The president of the community college's student government serves as an ex-officio nonvoting member of the Board of Trustees of CCC. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$1,060,129 for operating purposes and an additional \$50,000 for capital purposes during the fiscal year ended June 30, 2006 to Cleveland Community College.

The County paid an additional \$793 to CCC for various training courses and materials for clients of the County's Public Assistance programs and \$100 to CCC to rent temporary space.

Over recent years, the County has paid an additional \$92,723 to CCC for a building project for which the County began to recognize expenditures in fiscal year 2004. The County is funding this project through the Cleveland Community College Bond Fund. For more information, see 'Exhibit II.D.3.d' in Subsection D of Section II of this report.

In addition to providing annual appropriations for the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. During the fiscal year, the County made debt service payments of \$100,000 on general obligation bonds issued for community college capital facilities. Of the general obligation bond issues for this purpose, \$2,200,000 in debt remains outstanding.

The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements. Instead, the community college is included as a component unit of the State. Complete financial statements for the community college may be obtained from Cleveland Community College, Administrative Offices, 137 South Post Road, Shelby, North Carolina 28150.

**Note d: JOINTLY GOVERNED ORGANIZATION**

The County, in conjunction with three other counties and twenty municipalities, established the Isothermal Planning and Development Commission (IPDC). The participating governments established this commission to coordinate various funding received from federal and state agencies. Each participating government appoints one member to IPDC's governing board. The County paid membership fees of \$14,610 to IPDC during the fiscal year ended June 30, 2007. The County paid an additional \$10,785 to IPDC to coordinate and administer the Community Development Block Grant awards for a Housing Rehab project, and \$36 to IPDC to maintain a database of information on clients participating in certain programs.

The following is a list of grants that passed through IPDC during the fiscal year ended June 30, 2007:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>State or Pass-Thru Grantor Number</u>	<u>Federal (Direct and Pass-Thru) Expenditures</u>	<u>State (Direct and Pass-Thru) Expenditures</u>
<u>U.S. Dept. of Health &amp; Human Services</u>				
<u>Passed-through the N.C. Dept. of Health and Human Services:</u>				
<u>Divisions of Aging (thru Isothermal Planning and Development) and Social Services</u>				
III-B Grants for Supportive Services and Senior Centers - In Home Services	93.044	-	\$ 125,446	\$ 7,379
<u>U.S. Dept. of Housing and Urban Development</u>				
<u>Passed-through N.C. Dept. of Commerce,</u>				
<u>thru Isothermal Planning and Development</u>				
Community Development Block Grant	14.228	04-C-1288	186,027	-
Total pass-thru grants awards from IPDC			<u>\$ 324,512</u>	<u>\$ 6,943</u>

**Note e: HOSPITAL LEASE AGREEMENT**

The County has entered into a lease agreement, as amended, with Cleveland Regional Medical Center, hereafter CRMC, and the Charlotte-Mecklenburg Hospital Authority under which CRMC will lease certain local hospital and medical facilities in Cleveland and Rutherford counties. Under amendments to the agreement adopted by the County during 2004, the lease term is from October 1, 1997 to January 1, 2019. Pursuant to the amended agreement, CRMC will remit a lump-sum lease payment of \$1,450,000 each year to the County beginning January 2005. In addition, CRMC will remit payments to the County sufficient to pay principal and interest on the portion of the Refunding Series 2003 General Obligation bonds issued by the County that originally financed construction of hospital facilities in 1990, as shown in the following table:

<i>Refunding Series 2003</i>		
FY	Hospital Facilities	
	Principal	Interest
2007	\$ 2,270,000	\$ 134,100
2008	\$ 2,200,000	\$ 66,000

**Note f: BENEFIT PAYMENTS ISSUED BY THE STATE**

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. 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 neither revenues nor expenditures of the County.

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Women, Infants, Children	10.557	-	\$ 1,697,173	\$ -	\$ -
Food Stamps	10.551	-	16,112,281	-	-
Medical Assistance	93.778	-	83,195,902	41,703,386	7,171,181
Participation in Budgeted County Expenditures					
IV-D Offset Fees- ESC	93.563		931	-	480
IV-D Offset Fees-Federal	93.563		4,563	(65)	2,415
Independent Living Links	93.674		1,795	3,331	-
Links Transitional Funds	93.674		104	-	-
IV-E Adoption Subsidy	93.659	-	313,803	88,238	88,238
Energy Assistance Payments	93.568	-	521,988	-	-
AFDC Payments and Penalties	93.560	-	(1,357)	(372)	(372)
AFDC Unemployed Parents Assistance	93.560	-	(30)	(8)	(8)
TANF Payments and Penalties	93.558	-	1,510,120	(170)	607
TANF Unemployed Parents Assistance	93.558	-	(283)	(9)	-
Child Welfare Services Adoption			-	316,024	90,570
State-County / Special Assistance Domicillary Care Payments			-	1,425,266	1,425,266
Total participation in budgeted county expenditures			<u>2,351,632</u>	<u>1,832,236</u>	<u>1,607,196</u>
Total direct benefit payments			<u>\$ 103,356,988</u>	<u>\$ 43,535,621</u>	<u>\$ 8,778,377</u>

Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007  
**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**D. Required Supplementary Information:**

	<u>Identifier</u>	<u>Page No.</u>
1. Law Enforcement Officers' Special Separation Allowance Financial Schedules	Part II.D.1	79
2. Major Governmental Funds Financial Statements	Part II.D.2	84
3. Non-major Governmental Funds Financial Statements	Part II.D.3	95
4. Major Enterprise Fund Financial Schedule	Part II.D.4	111
5. Fiduciary Funds Financial Statement	Part II.D.5	115

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**Cleveland County, North Carolina  
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**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**D. Required Supplementary Information:**

**1. Law Enforcement Officers' Special Separation Allowance Financial Schedules**

	<u>Identifier</u>	<u>Page No.</u>
a. Schedule of Funding Progress	Exhibit II.D.1.a	80
b. Schedule of Employer Contributions	Exhibit II.D.1.b	80
c. Notes to Law Enforcement Officers' Special Separation Allowance	Exhibit II.D.1.c	81

Article 12D of Chapter 143 from the North Carolina General Statutes authorizes the Law Enforcement Officers' Special Separation Allowance (LEOSSA). The LEOSSA is administered under the North Carolina Local Governmental Employees' Retirement System (NC-LGERS). The displays here comply with the applicable provision of accounting requirements under Governmental Accounting Standards Board Statements Number 25 and 27.

Cleveland County, North Carolina  
a. Schedule of Funding Progress

For the Year Ended June 30, 2007

Year Ended December 31	Actuarial Value of Assets	AAL* - Projected Unit Credit	Unfunded AAL*	Funded Ratio	Covered Payroll	Ratio of Unfunded AAL to Covered Payroll
--- County cannot report certain information prior to first actuarial study completed for the year ended June 30, 2006						
2006	\$ -	\$ 921,555	\$ 921,555	0.000%	\$ 2,937,458	31.373%
2005	-	923,552	923,552	0.000%	2,905,604	31.785%
2004	-	-	-	-	2,797,454	-
2003	-	-	-	-	2,645,847	-
2002	-	-	-	-	2,580,566	-
2001	-	-	-	-	2,729,960	-
2000	-	-	-	-	2,390,723	-
1999	-	-	-	-	870,884	-
1998	-	-	-	-	2,163,522	-
1997	-	-	-	-	2,050,559	-
1996	-	-	-	-	1,837,243	-
1995	-	-	-	-	1,617,685	-

\* AAL = Actuarial Accrued Liability (see Valuation Balance Sheet on previous page)

Cleveland County, North Carolina  
b. Schedule of Employer Contributions

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Actual Contributions	Annual Required Contributions	Percentage Contributed	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
--- County cannot report certain information prior to first actuarial study completed for the year ended June 30, 2006						
2007	\$ 105,507	100,013	105.493%	\$ 103,641	101.800%	\$ 284,823
2006	114,758	-	-	104,487	109.830%	286,689
2005	117,577	-	-	105,089	111.883%	296,960
2004	97,473	-	-	105,537	92.359%	309,448
2003	100,384	-	-	-	-	-
2002	67,976	-	-	-	-	-
2001	59,529	-	-	-	-	-
2000	54,169	-	-	-	-	-
1999	49,761	-	-	-	-	-
1998	33,014	-	-	-	-	-
1997	31,026	-	-	-	-	-
1996	-	-	-	-	-	-



Cleveland County, North Carolina  
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For the Year Ended June 30, 2007

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

1. Law Enforcement Officers' Special Separation Allowance Financial Schedules  
c. Notes to Law Enforcement Officers' Special Separation Allowance

INFORMATION PERTAINING TO THE FISCAL YEAR ENDED JUNE 30, 2007

The actuarial valuation for the fiscal year ended June 30, 2007 is based on the annual payroll for law enforcement officers in the calendar year ended December 31, 2005. The actuary's corresponding calculations are shown below.

ANNUAL PAYROLL FOR THE YEAR ENDED DECEMBER 31, 2005

	Number	Amount
1) active members - current annual compensation	88	\$ 2,905,604
2) retired members - current annual benefits	10	105,507
total annual payroll		<u>\$ 3,011,111</u>

VALUATION BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 2005

Present and Prospective Assets		
present assets		\$ -
present value of future (unfunded) accrued liability contributions		923,552
total assets, as of December 31, 2005		<u>\$ 923,552</u>
Accrued Actuarial Liabilities = present value of benefits payable in respect of:		
present retired members and beneficiaries		\$ 430,946
present active members		492,606
total liabilities, as of December 31, 2005		<u>\$ 923,552</u>

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDED JUNE 30, 2007

The annual required contribution for the year ended June 30, 2007 is calculated as of December 31, 2005. The annual required contribution is comprised of 1) the value of benefits expected to be earned during the fiscal year by active employees and 2) a portion of the value of benefits earned during previous fiscal years by employees that were active in previous years. Below, both values are expressed as a percentage of the total annual payroll as calculated in the section above.

	Rate *	Amount
1) value of benefits earned during the current year	1.4860%	\$ 44,744
2) portion of value earned and not contributed in previous years	1.8355%	55,269
total annual required contribution	3.3215%	<u>\$ 100,013</u>

NET PENSION OBLIGATION (& ANNUAL PENSION COST) FOR THE YEAR ENDED JUNE 30, 2007

Net Pension Obligation, as of June 30, 2006		\$ 286,689
annual required contribution	\$ 100,013	
adjustment to annual required contribution	(17,157)	
interest on net pension obligation	20,785	
annual pension cost	<u>\$ 103,641</u>	
contributions	(105,507)	
Change in net pension obligation		<u>\$ (1,866)</u>
Net Pension Obligation, as of June 30, 2007		<u>\$ 284,823</u>

INFORMATION PERTAINING TO THE FISCAL YEAR ENDING JUNE 30, 2008

The actuarial valuation for the fiscal year ending June 30, 2008 is based on the annual payroll for law enforcement officers in the calendar year ended December 31, 2006. The actuary's corresponding calculations are shown next, except that the calculation for the Net Pension Obligation (NPO) is based on other information not yet available. Therefore, NPO will be shown with the County's subsequent annual financial and compliance report.

(continued on next page)

Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

1. Law Enforcement Officers' Special Separation Allowance Financial Schedules

c. Notes to Law Enforcement Officers' Special Separation Allowance

INFORMATION PERTAINING TO THE FISCAL YEAR ENDING JUNE 30, 2008 (continued from previous page)  
ANNUAL PAYROLL FOR THE YEAR ENDED DECEMBER 31, 2006

	Number	Amount
1) active members - current annual compensation	87	\$ 2,937,458
2) retired members - current annual benefits	9	96,599
total annual payroll		<u>\$ 3,034,057</u>

VALUATION BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 2006

Present and Prospective Assets		
present assets		\$ -
present value of future (unfunded) accrued liability contributions		921,555
total assets, as of December 31, 2006		<u>\$ 921,555</u>
Accrued Actuarial Liabilities = present value of benefits payable in respect of:		
present retired members and beneficiaries		\$ 354,853
present active members		566,702
total liabilities, as of December 31, 2006		<u>\$ 921,555</u>

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2008

The annual required contribution for the year ended June 30, 2008 is calculated as of December 31, 2006. The annual required contribution is comprised of 1) the value of benefits expected to be earned during the fiscal year by active employees and 2) a portion of the value of benefits earned during previous fiscal years by employees that were active in previous years. Below, both values are expressed as a percentage of the annual payroll as calculated in the section above.

