

**CLEVELAND COUNTY
NORTH CAROLINA**



**ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED JUNE 30, 2008**

CLEVELAND COUNTY NORTH CAROLINA



ANNUAL FINANCIAL AND COMPLIANCE REPORT FOR THE YEAR ENDED JUNE 30, 2008

This report was compiled by staff of the Cleveland County Finance Department, in cooperation with the County Manager and certain staff of various other departments, primarily Social Services, Property Tax Administration, Information Technology, and Human Resources. Martin Starnes & Associates, CPAs, P.A. printed this report.

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
Contents List**

	<u>Identifier</u>	<u>Page No.</u>
<u>I: PREFACE AND INTRODUCTION</u>	Section I	1
A. Message from the County Manager	Subsection I.A	3
B. List of Principal County Officials	Subsection I.B	12
C. Organizational Chart	Subsection I.C	13
D. Introduction from the County Finance Director	Subsection I.D	14
<u>II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION</u>	Section II	21
A. Report from the Independent Auditor	Subsection II.A	23
B. Management's Discussion and Analysis	Subsection II.B	25
C. Basic Financial Statements (includes Notes to Financial Statements)	Subsection II.C	37
1. Government-Wide Financial Statements	Part II.C.1	38
a. Government-Wide Statement of Net Assets	Exhibit II.C.1.a	39
b. Government-Wide Statement of Activities	Exhibit II.C.1.b	40
2. Fund Financial Statements	Part II.C.2	43
a. Governmental Funds: Balance Sheet	Exhibit II.C.2.a	44
a.i. Reconciliation of the 'Governmental Funds: Balance Sheet' to the 'Government-Wide Statement of Net Assets'	Exhibit II.C.2.a.i	45
b. Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.C.2.b	46
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	47
c. General Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.c	48
d. Schools Capital Reserve Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.d	49
e. County Capital Reserve Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.e	50
f. Enterprise Fund: Statement of Fund Net Assets	Exhibit II.C.2.f	51
g. Enterprise Fund: Statement of Revenues, Expenses, and Changes in Fund Net Assets	Exhibit II.C.2.g	52
h. Enterprise Fund: Statement of Cash Flows	Exhibit II.C.2.h	53
i. Fiduciary Funds: Statement of Fiduciary Net Assets	Exhibit II.C.2.i	54
3. Notes to Financial Statements	Part II.C.3	55
a. Summary of Significant Accounting Policies	Note a	56
b. Detail Notes on Important Items	Note b	63
c. Joint Ventures	Note c	82
d. Jointly Governed Organization	Note d	83
e. Hospital Lease Agreement	Note e	83
f. Benefit Payments Issued by the State	Note f	84

(continued on next page)

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
Contents List**

	<u>Identifier</u>	<u>Page No.</u>
<u>II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION</u>	(continued from prior page)	
D. Required Supplementary Information:	Subsection II.D	85
1. Law Enforcement Officers' Special Separation Allowance Financial Schedules	Part II.D.1	87
a. Schedule of Funding Progress	Exhibit II.D.1.a	88
b. Schedule of Employer Contributions	Exhibit II.D.1.b	88
c. Notes to Law Enforcement Officers' Special Separation Allowance	Exhibit II.D.1.c	89
2. Major Governmental Funds Financial Statements	Part II.D.2	92
a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)	Exhibit II.D.2.a	93
b. Schools Capital Reserve Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)	Exhibit II.D.2.b	102
c. County Capital Reserve Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (added details)	Exhibit II.D.2.c	103
3. Non-major Governmental Funds Financial Statements	Part II.D.3	105
a. Non-major Governmental Funds: Combining Balance Sheet	Exhibit II.D.3.a	106
b. Non-major Governmental Funds: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.D.3.b	108
c. Public Schools Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.c	110
d. Community College Bond Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.d	111
e. Revaluation Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.e	112
f. Emergency Telephone Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.f	113
g. County Fire Service District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.g	115
h. Community Development Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.h	116
i. Debt Service Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.i	117
j. Capital Projects Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.j	118
4. Major Enterprise Fund Financial Schedule	Part II.D.4	120
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	121
5. Fiduciary Funds Financial Statement	Part II.D.5	124
a. Combining Statement of Changes in Assets and Liabilities -- Fiduciary Funds	Exhibit II.D.5.a	125

(continued on next page)