	Rate *	Amount
1) value of benefits earned during the current year	1.5642%	\$ 47,460
2) portion of value earned and not contributed in previous years	1.8664%	56,628
total annual required contribution	3.4306%	<u>\$ 104,088</u>

ADDITIONAL INFORMATION USED BY THE ACTUARY

The primary purpose of the actuarial valuation is to determine the annual required contribution for each fiscal year. In preparing the valuation, the actuary relied on data provided by Cleveland County and the NC-LGERS. To verify the data, the actuary performed tests for reasonableness and consistency. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information used to actuarially determine the annual required contribution for the reported fiscal year and the subsequent fiscal year follows:

Amortization Method of Unfunded Liability (for both years shown)	level percent of pay, closed basis	
Actuarial Cost Method (for both years shown) **	projected unit credit **	
Asset Valuation Method (for both years shown)	market value	
For the Year Ended	June 30, 2007	June 30, 2008
Valuation Date	Dec 31, 2005	Dec 31, 2006
Remaining Amortization Period	25 years	24 years
Actuarial Assumptions (projected rates):		
Projected Rate of Adjustments for Cost-of-Living	0.00%	0.00%
Projected Rate of Return on Investments *	7.25%	7.25%
Projected Rate of Salary Increases *	4.5 to 12.3%	4.5 to 12.3%
* Includes Projected Rate of Inflation	3.75%	3.75%

(continued on next page)

Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

1. Law Enforcement Officers' Special Separation Allowance Financial Schedules

c. Notes to Law Enforcement Officers' Special Separation Allowance

ADDITIONAL INFORMATION USED BY THE ACTUARY (continued from previous page)

\*\* Under the projected unit credit method of valuing the actuarial cost, the projected benefits of each individual included in the actuarial valuation are allocated to valuation years based on service. The actuarial present value of benefits allocated to the current year is called the normal cost. The actuarial present value of benefits allocated to all periods prior to the valuation year is called the actuarial accrued liability. The excess of the actuarial accrued liability over current assets is the unfunded actuarial accrued liability. The actuarially determined contribution requirements consist of the normal cost and amortization of the unfunded actuarial accrued liability within a 25-year period, assuming inflation will grow at 3.75% annually.

The following table displays the number of plan members participating in this pension plan at June 30 of each of the last twelve fiscal years.

<b>Fiscal Year Ended June 30</b>	<b>Retirees Receiving Benefits</b>	<b>Other * Plan Members</b>	<b>Vested Plan Members</b>	<b>Nonvested Plan Members</b>	<b>Total Plan Members</b>
2007	10	-	48	35	93
2006	12	-	46	34	92
2005	12	-	39	42	93
2004	10	-	43	39	92
2003	9	-	41	37	87
2002	10	-	43	36	89
2001	8	-	44	33	85
2000	7	-	40	33	80
1999	5	-	39	35	79
1998	5	-	45	30	80
1997	-	-	42	27	69
1996	-	-	41	20	61

\* other plan members includes only terminated plan members entitled to but not yet receiving benefits

Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007  
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
D. Required Supplementary Information:  
2. Major Governmental Funds Financial Statements

	<u>Identifier</u>	<u>Page No.</u>
a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)	Exhibit II.D.2.a	85
b. Schools Capital Reserve Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)	Exhibit II.D.2.b	94

The Major Governmental Funds statements reflect the detail level of presentation behind the individual fund columns in the basic financial statements.

Cleveland County, North Carolina

a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund  
Balances -- Budget to Actual (added details)

For the Year Ended June 30, 2007

With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes				
Current year	\$ 32,572,800	\$ 33,273,489	\$ 700,689	\$ 32,606,264
Prior years	1,104,378	1,506,120	401,742	1,696,889
Penalties, interest, and advertising, net	243,700	437,710	194,010	450,009
Subtotal ad valorem taxes	<u>33,920,878</u>	<u>35,217,319</u>	<u>1,296,441</u>	<u>34,753,162</u>
Other taxes				
Local option sales tax	11,475,000	12,037,091	562,091	11,372,496
Franchise fee	265,000	310,834	45,834	307,704
Occupancy tax	173,000	185,438	12,438	164,990
Rental tax	20,000	24,397	4,397	26,834
Privilege license	-	3,880	3,880	3,675
Register of deeds excise stamp	225,000	320,334	95,334	289,990
Subtotal other taxes	<u>12,158,000</u>	<u>12,881,974</u>	<u>723,974</u>	<u>12,165,689</u>
Intergovernmental revenues, unrestricted				
Payments in lieu of taxes	12,000	11,575	(425)	23,000
Sheriff court fees	60,000	46,048	(13,952)	43,629
Jail fees	35,000	30,834	(4,166)	34,714
Safe road taxes	10,000	13,102	3,102	11,606
Subtotal intergovernmental revenues, unrestricted	<u>117,000</u>	<u>101,559</u>	<u>(15,441)</u>	<u>112,949</u>
Intergovernmental revenues, restricted				
County program grants	2,115,909	1,663,494	(452,415)	2,469,653
Social services program grants	14,664,487	14,002,620	(661,867)	13,456,370
Health program grants	2,306,085	2,420,031	113,946	1,806,191
Court facilities fees	219,334	208,218	(11,116)	198,802
Subtotal intergovernmental revenues, restricted	<u>19,305,815</u>	<u>18,294,363</u>	<u>(1,011,452)</u>	<u>17,931,016</u>
Subtotal intergovernmental revenues	<u>19,422,815</u>	<u>18,395,922</u>	<u>(1,026,893)</u>	<u>18,043,965</u>
Licenses, fees, and permits				
Board of election fees	-	410	410	10,932
Register of deeds fees and permits	400,000	556,413	156,413	556,765
Marriage licenses	-	14,525	14,525	14,350
Street sign fees	-	1,175	1,175	1,015
Civil, pistol, and concealed weapons permits	130,000	143,349	13,349	151,391
Inmate fees	-	6,433	6,433	5,822
Emergency Management fees	-	1,374	1,374	1,720
Building permit and inspection fees	240,000	205,829	(34,171)	229,395
Hazardous material licenses	-	437	437	-
Zoning permits and fees	51,000	37,552	(13,448)	35,374
Soil conservation signs	2,000	66	(1,934)	33
Library fees	45,000	29,949	(15,051)	37,810
Environmental health permits	144,000	142,405	(1,595)	130,110
Subtotal licenses, fees, and permits	<u>1,012,000</u>	<u>1,139,917</u>	<u>127,917</u>	<u>1,174,717</u>

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Cleveland County, North Carolina

a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund  
Balances -- Budget to Actual (added details)

For the Year Ended June 30, 2007

With Comparative Totals as of June 30, 2006

	2007		Variance -	2006
	Budget	Actual	Favorable (Unfavorable)	Actual
<b>REVENUES (continued from previous page)</b>				
Sales and services				
Rents, concessions, and parking	\$ 1,474,000	\$ 1,478,393	\$ 4,393	\$ 1,477,522
Contracted revenues	768,166	796,315	28,149	777,520
County program fees	801,000	840,849	39,849	(1,196,876)
Social Services Department fees	34,685	21,695	(12,990)	28,221
Health Department fees	539,982	492,242	(47,740)	369,185
Medicaid / Medicare service fees	3,170,835	4,721,542	1,550,707	4,501,206
Subtotal sales and services	6,788,668	8,351,036	1,562,368	5,956,778
Investment earnings	1,100,000	1,538,052	438,052	1,107,537
Miscellaneous				
Insurance proceeds	776,431	169,876	(606,555)	63,479
Contributions / donations	99,595	155,046	55,451	611,692
ABC net revenues	77,000	84,542	7,542	94,583
Vending & Phone commissions	64,000	64,910	910	65,219
State Refunds to Social Services	-	51,688	51,688	29,833
Paving assessments	-	43,479	43,479	19,475
Sale of used surplus equipment and vehicles	25,000	33,955	8,955	26,543
Miscellaneous	52,000	27,077	(24,923)	26,385
Subtotal miscellaneous	1,094,026	630,573	(463,453)	937,209
<b>Total revenues</b>	<b>75,496,387</b>	<b>78,154,793</b>	<b>2,658,406</b>	<b>74,139,057</b>
<b>EXPENDITURES</b>				
General government				
Governing body (including grants received and awarded)				
Salaries / benefits	284,887	283,103	1,784	261,461
Other expenses	3,140,493	2,201,568	938,925	1,769,782
Capital outlay	-	-	-	19,355
Subtotal governing body	3,425,380	2,484,671	940,709	2,050,598
Administration				
Salaries / benefits	400,351	400,035	316	296,937
Other expenses	28,480	24,098	4,382	27,562
Subtotal administration	428,831	424,133	4,698	324,499
Finance				
Salaries / benefits	475,696	473,192	2,504	441,769
Other expenses	73,977	60,744	13,233	75,108
Subtotal finance	549,673	533,936	15,737	516,877
Tax administration (listing and collection)				
Salaries / benefits	955,651	950,928	4,723	926,641
Other expenses	274,395	249,296	25,099	215,675
Capital outlay	2,900	2,857	43	-
Subtotal tax listing	1,232,946	1,203,081	29,865	1,142,316

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Cleveland County, North Carolina

a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund  
Balances -- Budget to Actual (added details)

For the Year Ended June 30, 2007

With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<b>EXPENDITURES (continued from previous page)</b>				
Legal				
Other expenses	\$ 90,170	\$ 88,845	\$ 1,325	\$ 52,965
Capital outlay	20,215	20,220	(5)	-
Subtotal legal	110,385	109,065	1,320	52,965
Elections				
Salaries / benefits	195,427	194,248	1,179	228,798
Other expenses	84,819	100,921	(16,102)	168,471
Capital outlay	-	-	-	393,760
Subtotal elections	280,246	295,169	(14,923)	791,029
Register of deeds (including automation)				
Salaries / benefits	319,565	317,731	1,834	308,097
Other expenses	60,595	57,454	3,141	54,229
Capital outlay	-	-	-	21,451
Subtotal register of deeds	380,160	375,185	4,975	383,777
Information Technology				
Salaries / benefits	343,389	341,948	1,441	330,809
Other expenses	78,475	62,960	15,515	66,266
Capital outlay	23,450	16,485	6,965	9,495
Subtotal information technology	445,314	421,393	23,921	406,570
Human Resources				
Salaries / benefits	303,221	301,702	1,519	391,592
Other expenses	27,482	25,023	2,459	25,666
Subtotal human resources	330,703	326,725	3,978	417,258
Public buildings maintenance				
Salaries / benefits	374,741	372,623	2,118	346,974
Other expenses	940,119	868,857	71,262	847,431
Capital outlay	165,440	165,438	2	-
Subtotal public buildings maintenance	1,480,300	1,406,918	73,382	1,194,405
Juvenile Crime Prevention Council Admin, other expenses	3,550	3,303	247	2,515
TACC, other expenses	39,464	39,464	-	39,464
Communities in schools, other expenses	58,500	58,500	-	58,500
Emergency and contingency, other expenses	73,786	7,529	66,257	26,225
Court facilities				
Salaries / benefits	110,834	110,782	52	107,721
Other expenses	228,500	219,753	8,747	206,425
Subtotal court facilities	339,334	330,535	8,799	314,146
Total general government	9,178,572	8,019,607	1,158,965	7,721,144
Public safety				
Sheriff (including schools resource officers)				
Salaries / benefits	4,474,177	4,459,455	14,722	4,339,644
Other expenses	751,135	700,982	50,153	756,546
Capital outlay	197,063	197,062	1	178,043
Subtotal sheriff	5,422,375	5,357,499	64,876	5,274,233

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Cleveland County, North Carolina

a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund  
Balances -- Budget to Actual (added details)

For the Year Ended June 30, 2007

With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<b>EXPENDITURES (continued from previous page)</b>				
Law enforcement and other public safety grants				
Other expenses	\$ 36,706	\$ 26,103	\$ 10,603	\$ 83,242
Capital outlay	25,890	25,861	29	-
Subtotal public safety grants	62,596	51,964	10,632	83,242
Criminal Justice (Day Reporting Center)				
Salaries / benefits	51,248	51,247	1	49,290
Other expenses	48,375	44,644	3,731	44,310
Subtotal criminal justice	99,623	95,891	3,732	93,600
Federal and state forfeited property				
Other expenses	144,304	141,955	2,349	96,361
Capital outlay	250,689	221,010	29,679	276,651
Subtotal federal and state forfeited property	394,993	362,965	32,028	373,012
Detention Centers				
Salaries / benefits	1,362,011	1,339,930	22,081	1,357,785
Other expenses	927,430	924,882	2,548	767,302
Capital outlay	27,064	2,064	25,000	5,185
Subtotal detention center	2,316,505	2,266,876	49,629	2,130,272
Emergency management				
Salaries / benefits	191,191	191,109	82	184,560
Other expenses	91,898	82,561	9,337	48,752
Capital outlay	20,575	3,382	17,193	-
Subtotal emergency management	303,664	277,052	26,612	233,312
Emergency medical services				
Salaries / benefits	3,972,226	3,972,222	4	3,791,661
Other expenses	730,998	703,141	27,857	615,934
Capital outlay	399,320	189,367	209,953	208,025
Subtotal emergency medical services	5,102,544	4,864,730	237,814	4,615,620
Rescue Squads, other expenses	163,830	162,085	1,745	152,889
Communications				
Salaries / benefits	705,107	704,508	599	678,266
Other expenses	19,300	12,774	6,526	17,169
Subtotal communications	724,407	717,282	7,125	695,435
Electronic maintenance				
Salaries / benefits	251,835	251,829	6	234,755
Other expenses	67,739	66,202	1,537	61,345
Subtotal electronic maintenance	319,574	318,031	1,543	296,100
Inspections				
Salaries / benefits	310,619	308,953	1,666	303,000
Other expenses	40,881	35,564	5,317	25,615
Subtotal inspections	351,500	344,517	6,983	328,615
Medical examiner				
Salaries / benefits	20,096	19,817	279	16,653
Other expenses	67,700	64,423	3,277	64,195
Subtotal medical examiner	87,796	84,240	3,556	80,848

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Cleveland County, North Carolina  
a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund  
Balances -- Budget to Actual (added details)

For the Year Ended June 30, 2007  
With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<b>EXPENDITURES (continued from previous page)</b>				
Hazardous materials				
Other expenses	\$ 47,614	\$ 27,626	\$ 19,988	\$ 26,450
Capital outlay	7,496	7,495	1	10,271
Subtotal hazardous materials	55,110	35,121	19,989	36,721
Animal Control				
Salaries / benefits	315,339	314,878	461	309,289
Other expenses	85,643	71,762	13,881	71,088
Capital outlay	-	-	-	15,965
Subtotal animal control	400,982	386,640	14,342	396,342
Total public safety	15,805,499	15,324,893	480,606	14,790,241
Human services				
Miscellaneous				
Pathways, other expenses	891,738	891,738	-	891,738
Veteran services				
Salaries / benefits	48,166	47,900	266	45,931
Other expenses	3,458	2,981	477	2,777
Subtotal veteran services	51,624	50,881	743	48,708
Council on aging, other expenses	134,325	134,325	-	108,325
Social services:				
Administration				
Salaries / benefits	681,158	680,614	544	659,062
Other expenses	805,854	685,968	119,886	590,291
Capital outlay	17,100	16,847	253	15,412
Subtotal administration	1,504,112	1,383,429	120,683	1,264,765
Title XX				
Salaries / benefits	3,801,057	3,639,391	161,666	3,555,615
Other expenses	649,856	564,581	85,275	537,372
Capital outlay	-	-	-	371
Subtotal Title XX	4,450,913	4,203,972	246,941	4,093,358
Outside Poor, other expenses	6,180,027	5,801,253	378,774	5,561,495
Income maintenance				
Salaries / benefits	3,404,000	3,328,488	75,512	3,164,817
Other expenses	289,652	228,368	61,284	276,893
Subtotal income maintenance	3,693,652	3,556,856	136,796	3,441,710
Special assistance				
Salaries / benefits	36,855	32,245	4,610	35,052
Other expenses	232	-	232	-
Subtotal special assistance	37,087	32,245	4,842	35,052
Aid to Blind, other expenses	8,000	6,159	1,841	5,790
IVD Child Support				
Salaries / benefits	1,174,526	1,174,322	204	1,180,312
Other expenses	6,380	5,231	1,149	5,741
Subtotal IVD child support	1,180,906	1,179,553	1,353	1,186,053

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Cleveland County, North Carolina  
a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund  
Balances -- Budget to Actual (added details)

For the Year Ended June 30, 2007  
With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<b>EXPENDITURES (continued from previous page)</b>				
Home delivered meals, other expenses	\$ -	\$ -	\$ -	\$ 24,086
Smart Start, salaries / benefits	40,744	40,704	40	38,350
Public assistance, other expenses	10,247,879	10,094,784	153,095	9,728,899
Total social services	27,343,320	26,298,955	1,044,365	25,379,558
Health services				
Administration				
Salaries / benefits	664,670	661,909	2,761	669,092
Other expenses	586,782	527,146	59,636	536,668
Capital outlay	16,000	16,000	-	8,298
Subtotal administration	1,267,452	1,205,055	62,397	1,214,058
Smart Start				
Salaries / benefits	60,485	57,678	2,807	45,292
Other expenses	73,990	63,025	10,965	60,424
Subtotal Smart Start	134,475	120,703	13,772	105,716
AIDS				
Salaries / benefits	151,459	151,457	2	104,317
Other expenses	71,823	60,020	11,803	71,230
Subtotal AIDS	223,282	211,477	11,805	175,547
Tuberculosis / Communicable Diseases				
Salaries / benefits	47,354	26,935	20,419	50,636
Other expenses	23,580	20,294	3,286	12,890
Capital outlay	-	-	-	-
Subtotal tuberculosis/communicable diseases	70,934	47,229	23,705	63,526
Adult health				
Salaries / benefits	655,105	626,761	28,344	624,825
Other expenses	353,736	241,218	112,518	241,135
Capital outlay	10,500	10,422	78	2,598
Subtotal adult health	1,019,341	878,401	140,940	868,558
School health				
Salaries / benefits	813,640	782,140	31,500	685,325
Other expenses	97,212	85,569	11,643	81,117
Subtotal school health	910,852	867,709	43,143	766,442
Health promotions				
Salaries / benefits	74,430	65,577	8,853	90,180
Other expenses	90,000	81,986	8,014	77,357
Subtotal health promotions	164,430	147,563	16,867	167,537
Nutrition grant				
Salaries / benefits	192,075	147,250	44,825	54,540
Other expenses	169,182	99,770	69,412	64,340
Capital outlay	2,073	2,072	1	-
Subtotal nutrition grant	363,330	249,092	114,238	118,880

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## Cleveland County, North Carolina

a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund  
Balances -- Budget to Actual (added details)

For the Year Ended June 30, 2007

With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<b>EXPENDITURES (continued from previous page)</b>				
Child health				
Salaries / benefits	\$ 488,096	\$ 484,673	\$ 3,423	\$ 439,870
Other expenses	92,748	71,555	21,193	52,540
Subtotal child health	<u>580,844</u>	<u>556,228</u>	<u>24,616</u>	<u>492,410</u>
Maternal health				
Salaries / benefits	1,534,287	1,527,594	6,693	1,496,655
Other expenses	114,075	99,066	15,009	71,512
Subtotal maternal health	<u>1,648,362</u>	<u>1,626,660</u>	<u>21,702</u>	<u>1,568,167</u>
Family planning				
Salaries / benefits	655,487	651,833	3,654	649,245
Other expenses	224,263	195,004	29,259	174,826
Capital outlay	4,185	4,125	60	-
Subtotal family planning	<u>883,935</u>	<u>850,962</u>	<u>32,973</u>	<u>824,071</u>
Women - Infants - Children				
Salaries / benefits	364,385	361,058	3,327	304,354
Other expenses	33,571	26,658	6,913	24,711
Subtotal women - infants - children	<u>397,956</u>	<u>387,716</u>	<u>10,240</u>	<u>329,065</u>
Environmental health				
Salaries / benefits	721,582	719,940	1,642	692,149
Other expenses	77,631	53,299	24,332	60,238
Capital outlay	65,112	4,741	60,371	27,157
Subtotal environmental health	<u>864,325</u>	<u>777,980</u>	<u>86,345</u>	<u>779,544</u>
Other public health grants				
Salaries / benefits	122,867	118,866	4,001	-
Other expenses	66,835	48,048	18,787	3,680
Subtotal other public health grants	<u>189,702</u>	<u>166,914</u>	<u>22,788</u>	<u>3,680</u>
Dental clinic				
Salaries / benefits	213,941	213,819	122	240,895
Other expenses	101,585	91,840	9,745	27,921
Capital outlay	-	-	-	12,995
Subtotal dental clinic	<u>315,526</u>	<u>305,659</u>	<u>9,867</u>	<u>281,811</u>
Carolina Access				
Salaries / benefits	553,261	466,493	86,768	379,062
Other expenses	223,999	130,697	93,302	84,362
Subtotal Carolina Access	<u>777,260</u>	<u>597,190</u>	<u>180,070</u>	<u>463,424</u>
CODAP				
Salaries / benefits	181,150	140,750	40,400	232,650
Other expenses	63,189	13,501	49,688	49,671
Subtotal CODAP	<u>244,339</u>	<u>154,251</u>	<u>90,088</u>	<u>282,321</u>
Total health services	<u>10,056,345</u>	<u>9,150,789</u>	<u>905,556</u>	<u>8,504,757</u>
Total human services	<u>38,477,352</u>	<u>36,526,688</u>	<u>1,950,664</u>	<u>34,933,086</u>

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Cleveland County, North Carolina

a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund  
Balances -- Budget to Actual (added details)

For the Year Ended June 30, 2007

With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<b>EXPENDITURES (continued from previous page)</b>				
Education				
Public schools				
Current expenses	\$ 9,808,213	\$ 9,808,213	\$ -	\$ 9,808,213
Schools capital outlay	3,300,000	3,300,000	-	3,700,000
Subtotal public schools	13,108,213	13,108,213	-	13,508,213
Community college, other expenses	1,060,129	1,060,129	-	1,060,129
Total education	14,168,342	14,168,342	-	14,568,342
Economic and physical development				
Planning and zoning				
Salaries / benefits	195,589	194,790	799	188,619
Other expenses	107,294	74,707	32,587	52,711
Capital outlay	12,360	12,360	-	-
Subtotal planning and zoning	315,243	281,857	33,386	241,330
Economic development				
Other expenses	2,571,743	2,540,342	31,401	466,430
Capital outlay	18,396	18,387	9	-
Subtotal economic development	2,590,139	2,558,729	31,410	466,430
Cooperative extension				
Salaries / benefits	219,886	217,409	2,477	200,977
Other expenses	55,708	52,500	3,208	51,236
Subtotal cooperative extension	275,594	269,909	5,685	252,213
Forestry, other expenses	50,202	31,384	18,818	36,491
Soil conservation				
Salaries / benefits	69,746	69,557	189	70,935
Other expenses	28,167	22,632	5,535	4,628
Subtotal soil conservation	97,913	92,189	5,724	75,563
Total economic and physical development	3,329,091	3,234,068	95,023	1,072,027
Cultural				
Library system				
Salaries / benefits	598,480	594,718	3,762	554,557
Other expenses	348,586	316,805	31,781	442,030
Capital outlay	-	-	-	211,362
Subtotal library system	947,066	911,523	35,543	1,207,949
Broad River Greenway				
Other expenses	48,658	47,008	1,650	54,899
Capital outlay	3,350	3,350	-	-
Subtotal Broad River Greenway	52,008	50,358	1,650	54,899
Museum, other expenses	10,000	9,584	416	-
Total cultural	1,009,074	971,465	37,609	1,262,848

continued on next page

Cleveland County, North Carolina

a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)