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
Contents List**

	<u>Identifier</u>	<u>Page No.</u>
<u>II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION</u> (continued from prior page)		
E. Other Supplementary Information	Subsection II.E.	128
1. Schedule of Cash and Investment Balances	Exhibit II.E.01	129
2. Schedule of Interfund Transfers	Exhibit II.E.02	130
3. Analysis of Current Tax Levy - General Fund	Exhibit II.E.03	131
4. Schedule of Ad Valorem Taxes Receivable - General Fund (10)	Exhibit II.E.04	132
5. Schedule of Ad Valorem Taxes Receivable - Public Schools Fund (20)	Exhibit II.E.05	133
6. Schedule of Ad Valorem Taxes Receivable - County Fire Service District Fund (28)	Exhibit II.E.06	134
7. Schedule of Ad Valorem Taxes Receivable - Fallston Fire District (74)	Exhibit II.E.07	135
8. Schedule of Ad Valorem Taxes Receivable - Lattimore Fire District (75)	Exhibit II.E.08	135
9. Schedule of Ad Valorem Taxes Receivable - Rippy Fire District (76)	Exhibit II.E.09	136
10. Schedule of Ad Valorem Taxes Receivable - County Sanitary District (82)	Exhibit II.E.10	136
11. Schedule of Ad Valorem Taxes Receivable - City of Shelby (77)	Exhibit II.E.11	137
12. Schedule of Ad Valorem Taxes Receivable - Town of Boiling Springs (78)	Exhibit II.E.12	137
13. Schedule of Ad Valorem Taxes Receivable - Town of Grover (79)	Exhibit II.E.13	138
14. Schedule of Ad Valorem Taxes Receivable - City of Kings Mountain (80)	Exhibit II.E.14	138
15. Schedule of Ad Valorem Taxes Receivable - Town of Lattimore (81)	Exhibit II.E.15	139
16. Schedule of Ad Valorem Taxes Receivable - Town of Kingstown (83)	Exhibit II.E.16	139
17. Schedule of Ad Valorem Taxes Receivable - Town of Fallston (84)	Exhibit II.E.17	140
18. Schedule of Ad Valorem Taxes Receivable - Town of Earl (85)	Exhibit II.E.18	140
19. Schedule of Ad Valorem Taxes Receivable - Town of Polkville (86)	Exhibit II.E.19	141
20. Schedule of Ad Valorem Taxes Receivable - Town of Lawndale (87)	Exhibit II.E.20	141
21. Schedule of Ad Valorem Taxes Receivable - Town of Casar (88)	Exhibit II.E.21	142
22. Schedule of Ad Valorem Taxes Receivable - Town of Waco (89)	Exhibit II.E.22	142
 <u>III: STATISTICAL AND TREND INFORMATION</u>		
A. Report to Nationally Recognized Municipal Securities Information Repository	Subsection III.A	145
1. N.R.M.S.I.R. Distribution List	Exhibit III.A.1	146
2. Tax Information and Debt Information (including bonds issued)	Exhibit III.A.2	147
3. Budget Ordinance as of July 1, 2008 - Annually Budgeted Funds	Exhibit III.A.3	148
4. Budget Amended as of September 30, 2008 - Annually Budgeted Funds	Exhibit III.A.4	149
5. Budget Reconciliation as of September 30, 2008 - Annually Budgeted Funds	Exhibit III.A.5	150
B. Revenue Capacity Schedules:	Subsection III.B	151
1. Property Tax Levies by Taxing District (twelve most recent fiscal years)	Exhibit III.B.1	152
2. Property Tax Levies and Collections (twelve most recent fiscal years)	Exhibit III.B.2	152
3. Direct and Overlapping Property Tax Rates (twelve most recent fiscal years)	Exhibit III.B.3	154
4. Principal Taxpayers - Current versus 3, 6, and 9 years ago	Exhibit III.B.4	156
5. Assessed Value of Taxable Property and Property Tax Rates (twelve most recent fiscal years)	Exhibit III.B.5	158

(continued on next page)

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
Contents List**

	<u>Identifier</u>	<u>Page No.</u>
<u>III: STATISTICAL AND TREND INFORMATION</u>	(continued from prior page)	
C. Debt Capacity Schedules:	Subsection III.C	151
1. Computation of Legal Debt Margin (twelve most recent fiscal years)	Exhibit III.C.1	158
2. Computation of Direct and Underlying Debt for General Obligation Bonds	Exhibit III.C.2	159
3. Annual Requirements and Debt Limitations for General Obligation Bonds	Exhibit III.C.3	159
4. Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures (twelve most recent fiscal years)	Exhibit III.C.4	160
5. Breakdown of Outstanding Debt (twelve most recent fiscal years)	Exhibit III.C.5	160
6. Ratios of Outstanding Debt (twelve most recent fiscal years)	Exhibit III.C.6	161
D. Demographic, Economic, and Operating Schedules:	Subsection III.D	162
1. Miscellaneous Information	Exhibit III.D.1	163
2. Economic Trends Schedule (twelve most recent fiscal years)	Exhibit III.D.2	164
3. County Employment by Function (twelve most recent fiscal years)	Exhibit III.D.3	164
4. Principal Industry Sectors - Current versus 3, 6, and 9 years ago	Exhibit III.D.4	165
E. Financial Trends Schedules:	Subsection III.E	168
1. Government-Wide Changes in Net Assets (six most recent fiscal years)	Exhibit III.E.1	169
2. All Funds Combined: Changes in Fund Balances (twelve most recent fiscal years)	Exhibit III.E.2	171
3. Government-Wide Net Assets by Component (six most recent fiscal years)	Exhibit III.E.3	175
4. All Funds Combined: Fund Balances by Category (twelve most recent fiscal years)	Exhibit III.E.4	175
5. Retirement Contributions Schedule	Exhibit III.E.5	177
<u>IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS</u> (REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS)	Section IV	178
A. Reports from the Independent Auditor	Subsection IV.A.	180
1. Report from the Independent Auditor on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	Exhibit IV.A.1	182
2. Report from the Independent Auditor on Compliance with Requirements Applicable to Each Major Federal Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	Exhibit IV.A.2	184
3. Report from the Independent Auditor on Compliance with Requirements Applicable to Each Major State Program and On Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and with the State Single Audit Implementation Act	Exhibit IV.A.3	186
D. Schedule of Prior Year Audit Findings and Corrective Action Plan	Subsection IV.D.	188
E. Schedule of Expenditures of Federal and State Awards	Subsection IV.E.	189
1. Notes to Schedule of Expenditures of Federal and State Awards	Exhibit IV.E.1	195

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
I: PREFACE AND INTRODUCTION**

	<u>Identifier</u>	<u>Page No.</u>
A. Message from the County Manager	Subsection I.A	3
B. List of Principal County Officials	Subsection I.B	12
C. Organizational Chart	Subsection I.C	13
D. Introduction from the County Finance Director	Subsection I.D	14

This page left blank intentionally.

Cleveland County, North Carolina
Annual and Financial Compliance Report
For the Year Ended June 30, 2008
I: PREFACE AND INTRODUCTION
A. Message from the County Manager

October 1, 2008

To the Citizens, Cleveland County Board of Commissioners, and other interested readers:

North Carolina General Statute (NCGS) 159-34(a) requires the County to contract with a certified public accountant to 1) have the financial records audited as soon as possible after the close of each year and 2) evaluate the County's performance with regard to compliance with all applicable federal and state regulations. The statute also requires that the auditor be permitted access to all records and other information upon request. In February 2008, the County entered a contract with Martin Starnes & Associates, CPAs, P.A. to conduct the audit for the fiscal year ended June 30, 2008. The auditor was permitted access to all requested information and no significant deficiencies have been noted. As of the date of this letter, the auditor's fieldwork is virtually completed.

More importantly, as the foundation of the County's financial planning and control, the annually adopted budget gives direction to County departments. The remaining text below is excerpted from a message concerning the budget for the fiscal year ending June 30, 2009.

General Fund Budget

The projected tax base for fiscal year 2008-09 is \$6,335,000,000. This is a projected increase of \$252,456,924 in value over the previous year, which translates into \$1,395,834 in new revenue at a 57 cents tax rate and a 97% collection rate. Sales tax revenues are projected to remain flat as spending decreases due to a lack of consumer confidence associated with increasing gas prices, credit concerns, etc. Overall service fees are expected to also remain flat primarily due to a reduction in construction related activities. Emergency Medical Services fees on the other hand are projected to increase by \$200,000. With the property tax base increasing at only 1.68% each year over the past four years, our current allocated funding levels will be difficult to sustain unless growth in the tax base increases to match our mandated spending requirements.

Fees

A new State law requires that the tipping fee for municipal solid waste be increased by \$2.00 per ton. This increase will be remitted directly to the State, but the County's portion of the total tipping fee will remain unchanged.