For the Year Ended June 30, 2007

With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<b>EXPENDITURES (continued from previous page)</b>				
Debt service				
Principal reduction	\$ 62,465	\$ 62,365	\$ 100	\$ 58,951
Interest and fees	7,732	7,730	2	11,243
Total debt service	<u>70,197</u>	<u>70,095</u>	<u>102</u>	<u>70,194</u>
<b>Total expenditures</b>	<b>82,038,127</b>	<b>78,315,158</b>	<b>3,722,969</b>	<b>74,417,882</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(6,541,740)</b>	<b>(160,365)</b>	<b>6,381,375</b>	<b>(278,825)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
from Special Revenue fund-Schools Capital Reserve	1,300,000	1,300,000	-	1,700,000
from Special Revenue fund-Emergency Telephone	-	-	-	25
from Enterprise fund	175,347	175,347	-	150,712
Transfers out:				
to Special Revenue fund-Schools Capital Reserve	-	-	-	(548)
to Special Revenue fund-Community Development	(275)	(275)	-	-
to Debt Service fund	(1,162,570)	(1,162,642)	(72)	(1,019,688)
to Capital Projects fund-Capital Projects	(451,497)	(276,219)	175,278	(717,094)
to Capital Projects fund-Capital Reserve	(300,000)	(375,000)	(75,000)	(145,811)
to Enterprise fund	-	-	-	(7,928)
Fund balance appropriated	6,980,735	-	(6,980,735)	-
<b>Total other financing sources (uses)</b>	<b>6,541,740</b>	<b>(338,789)</b>	<b>(6,880,529)</b>	<b>(40,332)</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>(499,154)</b>	<b>\$ (499,154)</b>	<b>(319,157)</b>
<b>FUND BALANCES</b>				
Beginning fund balances		29,519,565		29,838,722
Ending fund balances		<u>\$ 29,020,411</u>		<u>\$ 29,519,565</u>

## Cleveland County, North Carolina

## b. Schools Capital Reserve Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)

For the Year Ended June 30, 2007

With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<b>REVENUES</b>				
Local Option Sales Taxes, restricted portions of Articles 40 and 42				
Other taxes	\$ 1,484,904	\$ 3,467,859	\$ 1,982,955	\$ 3,206,074
Investment earnings	-	199,644	199,644	118,577
Subtotal	1,484,904	3,667,503	2,182,599	3,324,651
State Corporate Income Taxes ("Public School Building Capital Funds")				
Intergovernmental revenues	1,683,691	1,626,074	(57,617)	900,000
Investment earnings	-	65,441	65,441	10,847
Subtotal	1,683,691	1,691,515	7,824	910,847
<b>Total revenues</b>	<b>3,168,595</b>	<b>5,359,018</b>	<b>2,190,423</b>	<b>4,235,498</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Local Option Sales Taxes, restricted portions of Articles 40 and 42				
Transfers out:				
To General Fund	(1,300,000)	(1,300,000)	-	(1,700,000)
To Debt Service Fund	(184,904)	(184,904)	-	(1,241,132)
Subtotal	(1,484,904)	(1,484,904)	-	(2,941,132)
State Corporate Income Taxes ("Public School Building Capital Funds")				
Transfers out:				
To Debt Service Fund	(1,683,691)	(1,683,691)	-	(910,847)
<b>Total other financing sources (uses)</b>	<b>(3,168,595)</b>	<b>(3,168,595)</b>	<b>-</b>	<b>(3,851,979)</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>2,190,423</b>	<b>\$ 2,190,423</b>	<b>383,519</b>
<b>FUND BALANCES</b>				
Local Option Sales Taxes, restricted portions of Articles 40 and 42				
Beginning fund balances		3,270,681		2,887,162
Ending fund balances		5,453,280		3,270,681
State Corporate Income Taxes ("Public School Building Capital Funds")				
Beginning fund balances		-		-
Ending fund balances		7,824		-
<b>Total Combined</b>				
Beginning fund balances		3,270,681		2,887,162
Ending fund balances	<b>\$ 5,461,104</b>			<b>\$ 3,270,681</b>

Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007  
**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**D. Required Supplementary Information:**  
**3. Non-major Governmental Funds Financial Statements**

	<u>Identifier</u>	<u>Page No.</u>
a. Non-major Governmental Funds: Combining Balance Sheet	Exhibit II.D.3.a	96
b. Non-major Governmental Funds: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.D.3.b	98
c. Public Schools Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.c	100
d. Community College Bond Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.d	101
e. Revaluation Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.e	102
f. Emergency Telephone Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.f	103
g. County Fire Service District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.g	105
h. Community Development Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.h	106
i. Debt Service Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.i	107
j. Capital Projects Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.j	108
k. Capital Reserve Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.k	109

The Non-major Governmental Funds Financial Statements include the combining balance sheet and combining statement of revenues, expenditures, and changes in fund balance for non-major special revenue funds, debt service fund, and capital projects funds that comprise the other governmental, non-major funds column in the basic financial statements. The individual fund financial statements follow the combining statements.

The primary purpose of Special Revenue Funds is to account for the proceeds of designated revenue sources that are restricted by law or administrative action for specific purposes. Items c through h from the list above represent different Special Revenue Funds.

The purpose of the Capital Projects and Capital Reserve Funds is to account for the financial resources segregated for the acquisition or construction of major general capital assets and facilities. The budgets within these funds are adopted for the life of the project. Under the project accounting concept, project expenditures and revenues are accumulated until the year in which the project is completed.

Cleveland County, North Carolina  
a. Non-major Governmental Funds: Combining Balance Sheet

For the Year Ended June 30, 2007  
With Comparative Totals as of June 30, 2006

	Non-major Governmental Funds			
	Public Schools	Community College Bond	Revaluation	Emergency Telephone
<b>ASSETS</b>				
Cash and cash equivalents	\$ 175,645	\$ 481,180	\$ 14,975	\$ 1,105,672
Taxes receivable, net	505,974	-	-	-
Accounts receivable, net	-	-	-	35,185
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
<b>Total assets</b>	<b>\$ 681,619</b>	<b>\$ 481,180</b>	<b>\$ 14,975</b>	<b>\$ 1,140,857</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 120,062	\$ -	\$ -	\$ 15
Contract retainage	-	-	-	-
Unearned revenues	55,533	-	-	-
Deferred revenues	505,974	-	-	-
Due to other funds	-	-	-	112
<b>Total liabilities</b>	<b>681,569</b>	<b>-</b>	<b>-</b>	<b>127</b>
Fund balances:				
Reserved fund balance:				
Encumbrances	-	-	-	-
Prepaid items	-	-	-	-
State Statute	-	-	-	35,185
Unreserved designated fund balance:				
for future insurance claims	-	-	-	-
for subsequent year's expenditures	-	-	14,800	-
Unreserved undesignated fund balance:				
Special Revenue funds	50	481,180	175	1,105,545
Capital Projects funds	-	-	-	-
<b>Total fund balances</b>	<b>50</b>	<b>481,180</b>	<b>14,975</b>	<b>1,140,730</b>
<b>Total liabilities and fund balances</b>	<b>\$ 681,619</b>	<b>\$ 481,180</b>	<b>\$ 14,975</b>	<b>\$ 1,140,857</b>



Non-major Governmental Funds

Fire District	CDBG Housing Rehab	Debt Service	Capital Projects	Capital Reserve	Totals	
					2007	2006
\$ 1,075,038	\$ -	\$ -	\$ -	\$ 986,399	\$ 3,838,909	\$ 4,778,968
46,804	-	-	-	-	552,778	543,285
84,806	-	-	-	12,758	132,749	270,534
6,680	-	-	92,386	208,925	307,991	62,449
-	-	-	150	-	150	-
<b>\$ 1,213,328</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 92,536</b>	<b>\$ 1,208,082</b>	<b>\$ 4,832,577</b>	<b>\$ 5,655,236</b>
\$ 47	\$ -	\$ -	\$ 30,352	\$ 927	\$ 151,403	\$ 571,832
-	-	-	-	8,740	8,740	37,105
5,884	-	-	-	-	61,417	82,437
46,804	-	-	-	-	552,778	543,285
-	-	-	-	-	112	73,202
<b>52,735</b>	<b>-</b>	<b>-</b>	<b>30,352</b>	<b>9,667</b>	<b>774,450</b>	<b>1,307,861</b>
-	-	-	62,034	-	62,034	-
-	-	-	150	-	150	-
91,486	-	-	-	23,415	150,086	274,855
-	-	-	-	1,175,000	1,189,800	1,897,036
1,069,107	-	-	-	-	2,656,057	1,704,950
1,160,593	-	-	62,184	1,198,415	4,058,127	4,347,375
<b>\$ 1,213,328</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 92,536</b>	<b>\$ 1,208,082</b>	<b>\$ 4,832,577</b>	<b>\$ 5,655,236</b>

Cleveland County, North Carolina  
b. Non-major Governmental Funds: Combining Statement of Revenues,  
Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2007  
With Comparative Totals as of June 30, 2006

	Non-major Governmental Funds			
	Public Schools	Community College Bond	Revaluation	Emergency Telephone
<b>REVENUES</b>				
Ad valorem taxes	\$ 9,091,504	\$ -	\$ -	\$ -
Other taxes	-	-	-	405,914
Intergovernmental revenues, restricted	-	-	-	203,244
Investment earnings	-	24,457	749	46,996
Miscellaneous	-	-	-	8
<b>Total revenues</b>	<b>9,091,504</b>	<b>24,457</b>	<b>749</b>	<b>656,162</b>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Public safety	-	-	-	339,236
Human services	-	-	-	-
Education	9,091,504	-	-	-
Economic and physical development	-	-	-	-
Cultural	-	-	-	-
Schools capital outlay	-	-	-	-
Debt service, principal reduction	-	-	-	-
Debt service, interest and fees	-	-	-	-
<b>Total expenditures</b>	<b>9,091,504</b>	<b>-</b>	<b>-</b>	<b>339,236</b>
<b>Excess of revenues over (under) expenditures</b>	<b>-</b>	<b>24,457</b>	<b>749</b>	<b>316,926</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>-</b>	<b>24,457</b>	<b>749</b>	<b>316,926</b>
<b>FUND BALANCES</b>				
Beginning fund balances	50	456,723	14,226	823,804
Ending fund balances	\$ 50	\$ 481,180	\$ 14,975	\$ 1,140,730

Non-major Governmental Funds

Fire District	CDBG Housing Rehab	Debt Service	Capital Projects	Capital Reserve	Totals	
					2007	2006
\$ 784,565	\$ -	\$ -	\$ -	\$ -	\$ 9,876,069	\$ 9,730,568
340,589	-	-	-	-	746,503	751,397
-	186,027	2,404,100	-	-	2,793,371	4,162,929
56,589	-	-	-	68,846	197,637	129,315
-	-	-	12,188	-	12,196	84,375
<b>1,181,743</b>	<b>186,027</b>	<b>2,404,100</b>	<b>12,188</b>	<b>68,846</b>	<b>13,625,776</b>	<b>14,858,584</b>
-	-	-	-	-	-	131,065
1,404,773	-	-	449,671	-	2,193,680	3,323,503
-	-	-	469,106	-	469,106	317,368
-	-	-	-	-	9,091,504	8,972,776
-	186,302	-	171,826	-	358,128	604,724
-	-	-	-	-	-	32,555
-	-	-	50,000	-	50,000	92,372
-	-	4,891,829	-	-	4,891,829	4,886,312
-	-	543,508	-	-	543,508	679,580
<b>1,404,773</b>	<b>186,302</b>	<b>5,435,337</b>	<b>1,140,603</b>	<b>-</b>	<b>17,597,755</b>	<b>19,040,255</b>
(223,030)	(275)	(3,031,237)	(1,128,415)	68,846	(3,971,979)	(4,181,671)
-	275	3,031,237	1,190,599	375,000	4,597,111	4,581,991
-	-	-	-	(914,380)	(914,380)	(546,896)
-	275	3,031,237	1,190,599	(539,380)	3,682,731	4,035,095
(223,030)	-	-	62,184	(470,534)	(289,248)	(146,576)
1,383,623	-	-	-	1,668,949	4,347,375	4,493,951
<b>\$ 1,160,593</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 62,184</b>	<b>\$ 1,198,415</b>	<b>\$ 4,058,127</b>	<b>\$ 4,347,375</b>

Cleveland County, North Carolina  
 c. Public Schools Fund: Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual

For the Year Ended June 30, 2007  
 With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes				
Current year	\$ 8,836,927	\$ 8,605,354	\$ (231,573)	\$ 8,432,803
Prior years	435,873	388,199	(47,674)	437,600
Penalties and interest	-	97,951	97,951	102,374
<b>Total revenues</b>	<b>9,272,800</b>	<b>9,091,504</b>	<b>(181,296)</b>	<b>8,972,777</b>
<b>EXPENDITURES</b>				
Education:				
Consolidated school system	9,272,800	9,091,504	181,296	8,972,776
<b>Total expenditures</b>	<b>9,272,800</b>	<b>9,091,504</b>	<b>181,296</b>	<b>8,972,776</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>1</b>
<b>FUND BALANCES</b>				
Beginning fund balances		50		49
Ending fund balances		<u>\$ 50</u>		<u>\$ 50</u>

## Cleveland County, North Carolina

## d. Community College Bond Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2007

With Comparative Totals from Project Inception to June 30, 2006

	Project Authorization	Prior Years	Current Year	Total to Date
<b>REVENUES</b>				
Investment earnings	\$ 455,000	\$ 498,762	\$ 24,457	\$ 523,219
Miscellaneous	-	29,144	-	29,144
<b>Total revenues</b>	<b>455,000</b>	<b>527,906</b>	<b>24,457</b>	<b>552,363</b>
<b>EXPENDITURES</b>				
Schools capital outlay:				
Classroom / Lab Building	1,063,168	1,063,168	-	1,063,168
Fire / Rescue Training	1,983,752	1,983,752	-	1,983,752
Allied Health Center	476,540	92,723	-	92,723
Misc Professional Services	31,540	31,540	-	31,540
<b>Total expenditures</b>	<b>3,555,000</b>	<b>3,171,183</b>	<b>-</b>	<b>3,171,183</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(3,100,000)</b>	<b>(2,643,277)</b>	<b>24,457</b>	<b>(2,618,820)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond financing issued	3,100,000	3,100,000	-	3,100,000
<b>Total other financing sources (uses)</b>	<b>3,100,000</b>	<b>3,100,000</b>	<b>-</b>	<b>3,100,000</b>
<b>over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ 456,723</b>	<b>24,457</b>	<b>\$ 481,180</b>
<b>FUND BALANCES</b>				
Beginning fund balances			456,723	
Ending fund balances			<u>\$ 481,180</u>	

## Cleveland County, North Carolina

## e. Revaluation Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2007

With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<b>REVENUES</b>				
Investment earnings	\$ -	\$ 749	\$ 749	\$ 545
<b>EXPENDITURES</b>				
General government:				
Supplies	2,000	-	2,000	-
Postage	11,500	-	11,500	-
Advertising	1,400	-	1,400	-
Contracted services	9,000	-	9,000	-
<b>Total expenditures</b>	<b>23,900</b>	<b>-</b>	<b>23,900</b>	<b>-</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(23,900)</b>	<b>749</b>	<b>24,649</b>	<b>545</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund balance appropriated	23,900	-	(23,900)	-
<b>Total other financing sources (uses)</b>	<b>23,900</b>	<b>-</b>	<b>(23,900)</b>	<b>-</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>749</b>	<b>\$ 749</b>	<b>545</b>
<b>FUND BALANCES</b>				
Beginning fund balances		14,226		13,681
Ending fund balances		<u>\$ 14,975</u>		<u>\$ 14,226</u>

Cleveland County, North Carolina  
 f. Emergency Telephone Fund: Statement of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2007

With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<b>REVENUES</b>				
E911 Wireline System				
System subscriber fees	\$ 277,283	\$ 405,914	\$ 128,631	\$ 434,415
Investment earnings	-	7,999	7,999	5,579
Miscellaneous	-	4	4	-
Subtotal	277,283	413,917	136,634	439,994
E911 Wireless System				
Intergovernmental revenues	133,991	203,244	69,253	273,380
Investment earnings	-	38,997	38,997	30,585
Miscellaneous	-	4	4	-
Subtotal	133,991	242,245	108,254	303,965
<b>Total revenues</b>	<b>411,274</b>	<b>656,162</b>	<b>244,888</b>	<b>743,959</b>
<b>EXPENDITURES</b>				
Public safety:				
E911 Wireline System				
Salaries/benefits	104,533	104,005	528	100,022
Telecommunications	86,888	62,343	24,545	73,565
Other	82,262	71,904	10,358	38,638
Capital outlay, equipment	3,600	3,575	25	209,277
Subtotal	277,283	241,827	35,456	421,502
E911 Wireless System				
Telecommunications	95,945	59,731	36,214	70,726
Other	38,046	37,678	368	9,663
Capital outlay, equipment	-	-	-	207,688
Subtotal	133,991	97,409	36,582	288,077
<b>Total public safety expenditures</b>	<b>411,274</b>	<b>339,236</b>	<b>72,038</b>	<b>709,579</b>
<b>Excess of revenues over (under) expenditures</b>				
E911 Wireline System	-	172,090	172,090	18,492
E911 Wireless System	-	144,836	144,836	15,888
<b>Total excess</b>	<b>-</b>	<b>316,926</b>	<b>316,926</b>	<b>34,380</b>

continued on next page

Cleveland County, North Carolina  
 f. Emergency Telephone Fund: Statement of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2007  
 With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<b>Excess of revenues over (under) expenditures (repeated from prior page)</b>				
E911 Wireline System	-	172,090	172,090	18,492
E911 Wireless System	-	144,836	144,836	15,888
<b>Total excess</b>	-	<b>316,926</b>	<b>316,926</b>	<b>34,380</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
E911 Wireline System				
Transfers in:				
From General Fund	-	-	-	548
Transfers out:				
To General Fund		-	-	(25)
<b>Total other financing sources (uses)</b>	-	-	-	<b>523</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>				
E911 Wireline System	-	172,090	172,090	19,015
E911 Wireless System	-	144,836	144,836	15,888
<b>Total excess</b>	<b>\$ -</b>	<b>\$ 316,926</b>	<b>\$ 316,926</b>	<b>34,903</b>
<b>FUND BALANCES</b>				
E911 Wireline System				
Beginning fund balances		91,615		72,600
Ending fund balances		<u>263,705</u>		<u>91,615</u>
E911 Wireless System				
Beginning fund balances		732,189		716,301
Ending fund balances		<u>877,025</u>		<u>732,189</u>
<b>Total Combined</b>				
Beginning fund balances		823,804		788,901
Ending fund balances		<u>\$ 1,140,730</u>		<u>\$ 823,804</u>



Cleveland County, North Carolina  
 g. County Fire Service District Fund: Statement of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2007  
 With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes				
Current year	\$ 699,840	\$ 736,817	\$ 36,977	\$ 710,355
Prior years	24,057	38,014	13,957	37,882
Penalties and interest	5,000	9,734	4,734	9,554
	<u>728,897</u>	<u>784,565</u>	<u>55,668</u>	<u>757,791</u>
Other taxes, local option sales taxes	300,000	340,589	40,589	316,982
Investment earnings	80,000	56,589	(23,411)	36,729
<b>Total revenues</b>	<u>1,108,897</u>	<u>1,181,743</u>	<u>72,846</u>	<u>1,111,502</u>
<b>EXPENDITURES</b>				
Public safety:				
Supplies	4,015	195	3,820	455
Repairs on equipment	1,750	-	1,750	-
Contracted and professional services	10,200	2,891	7,309	2,818
Insurance	68,925	53,687	15,238	52,995
Awards to Volunteer Fire Departments	1,348,000	1,348,000	-	934,079
<b>Total expenditures</b>	<u>1,432,890</u>	<u>1,404,773</u>	<u>28,117</u>	<u>990,347</u>
Excess of revenues over (under) expenditures	<u>(323,993)</u>	<u>(223,030)</u>	<u>100,963</u>	121,155
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund balance appropriated	323,993	-	(323,993)	-
<b>Total other financing sources (uses)</b>	<u>323,993</u>	<u>-</u>	<u>(323,993)</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(223,030)</u>	<u>\$ (223,030)</u>	121,155
<b>FUND BALANCES</b>				
Beginning fund balances		1,383,623		1,262,468
Ending fund balances		<u>\$ 1,160,593</u>		<u>\$ 1,383,623</u>

## Cleveland County, North Carolina

## h. Community Development Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2007

With Comparative Totals from Project Inception to June 30, 2006

	Project Authorization	Prior Years	Current Year	Total to Date
<b>REVENUES</b>				
Intergovernmental revenues, federal CDBG-HR grant	\$ 400,000	\$ 213,971	\$ 186,027	\$ 399,998
<b>Total revenues</b>	<b>400,000</b>	<b>213,971</b>	<b>186,027</b>	<b>399,998</b>
<b>EXPENDITURES</b>				
Economic and physical development:				
Community Development Block Grant-Housing Rehab (CDBG-HR):				
Administration	62,379	50,093	12,285	62,378
Housing rehabilitation	337,896	163,878	174,017	337,895
<b>Total expenditures</b>	<b>400,275</b>	<b>213,971</b>	<b>186,302</b>	<b>400,273</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(275.00)</b>	<b>-</b>	<b>(275.00)</b>	<b>(275.00)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
From General Fund for CDBG-Housing Rehab	275.00	-	275.00	275.00
<b>Total other financing sources (uses)</b>	<b>275.00</b>	<b>-</b>	<b>275.00</b>	<b>275.00</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>FUND BALANCES</b>				
Beginning fund balances			-	
Ending fund balances			<b>\$ -</b>	

## Cleveland County, North Carolina

## i. Debt Service Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2007

With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<b>REVENUES</b>				
Intergovernmental revenues, restricted	\$ 2,405,100	\$ 2,404,100	\$ (1,000)	\$ 2,394,225
<b>Total revenues</b>	<b>2,405,100</b>	<b>2,404,100</b>	<b>(1,000)</b>	<b>2,394,225</b>
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	4,891,829	4,891,829	-	4,886,312
Interest	543,436	543,436	-	679,536
Fees	1,000	72	928	44
<b>Total expenditures</b>	<b>5,436,265</b>	<b>5,435,337</b>	<b>928</b>	<b>5,565,892</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(3,031,165)</b>	<b>(3,031,237)</b>	<b>(72)</b>	<b>(3,171,667)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
From General Fund	1,162,570	1,162,642	72	1,019,688
From Schools Capital Reserve Fund	1,868,595	1,868,595	-	2,151,979
<b>Total other financing sources (uses)</b>	<b>3,031,165</b>	<b>3,031,237</b>	<b>72</b>	<b>3,171,667</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>
<b>FUND BALANCES</b>				
Beginning fund balances		-		-
Ending fund balances		<b>\$ -</b>		<b>\$ -</b>