The State has also mandated that local health departments charge a \$50 fee for the inspection of temporary food establishments effective July 1, 2008.

The calculation of building permit fees for new construction of residential property will be changing effective July 1, 2008. Fees will be based on total square footage times the square foot

multiplier (.87) times the regional costs multiplier (.548). Unfinished areas and garages will be calculated at 25% of this fee.

Revenue-Neutral Tax Rate - County

The revenue-neutral tax rate for Cleveland County is calculated at .5663 cents. The recommendation is to round the County property tax rate to 57 cents per \$100 of property valuation.

CLEVELAND COUNTY REVENUE-NEUTRAL TAX RATE FOR FISCAL YEAR ENDING JUNE 30, 2009							
Calculating Growth Factor							
Year	Total Valuation	Growth					
2004-2005	5,785,238,049						
2005-2006	5,906,607,912	2.0979%					
2006-2007	6,020,734,781	1.9322%					
2007-2008	6,082,543,076	1.0266%					
Growth Factor:		1.6856%					
Calculating Revenue-Neutral Tax Rate							
Year	Valuation	Tax Rate/\$100	Levy	Base Tax Rate	Growth Factor	RN Tax Rate	New Levy
2005-2006	5,906,607,912	0.5800	34,258,326				
2006-2007	6,020,734,781	0.5800	34,920,262				
2007-2008	6,082,543,076	0.5800	35,278,750				
2008-2009	6,335,000,000		35,278,750	0.5569	1.6856%	0.5663	35,875,105

Revenue-Neutral Tax Rate - Public Schools

The revenue-neutral tax rate for Cleveland County Schools is calculated at .1464 cents. The recommended public schools tax rate would remain unchanged at the current rate of 15 cents per \$100 of property valuation.

**CLEVELAND COUNTY
REVENUE-NEUTRAL TAX RATE
FOR FISCAL YEAR ENDING JUNE 30, 2009
PUBLIC SCHOOL COUNTY-WIDE DISTRICT**

Calculating Growth Factor

Year	Total Valuation	Growth
2004-2005	5,785,238,049	
2005-2006	5,906,607,912	2.0979%
2006-2007	6,020,734,781	1.9322%
2007-2008	6,082,543,076	1.0266%
Growth Factor:		1.6856%

Calculating Revenue-Neutral Tax Rate

Year	Valuation	Tax Rate / \$100	Levy	Base Tax Rate	Growth Factor	RN Tax Rate	New Levy
2005-2006	5,906,607,912	0.1500	8,859,912				
2006-2007	6,020,734,781	0.1500	9,031,102				
2007-2008	6,082,543,076	0.1500	9,123,815				
2008-2009	6,335,000,000		9,123,815	0.1440	1.6856%	0.1464	9,274,440

Medicaid

On October 1, 2007, the state legislature approved a reduction in the County Medicaid share by 25 percent, from 15 percent of the nonfederal share to 11.25 percent. The State will assume 50 percent of the County Medicaid costs beginning July 1, 2008. Counties and cities will also forgo ¼ cent per capita of Article 44 (1/2 cent sales tax) beginning October 1, 2008, but counties will be required to replace sales tax losses for cities, including growth.

Projecting forward in fiscal year 2009-2010, the State will assume 100% of County Medicaid costs beginning July 1, 2009. Counties and cities will forgo all of Article 44 (1/2 cent sales tax) beginning October 1, 2009, but counties must continue the requirement of replacing municipal sales tax losses, including growth.

Human Resources

In order to stay competitive in the region, this budget includes a 3% cost of living increase for County employees. The merit pay system will be distributed at a rate of 25% full merits for eligible employees or up to 50% if distributed as half-merits. The distribution of merits to employees will be determined at the discretion of the department heads. Employees who are

eligible for merits will be provided justification for why they received or did not receive a merit. For those employees listed in the first two steps of the pay range, they will be given a full step increase on or near their anniversary date.

Last year, in order to stabilize our rising health care costs, we implemented an option for our employees to select a Health Savings Account (HSA) or a traditional PPO. Employees who chose the HSA played an integral role in helping to keep our health insurance costs down this year. For next year, the premiums paid by the County on behalf of the employees will rise by 5.5%. With the implementation of a new wellness program, our upcoming emphasis will be to promote a lifestyle of healthy eating and exercise. Employees will be encouraged to make healthy choices which will have a more positive effect on their individual health as well as the overall stability of our health plan. In conjunction with our health plan, we have continued to promote our employee wellness clinic and pharmacy program as affordable options. Our direct reimbursement dental plan has been operating effectively for many years; therefore, there are no planned changes in our dental program.