Cleveland County, North Carolina  
j. Capital Projects Fund: Statement of Revenues, Expenditures, and Changes in  
Fund Balance - Budget and Actual

For the Year Ended June 30, 2007

With Comparative Totals from Project Inception to June 30, 2006

	Project Authorization	Prior Years	Current Year	Total to Date
<b>REVENUES</b>				
Intergovernmental revenues, restricted	\$ 1,084,920	\$ 1,084,920	\$ -	\$ 1,084,920
Miscellaneous	-	-	12,188	12,188
<b>Total revenues</b>	<b>1,084,920</b>	<b>1,084,920</b>	<b>12,188</b>	<b>1,097,108</b>
<b>EXPENDITURES</b>				
Public safety				
Tower Construction Project	2,048,798	1,151,856	371,548	1,523,404
EMS Base Station - Kings Mountain	455,149	437,725	2,232	439,957
Law Enforcement Center Security Improvements	143,194	120,002	21,410	141,412
Animal Shelter Building Renovations	100,000	-	26,657	26,657
Jail Annex Renovations and Security Improvements	69,103	-	20,824	20,824
EMS Base Station - Shelby, Grover Street	7,000	-	7,000	7,000
Subtotal	2,823,244	1,709,583	449,671	2,159,254
Human services				
Health Complex Building/Parking Renovations	665,797	88,146	469,106	557,252
Subtotal	665,797	88,146	469,106	557,252
Education				
Community College grant	150,000	100,000	50,000	150,000
Subtotal	150,000	100,000	50,000	150,000
Economic and physical development				
Industrial Park - Washburn Switch Road	1,120,177	1,063,771	38,380	1,102,151
Industrial Park - Kings Mountain	570,645	123,548	15,847	139,395
Moss Lake Dock Project	100,272	-	100,272	100,272
Airport Renovations	10,000	10,000	-	10,000
Other Miscellaneous Projects	46,757	-	17,327	17,327
Subtotal	1,847,851	1,197,319	171,826	1,369,145
<b>Total expenditures</b>	<b>5,486,892</b>	<b>3,095,048</b>	<b>1,140,603</b>	<b>4,235,651</b>
Excess of revenues over (under) expenditures	(4,401,972)	(2,010,128)	(1,128,415)	(3,138,543)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
From General Fund	2,012,657	1,562,822	276,219	1,839,041
From Capital Reserve Fund	2,389,315	447,306	914,380	1,361,686
<b>Total other financing sources (uses)</b>	<b>4,401,972</b>	<b>2,010,128</b>	<b>1,190,599</b>	<b>3,200,727</b>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	62,184	\$ 62,184
<b>FUND BALANCES</b>				
Beginning fund balances			-	
Ending fund balances			\$ 62,184	

Cleveland County, North Carolina  
 k. Capital Reserve Fund: Statement of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual

For the Year Ended June 30, 2007  
 With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<b>REVENUES</b>				
Investment earnings	\$ -	\$ 68,846	\$ 68,846	\$ 36,392
Miscellaneous	-	-	-	84,375
<b>Total revenues</b>	<b>-</b>	<b>68,846</b>	<b>68,846</b>	<b>120,767</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
From General Fund	300,000	375,000	75,000	145,811
Transfers out				
To Capital Projects Fund	(1,986,096)	(914,380)	1,071,716	(546,871)
Fund balance appropriated	1,686,096	-	(1,686,096)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(539,380)</b>	<b>(539,380)</b>	<b>(401,060)</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>(470,534)</b>	<b>\$ (470,534)</b>	<b>(280,293)</b>
<b>FUND BALANCES</b>				
Beginning fund balances		1,668,949		1,949,242
Ending fund balances		<u>\$ 1,198,415</u>		<u>\$ 1,668,949</u>

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**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
**For the Year Ended June 30, 2007**  
**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**D. Required Supplementary Information:**  
**4. Major Enterprise Fund Financial Schedule**

	<u>Identifier</u>	<u>Page No.</u>
a. Solid Waste Disposal and Collection Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis	Exhibit II.D.4.a	112

The County's sole Enterprise Fund is the Solid Waste Disposal and Collection Fund. This fund is used to account for the operations in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public be recovered through user charges.

The following schedule presents the results of operations for the Enterprise Fund on the modified accrual basis for comparison to the legally adopted budget. In accordance with generally accepted accounting principles, the end of the schedule includes a reconciliation of the modified accrual basis to the full accrual basis.

Cleveland County, North Carolina

a. Solid Waste Disposal and Collection Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis

For the Year Ended June 30, 2007

With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
<b>REVENUES</b>				
Operating revenues:				
Household user fees	\$ 1,291,854	\$ 1,402,512	\$ 110,658	\$ 1,394,824
Departmental fees	3,706,701	3,524,572	(182,129)	3,654,164
Miscellaneous	28,423	108,884	80,461	169,509
Total operating revenues	5,026,978	5,035,968	8,990	5,218,497
Non-operating revenues:				
Other taxes	130,000	145,736	15,736	138,020
Intergovernmental revenues	120,000	72,140	(47,860)	109,599
Interest earned	99,517	702,957	603,440	470,625
Total non-operating revenues	349,517	920,833	571,316	718,244
<b>Total revenues</b>	<b>5,376,495</b>	<b>5,956,801</b>	<b>580,306</b>	<b>5,936,741</b>
<b>EXPENDITURES</b>				
Administration and operating expenditures:				
Salaries and benefits	1,541,441	1,516,959	24,482	1,433,724
Supplies and materials	36,636	34,653	1,983	32,167
Uniforms	7,543	7,542	1	5,899
Travel and training	8,486	8,567	(81)	6,637
Utilities, telecommunications, and postage	68,709	62,971	5,738	67,460
Repairs and maintenance	267,462	187,033	80,429	228,067
Advertising	4,718	5,344	(626)	4,314
Laundry and dry cleaning	20,010	19,838	172	18,971
Rent	4,903	3,249	1,654	565
Contracted services	276,377	261,659	14,718	237,438
Insurance	75,400	75,400	-	58,958
Garbage	1,005,000	959,550	45,450	994,076
Professional and legal services	169,706	102,239	67,467	109,155
Automotive fuels and supplies	418,633	347,101	71,532	368,471
Miscellaneous	35,983	33,338	2,645	2,857
Total administration and operating expenditures	3,941,007	3,625,443	315,564	3,568,759
Capital outlay	6,429,302	899,304	5,529,998	306,391
<b>Total expenditures</b>	<b>10,370,309</b>	<b>4,524,747</b>	<b>5,845,562</b>	<b>3,875,150</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(4,993,814)</b>	<b>1,432,054</b>	<b>6,425,868</b>	<b>2,061,591</b>



Cleveland County, North Carolina

a. Solid Waste Disposal and Collection Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis

For the Year Ended June 30, 2007

With Comparative Totals as of June 30, 2006

	2007		Variance - Favorable (Unfavorable)	2006
	Budget	Actual		Actual
Excess of revenues over (under) expenditures (repeated from prior page)	(4,993,814)	1,432,054	6,425,868	2,061,591
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to General Fund	(175,347)	(175,347)	-	(150,712)
Transfer from General Fund		-	-	7,928
Fund balance appropriated	5,169,161	-	(5,169,161)	-
Total other financing sources (uses)	4,993,814	(175,347)	(5,169,161)	(142,784)
Excess of operating revenues and other financing sources over (under) operating expenditures and other financing uses	\$ -	\$ 1,256,707	\$ 1,256,707	\$ 1,918,807

Reconciliation of Modified Accrual Basis with Full Accrual Basis

Excess of operating revenues and other financing sources over (under) operating expenditures and other financing uses (modified accrual basis)

\$ 1,256,707 \$ 1,918,807

Capital outlay expenditures

899,304 306,391

Non-cash gain (loss) on sales of capital assets

- (81,360)

Depreciation expense

(622,150) (615,728)

Change in accrued leave earned expense

(3,039) (3,162)

Landfill closure and postclosure care expense

(316,924) (281,488)

Net income (full accrual basis)

\$ 1,213,898

\$ 1,243,460

Another Difference in Reporting under Modified Accrual (MA) Basis versus Full Accrual (FA) Basis

Departmental fees (modified accrual basis)

\$ 3,524,572

\$ 3,654,164

Bad debt expense (reduces departmental fees revenue under MA basis)

349

379

Departmental fees (full accrual basis)

\$ 3,524,921

\$ 3,654,543

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Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007  
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
D. Required Supplementary Information:  
5. Fiduciary Funds Financial Statement

	<u>Identifier</u>	<u>Page No.</u>
a. Combining Statement of Changes in Assets and Liabilities -- Fiduciary Funds	Exhibit II.D.5.a	116

The County's fiduciary funds are used to account for resources received and held by the County as the trustee or for which the County acts as agent. The fiduciary funds are:

Fines and Forfeitures Agency Fund

Inmate Agency Fund

Property Tax Agency Fund

Rescue Squad Agency Fund

Social Services Agency Fund

Cleveland County, North Carolina  
a. Combining Statement of Changes in Assets and Liabilities -- Fiduciary Funds

For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Fines and Forfeitures Agency Fund</b>				
<b>Assets</b>				
Intergovernmental receivable *	\$ 3,360	\$ 566,467	\$ (565,576)	\$ 4,251
<b>Liabilities</b>				
Due to other taxing units - State of North Carolina *	\$ 3,360	\$ 17,425	\$ (16,534)	\$ 4,251
Due to other taxing units - Cleveland County Board of Education	-	549,042	(549,042)	-
<b>Total liabilities</b>	<b>\$ 3,360</b>	<b>\$ 566,467</b>	<b>\$ (565,576)</b>	<b>\$ 4,251</b>
<b>Inmate Agency Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 3,793	\$ 132,058	\$ (133,331)	\$ 2,520
Intergovernmental receivable	901	78,500	(78,116)	1,285
<b>Total assets</b>	<b>\$ 4,694</b>	<b>\$ 210,558</b>	<b>\$ (211,447)</b>	<b>\$ 3,805</b>
<b>Liabilities</b>				
Accounts payable	\$ 4,694	\$ 282,653	\$ (283,542)	\$ 3,805
<b>Property Tax Agency Fund</b>				
<b>Assets</b>				
Taxes receivable	\$ 34,016	\$ 307,069	\$ (307,407)	\$ 33,678
Accounts receivable	1,065,875	11,408,608	(11,412,705)	1,061,778
Intergovernmental receivable	222,218	12,580,563	(12,605,196)	197,585
<b>Total assets</b>	<b>\$ 1,322,109</b>	<b>\$ 24,296,240</b>	<b>\$ (24,325,308)</b>	<b>\$ 1,293,041</b>
<b>Liabilities</b>				
Accounts payable	\$ 143,295	\$ 15,613,676	\$ (15,613,016)	\$ 143,955
Due to other taxing units	1,178,814	12,236,993	(12,266,721)	1,149,086
<b>Total liabilities</b>	<b>\$ 1,322,109</b>	<b>\$ 27,850,669</b>	<b>\$ (27,879,737)</b>	<b>\$ 1,293,041</b>
<b>Rescue Squad Agency Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 67,302	\$ 23,022	\$ (5,769)	\$ 84,555
Accounts receivable	943,019	-	(483)	942,536
Intergovernmental receivable	-	702	(701)	1
<b>Total assets</b>	<b>\$ 1,010,321</b>	<b>\$ 23,724</b>	<b>\$ (6,953)</b>	<b>\$ 1,027,092</b>
<b>Liabilities</b>				
Accounts payable	\$ 67,302	\$ 23,022	\$ (5,769)	\$ 84,555
Due to other taxing units	943,019	702	(1,184)	942,537
<b>Total liabilities</b>	<b>\$ 1,010,321</b>	<b>\$ 23,724</b>	<b>\$ (6,953)</b>	<b>\$ 1,027,092</b>

Cleveland County, North Carolina  
a. Combining Statement of Changes in Assets and Liabilities -- Fiduciary Funds

For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Social Services Agency Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 42,562	\$ 182,884	\$ (188,418)	\$ 37,028
<b>Liabilities</b>				
Accounts payable	\$ 42,562	\$ 182,859	\$ (188,393)	\$ 37,028
<b>Totals, All Agency Funds</b>				
<b>Assets</b>				
Cash and investments	\$ 113,657	\$ 337,964	\$ (327,518)	\$ 124,103
Taxes receivable	34,016	307,069	(307,407)	33,678
Accounts receivable	2,008,894	11,408,608	(11,413,188)	2,004,314
Intergovernmental receivable	226,479	13,226,232	(13,249,589)	203,122
<b>Total assets</b>	<b>\$ 2,383,046</b>	<b>\$ 25,279,873</b>	<b>\$ (25,297,702)</b>	<b>\$ 2,365,217</b>
<b>Liabilities</b>				
Accounts payable	\$ 257,853	\$ 16,102,210	\$ (16,090,720)	\$ 269,343
Due to other taxing units	2,125,193	12,804,162	(12,833,481)	2,095,874
<b>Total liabilities</b>	<b>\$ 2,383,046</b>	<b>\$ 28,906,372</b>	<b>\$ (28,924,201)</b>	<b>\$ 2,365,217</b>

Note:

\* these accounts in the Fines and Forfeitures Agency Fund concern the 3% late penalty on delinquent property taxes on motor vehicles

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Cleveland County, North Carolina  
 Annual Financial and Compliance Report  
 For the Year Ended June 30, 2007  
 II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
 E. Other Supplementary Information

	<u>Identifier</u>	<u>Page No.</u>
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20. Schedule of Ad Valorem Taxes Receivable - Town of Lawndale (87)	Exhibit II.E.20	132
21. Schedule of Ad Valorem Taxes Receivable - Town of Casar (88)	Exhibit II.E.21	133
22. Schedule of Ad Valorem Taxes Receivable - Town of Waco (89)	Exhibit II.E.22	133

This section contains required schedules that depict information pertaining to cash balances, transfers among accounting entities (known as funds), and ad valorem tax collections in the County.

Cleveland County, North Carolina  
1. Schedule of Cash and Investment Balances

For the Year Ended June 30, 2007

	Purchase Value	Fair (Market) Value	Amounts Presented on Statements *
<b>Cash</b>			
In physical possession	\$ 21,338	\$ 21,338	\$ 21,338
In demand deposits	32,921,478	32,921,478	32,921,478
<b>Total cash</b>	<b>32,942,816</b>	<b>32,942,816</b>	<b>32,942,816</b>
<b>Cash equivalents</b>			
NC Capital Management Trust (money market accounts)	10,894,043	10,894,043	10,894,043
U.S. Government Securities	4,489,558	4,463,510	4,521,707
<b>Total cash equivalents</b>	<b>15,383,601</b>	<b>15,357,553</b>	<b>15,415,750</b>
<b>Total cash and cash equivalents</b>	<b>\$ 48,326,417</b>	<b>\$ 48,300,369</b>	<b>\$ 48,358,566</b>
<b>Distribution by Funds</b>			
General Fund		\$ 25,701,306	
Special Revenue Funds:			
Public School Fund	\$ 4,479,445		
Schools Capital Reserve Fund	175,645		
Community College Bond Fund	481,180		
Revaluation Fund	14,975		
Emergency Telephone Fund	1,105,672		
Fire District Fund	1,075,038	7,331,955	
Capital Projects Fund: Capital Reserve Fund		986,399	
Enterprise Fund, unrestricted cash		10,945,590	
Agency Funds		124,103	
<b>Total unrestricted cash and cash equivalents</b>			\$ 45,089,353
Enterprise Fund, restricted cash		3,269,213	
<b>Total restricted cash</b>			<b>3,269,213</b>
<b>Total cash and cash equivalents</b>			<b>\$ 48,358,566</b>

\* 'amounts presented on statements' include the amount of accrued interest for federal government securities; however, the amount of accrued interest is not included in the 'purchase value' or the 'fair (market) value'



Cleveland County, North Carolina  
 2. Schedule of Interfund Transfers

For the Year Ended June 30, 2007

	Operating Transfers from:				Total
	General Fund	Special Revenue Funds	Capital Reserve Fund	Enterprise Fund	
Operating Transfers to:					
General Fund	\$ -	\$ 1,300,000	\$ -	\$ 175,347	\$ 1,475,347
Special Revenue Funds	275	-	-	-	275
Debt Service Fund	1,162,642	1,868,595	-	-	3,031,237
Capital Projects Fund	276,219	-	914,380	-	1,190,599
Capital Reserve Fund	375,000	-	-	-	375,000
Enterprise Fund	-	-	-	-	-
Total	\$ 1,814,136	\$ 3,168,595	\$ 914,380	\$ 175,347	\$ 6,072,458

Cleveland County, North Carolina  
3. Analysis of Current Tax Levy - General Fund

For the Year Ended June 30, 2007

	County-Wide			Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rare per \$100	Total Levy		
Original Levy:					
Property Taxed at Current Year's Rate	\$ 5,683,297,152	0.58000	\$ 32,963,123	\$ 29,317,312	\$ 3,645,811
Property Taxed at Prior Year's Rate	90,237,412	0.58000	523,377	175,619	347,758
Penalties (late charges)			72,184	72,184	-
<b>Subtotals</b>	<b>5,773,534,564</b>		<b>33,558,684</b>	<b>29,565,115</b>	<b>3,993,569</b>
Discoveries, Late Listings, and Other Supplements (including Public Service Companies):					
Property Taxed at Current Year's Rate	244,001,907	0.58000	1,415,211	1,408,294	6,917
Property Taxed at Prior Year's Rate	26,266,829	0.58000	152,348	151,005	1,343
<b>Subtotals</b>	<b>270,268,736</b>		<b>1,567,559</b>	<b>1,559,299</b>	<b>8,260</b>
Abatements					
Property Taxed at Current Year's Rate	(10,298,016)	0.58000	(59,728)	(7,304)	(52,424)
Property Taxed at Prior Year's Rate	(12,770,503)	0.58000	(74,069)	(69,269)	(4,800)
<b>Subtotals</b>	<b>(23,068,519)</b>		<b>(133,797)</b>	<b>(76,573)</b>	<b>(57,224)</b>
<b>Totals</b>	<b>\$ 6,020,734,781</b>		<b>34,992,445</b>	<b>31,047,840</b>	<b>3,944,605</b>
Net Levy			34,992,445	31,047,840	3,944,605
Less Uncollected Taxes, Current Year, at June 30			(1,616,504)	(978,927)	(637,577)
Current Year's Taxes Collected			\$ 33,375,941	\$ 30,068,913	\$ 3,307,028
Current Levy Collection Percentage (current year's taxes collected / net levy)			95.380%	96.847%	83.837%

Secondary Market Disclosures:

Assessed Valuations:

Assessment Ratio	100%			
Real Property	\$ 4,360,134,267	0.58000	\$ 25,288,779	
Personal Property (current rate)	1,319,911,861	0.58000	7,655,489	
Personal Property (prior rate)	103,733,738	0.58000	601,656	
Public Service Companies	236,954,915	0.58000	1,374,338	
Penalties			72,184	
<b>Totals</b>	<b>\$ 6,020,734,781</b>		<b>\$ 34,992,446</b>	

In addition to the general county-wide levy, the County also levied the following on behalf of the county-wide school district and four separate fire districts:

Cleveland County Schools (county-wide school district)	\$ 9,041,235
County Fire Protection Service District (serves portion of County)	778,464
NCGS Chapter 69 Fire Protection Districts (separate rate for each district)	306,227
<b>Totals</b>	<b>\$ 45,118,372</b>

Cleveland County, North Carolina  
4. Schedule of Ad Valorem Taxes Receivable - General Fund (10)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 33,558,684	\$ 1,567,559	\$ (33,375,941)	\$ (133,797)	\$ 1,616,504
2006	1,596,508		18,508	(1,117,839)	(33,628)	463,549
2005	479,920		6,544	(196,176)	(11,724)	278,564
2004	300,473		2,844	(73,417)	(5,560)	224,340
2003	238,102		2,518	(41,098)	(4,749)	194,773
2002	208,128		1,382	(35,526)	(2,657)	171,327
2001	165,358		130	(16,501)	(1,043)	147,944
2000	101,346		189	(9,977)	(540)	91,018
1999	85,120		183	(6,892)	(478)	77,933
1998	71,350		79	(5,776)	(306)	65,347
1997	62,181			(2,871)	(56,603)	2,707
1996						
	<u>3,308,486</u>	<u>\$ 33,558,684</u>	<u>\$ 1,599,936</u>	<u>\$ (34,882,014)</u>	<u>\$ (251,085)</u>	<u>3,334,006</u>
	(1,386,903)	Less allowance for uncollectible ad valorem taxes receivable				(1,378,151)
	<u>\$ 1,921,583</u>	Ad valorem taxes receivable, net				<u>\$ 1,955,855</u>

Reconciliation with revenues:

Total reported ad valorem tax revenues	\$ 35,217,319
Discounts	102,405
Penalties, Interest, and advertising fees	(437,710)
Taxes collections of taxes (as above)	<u>\$ 34,882,014</u>

Cleveland County, North Carolina  
5. Schedule of Ad Valorem Taxes Receivable - Public Schools Fund (20)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 8,646,779	\$ 513,047	\$ (8,623,134)	\$ (118,591)	\$ 418,101
2006	412,927		4,787	(289,121)	(8,698)	119,895
2005	124,158		1,692	(50,731)	(3,032)	72,087
2004	77,632		734	(18,946)	(1,435)	57,985
2003	61,435		650	(10,606)	(1,226)	50,253
2002	54,020		357	(9,168)	(686)	44,523
2001	42,063		34	(4,153)	(269)	37,675
2000	23,999		30	(2,211)	(86)	21,732
1999	20,699		29	(1,479)	(76)	19,173
1998	17,164		13	(1,287)	(49)	15,841
1997	14,702			(698)	(13,202)	802
1996						
	848,799	\$ 8,646,779	\$ 521,373	\$ (9,011,534)	\$ (147,350)	858,067
	(351,734)	Less allowance for uncollectible ad valorem taxes receivable				(352,093)
	<u>\$ 497,065</u>	<b>Ad valorem taxes receivable, net</b>				<u>\$ 505,974</u>

Reconciliation with revenues:

Total reported ad valorem tax revenues	\$ 3,856,058
Discounts	5,155,476
Penalties, Interest, and advertising fees	-
<b>Taxes collections of taxes (as above)</b>	<u>\$ 9,011,534</u>

## Cleveland County, North Carolina

## 6. Schedule of Ad Valorem Taxes Receivable - County Fire Service District Fund (28)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 741,990	\$ 46,492	\$ (738,551)	\$ (10,018)	\$ 39,913
2006	39,413		377	(28,010)	(657)	11,123
2005	11,843		152	(5,054)	(256)	6,685
2004	6,721		53	(1,864)	(104)	4,806
2003	4,862		42	(1,154)	(88)	3,662
2002	3,932		5	(1,202)	(24)	2,711
2001	2,691		6	(398)	(24)	2,275
2000	1,475		6	(148)	(8)	1,325
1999	1,251		4	(103)	(6)	1,146
1998	1,021		-	(74)		947
1997	947		-	(30)	(888)	29
1996						
	<u>74,156</u>	<u>\$ 741,990</u>	<u>\$ 47,137</u>	<u>\$ (776,588)</u>	<u>\$ (12,073)</u>	<u>74,622</u>
	(27,936)	Less allowance for uncollectible ad valorem taxes receivable				(27,818)
	<u>\$ 46,220</u>	<b>Ad valorem taxes receivable, net</b>				<u>\$ 46,804</u>

## Reconciliation with revenues:

Total reported ad valorem tax revenues	\$ 784,565
Discounts	1,757
Penalties, Interest, and advertising fees	(9,734)
<b>Taxes collections of taxes (as above)</b>	<u>\$ 776,588</u>

## Cleveland County, North Carolina

## 7. Schedule of Ad Valorem Taxes Receivable - Fallston Fire District (74)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 112,582	\$ 7,093	\$ (111,149)	\$ (1,476)	\$ 7,050
2006	6,723		153	(4,678)	(159)	2,039
2005	2,696		8	(1,254)	(39)	1,411
2004	1,500		9	(464)	(27)	1,018
2003	1,108		10	(226)	(61)	831
2002	915		10	(234)	(59)	632
2001	852			(162)	(48)	642
2000	662			(99)	(32)	531
1999	495		8	(121)	(33)	349
1998	367		9	(81)	(34)	261
1997	227			(20)	(207)	-
1996						
	\$ 15,545	\$ 112,582	\$ 7,300	\$ (118,488)	\$ (2,175)	\$ 14,764

## Cleveland County, North Carolina

## 8. Schedule of Ad Valorem Taxes Receivable - Lattimore Fire District (75)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 71,564	\$ 3,233	\$ (70,652)	\$ (711)	\$ 3,434
2006	2,575		75	(1,850)	(105)	695
2005	741		42	(350)	(43)	390
2004	342		3	(118)	(4)	223
2003	296		4	(55)	(4)	241
2002	193		4	(31)	(5)	161
2001	210			(20)	(1)	189
2000	145			(19)		126
1999	93			(6)		87
1998	140			(11)		129
1997	106			(1)	(105)	-
1996						
	\$ 4,841	\$ 71,564	\$ 3,361	\$ (73,113)	\$ (978)	\$ 5,675

## Cleveland County, North Carolina

## 9. Schedule of Ad Valorem Taxes Receivable - Rippy Fire District (76)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 110,351	\$ 4,388	\$ (107,077)	\$ (797)	\$ 6,865
2006	6,987		79	(4,877)	(175)	2,014
2005	2,200		26	(1,061)	(81)	1,084
2004	1,217		9	(350)	(40)	836
2003	828		3	(201)	(28)	602
2002	708		2	(110)	(15)	585
2001	571			(104)	(4)	463
2000	421			(56)		365
1999	253			(35)		218
1998	236			(32)		204
1997	208			(22)	(183)	3
1996						
	\$ 13,629	\$ 110,351	\$ 4,507	\$ (113,925)	\$ (1,323)	\$ 13,239

## Cleveland County, North Carolina

## 10. Schedule of Ad Valorem Taxes Receivable - County Sanitary District (82)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 629,504	\$ 33,599	\$ (620,601)	\$ (7,423)	\$ 35,079
2006	33,750		395	(24,083)	(654)	9,408
2005	10,293		140	(4,520)	(243)	5,670
2004	5,690		31	(1,665)	(86)	3,970
2003	4,136		19	(980)	(77)	3,098
2002	3,267		7	(922)	(35)	2,317
2001	2,402		3	(365)	(24)	2,016
2000	1,825		5	(197)	(16)	1,617
1999	1,501		6	(148)	(15)	1,344
1998	1,340		3	(123)	(10)	1,210
1997	850			(39)	(783)	28
1996						
	\$ 65,054	\$ 629,504	\$ 34,208	\$ (653,643)	\$ (9,366)	\$ 65,757

## Cleveland County, North Carolina

## 11. Schedule of Ad Valorem Taxes Receivable - City of Shelby (77)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 6,533,241	\$ 738,776	\$ (6,902,861)	\$ (125,465)	\$ 243,691
2006	255,713		2,170	(166,179)	(6,403)	85,301
2005	71,884		136	(22,624)	(529)	48,867
2004	52,115			(9,795)	(149)	42,171
2003	47,388			(3,816)	(8)	43,564
2002	41,362			(2,371)		38,991
2001	40,234			(1,291)		38,943
2000	17,532			(1,175)		16,357
1999	19,323			(756)		18,567
1998	14,522			(881)		13,641
1997	10,361			(658)	(8,490)	1,213
1996						
	\$ 570,434	\$ 6,533,241	\$ 741,082	\$ (7,112,407)	\$ (141,044)	\$ 591,306

## Cleveland County, North Carolina

## 12. Schedule of Ad Valorem Taxes Receivable - Town of Boiling Springs (78)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 674,780	\$ 23,753	\$ (672,221)	\$ (9,233)	\$ 17,079
2006	14,742		569	(10,672)	(736)	3,903
2005	3,947		350	(1,262)	(396)	2,639
2004	2,952		267	(574)	(285)	2,360
2003	2,191			(228)		1,963
2002	1,726			(25)		1,701
2001	1,675			(61)		1,614
2000	1,612			(90)		1,522
1999	668			(27)		641
1998	631			(8)		623
1997	598			(18)	(580)	-
1996						
	\$ 30,742	\$ 674,780	\$ 24,939	\$ (685,186)	\$ (11,230)	\$ 34,045



## Cleveland County, North Carolina

## 13. Schedule of Ad Valorem Taxes Receivable - Town of Grover (79)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 118,801	\$ 11,391	\$ (119,301)	\$ (3,440)	\$ 7,451
2006	6,627		27	(5,760)	(57)	837
2005	1,297			(469)		828
2004	481			(140)		341
2003	316			(85)		231
2002	420			(63)		357
2001	557			(35)		522
2000	371			(92)		279
1999	184			(8)		176
1998	147			(6)		141
1997	300			(4)	(296)	-
1996						
	\$ 10,700	\$ 118,801	\$ 11,418	\$ (125,963)	\$ (3,793)	\$ 11,163

## Cleveland County, North Carolina

## 14. Schedule of Ad Valorem Taxes Receivable - City of Kings Mountain (80)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 2,102,264	\$ 41,352	\$ (2,027,507)	\$ (18,533)	\$ 97,576
2006	101,040		1,029	(74,157)	(2,422)	25,490
2005	31,156		594	(12,748)	(1,547)	17,455
2004	18,801		507	(2,668)	(833)	15,807
2003	15,002		804	(1,683)	(950)	13,173
2002	19,308		599	(1,010)	(663)	18,234
2001	9,044			(855)		8,189
2000	5,842			(409)		5,433
1999	5,492			(359)		5,133
1998	4,973			(379)		4,594
1997	5,008			(220)	(4,688)	100
1996						
	\$ 215,666	\$ 2,102,264	\$ 44,885	\$ (2,121,995)	\$ (29,636)	\$ 211,184

## Cleveland County, North Carolina

## 15. Schedule of Ad Valorem Taxes Receivable - Town of Lattimore (81)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 25,244	\$ 1,466	\$ (25,301)	\$ (667)	\$ 742
2006	1,027			(374)	(62)	591
2005	218			(54)		164
2004	104			(10)		94
2003	91			(9)		82
2002	83					83
2001	112					112
2000	46					46
1999	44					44
1998	53					53
1997	45			(3)	(42)	-
1996						
	\$ 1,823	\$ 25,244	\$ 1,466	\$ (25,751)	\$ (771)	\$ 2,011

## Cleveland County, North Carolina

## 16. Schedule of Ad Valorem Taxes Receivable - Town of Kingstown (83)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 73,134	\$ 2,037	\$ (59,759)	\$ (460)	\$ 14,952
2006	15,212		197	(11,466)	(262)	3,681
2005	4,368		185	(2,160)	(248)	2,145
2004	2,034		182	(738)	(254)	1,224
2003	1,157		182	(472)	(254)	613
2002	748			(153)		595
2001	757			(61)		696
2000	542			(80)		462
1999	239			(7)		232
1998	259			(81)		178
1997	219				(219)	-
1996						
	\$ 25,535	\$ 73,134	\$ 2,783	\$ (74,977)	\$ (1,697)	\$ 24,778

## Cleveland County, North Carolina

## 17. Schedule of Ad Valorem Taxes Receivable - Town of Fallston (84)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions ,		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 16,893	\$ 842	\$ (16,761)	\$ (222)	\$ 752
2006	656		2	(470)	(3)	185
2005	249			(152)	(18)	79
2004	98			(13)		85
2003	69			(3)		66
2002	111			(6)		105
2001	168			(30)		138
2000	110			(2)		108
1999	22			-		22
1998	27			(2)		25
1997	22				(22)	-
1996						
	\$ 1,532	\$ 16,893	\$ 844	\$ (17,439)	\$ (265)	\$ 1,565

## Cleveland County, North Carolina

## 18. Schedule of Ad Valorem Taxes Receivable - Town of Earl (85)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 15,599	\$ 908	\$ (15,112)	\$ (173)	\$ 1,222
2006	1,315		32	(991)	(68)	288
2005	771			(458)	(60)	253
2004	451				(53)	398
2003	465		8	(35)	(8)	430
2002	217			(11)		206
2001	245			(5)		240
2000	98			(20)		78
1999	13					13
1998	38			(3)		35
1997	5				(5)	-
1996						
	\$ 3,618	\$ 15,599	\$ 948	\$ (16,635)	\$ (367)	\$ 3,163

## Cleveland County, North Carolina

## 19. Schedule of Ad Valorem Taxes Receivable - Town of Polkville (86)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 12,193	\$ 474	\$ (12,038)	\$ (65)	\$ 564
2006	569		17	(391)	(3)	192
2005	284			(121)		163
2004	179			(68)		111
2003	70			(4)		66
2002	112			(1)		111
2001	25			(1)		24
2000	18			(2)		16
1999	12			(2)		10
1998	12					12
1997	20				(20)	-
1996						
	\$ 1,301	\$ 12,193	\$ 491	\$ (12,628)	\$ (88)	\$ 1,269

## Cleveland County, North Carolina

## 20. Schedule of Ad Valorem Taxes Receivable - Town of Lawndale (87)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 48,549	\$ 3,038	\$ (43,391)	\$ (594)	\$ 7,602
2006	4,285		24	(2,991)	(58)	1,260
2005	1,413			(598)	(10)	805
2004	708			(207)	(9)	492
2003	522			(83)	(10)	429
2002	319			(9)	(11)	299
2001	627			(49)		578
2000	232			(25)		207
1999	227			(16)		211
1998	118			(17)		101
1997	110				(110)	-
1996						
	\$ 8,561	\$ 48,549	\$ 3,062	\$ (47,386)	\$ (802)	\$ 11,984

## Cleveland County, North Carolina

## 21. Schedule of Ad Valorem Taxes Receivable - Town of Casar (88)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 5,558	\$ 174	\$ (5,440)	\$ (45)	\$ 247
2006	255		4	(208)	(10)	41
2005	54			(34)	(4)	16
2004	13			(5)		8
2003	11			(3)		8
2002	8					8
2001	8					8
2000	1					1
1999	11					11
1998	5					5
1997	5				(5)	-
1996						
	<u>\$ 371</u>	<u>\$ 5,558</u>	<u>\$ 178</u>	<u>\$ (5,690)</u>	<u>\$ (64)</u>	<u>\$ 353</u>

## Cleveland County, North Carolina

## 22. Schedule of Ad Valorem Taxes Receivable - Town of Waco (89)

For the Year Ended June 30, 2007

Fiscal Year Ended June 30	Uncollected Balance 2006	Additions		Deductions		Uncollected Balance 2007
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2007	\$ -	\$ 13,957	\$ 919	\$ (13,706)	\$ (130)	\$ 1,040
2006	897		24	(414)		507
2005	249			(41)		208
2004	153			(50)		103
2003	61			(8)		53
2002	39			(4)		35
2001	47			(2)		45
2000	7			(1)		6
1999	18			(3)		15
1998	13			(1)		12
1997						-
1996						
	<u>\$ 1,484</u>	<u>\$ 13,957</u>	<u>\$ 943</u>	<u>\$ (14,230)</u>	<u>\$ (130)</u>	<u>\$ 2,024</u>

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