Economic Development/Tourism

The budget appropriates \$242,000 to the Cleveland 20/20 Economic Development Partnership to be used in the recruitment of new businesses, as well as existing corporate expansions. We continue to receive calls and visits from potential businesses considering locating to our area. We will also explore new and innovative ways to be more marketable to current and future businesses.

We have continued our efforts emphasizing local travel and tourism within our community. This budget is allocating \$100,000 for travel and tourism with a majority of funding coming from the local occupancy tax. Last year, \$50,000 was earmarked out of the economic development budget for travel and tourism. This year, the earmark for travel and tourism is \$40,000 but with a greater share of the occupancy tax going to this effort, the overall budget is increasing by \$20,000. As a result, the economic development partnership will experience an increase in funding of \$20,000 also.

Human Services

The overall appropriation of County funding for the Department of Social Services is \$3,792,236 for an increase in funding of 6.40% over the previous year. Four new positions are added in the budget to the Department of Social Services. Two processing assistants will be employed to digitize departmental records and case files, which are 38% County funded; an Income Maintenance Caseworker, which will be funded at 100% by the State; and a Social Worker III, which is funded 36% by County funds.

The Health Department budget reflects an overall increase of 7.69% for a total County appropriation of \$3,767,015. The new landfill is scheduled to begin operations in the fall of 2008. The budget also includes the addition of two scalehouse operators and two heavy equipment operators during the time that both landfills are in operation in order to maintain services for both locations. To combat the County rabies problem and the unvaccinated animal

population, a new Animal Control Officer is included in the budget as agreed upon by the board in the fall of last year.

Public Safety

The Emergency Medical Services department budget is allocated a total of \$5,075,877. Although this department budget reflects an increase of 5.97%, most of the funds are comprised of salaries, billing company fees, and minor equipment purchases. A new ambulance is also included in the budget.

The Sheriff's Office and Detention Center appropriation totals \$7,915,150 for an increase of 6.08%. This budget includes the addition of 10 new Sheriff's vehicles to replace current high mileage vehicles. We are continuing our discussions with consultants on planning for the expansion of our jail annex and will submit a report and recommendation to you as soon as it is available.

Volunteer Fire Service Districts

The Number Seven Fire Service District is requesting to increase their tax rate from two cents to three cents. The Number Three Fire Service District is also asking to increase their tax rate from three cents to five cents. The Fallston Fire Service District tax rate will remain unchanged at five cents. The County Fire Service District tax rate will also remain unchanged at three cents. The new four year funding plan for the County Fire Service District will allow the fire district rate to remain unchanged for the next four years. Based upon current trends, we anticipate that in the future we may have to allocate some funding for paid fire personnel during the daytime hours. We will continue to explore ways to encourage more new volunteers as well as maintain our current base of volunteers. These efforts will include lobbying for state incentives and exploring ways to help at the County level.

Tax Administration

This budget proposes a one-cent reduction in the property tax to 57 cents per \$100 of valuation. The tax rates for the County-wide school district and the County fire district will also remain at 15 cents and 3 cents, respectively. The early payment discount for taxpayers who pay during the month of August is recommended to change from the current discount rate of three-quarter of 1% to the new discount rate of one-half of 1%.

A new Paralegal position has been added to the tax department to expedite the collection of delinquent property taxes. The addition of this position is the primary reason for increasing the overall projected collection rate from 96% to 97%.

Public Schools

Cleveland County is providing an increase in the current expenditures for Cleveland County Schools of \$500,000 over the previous year. The total appropriation of \$27,738,213 equates to almost \$1,658 per pupil funding, which is an increase of 3.60% over the previous year. Restricted capital projects funding will remain the same at a total of \$1.4 million.

CLEVELAND COUNTY SCHOOL FUNDING WORKSHEET (ACCRUAL BASIS) April 23, 2008						
FISCAL YEAR	2009 <i>projected</i>	2008 <i>estimate</i>	2007	2006	2005	2004
Current Expense	10,408,213	9,908,213	9,808,213	9,808,213	9,808,213	9,599,895
Capital Outlay	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Special Capital Projects	1,400,000	1,400,000	1,300,000	1,100,000	866,000	866,000
Supplemental Tax	9,655,000	9,215,000	9,091,504	8,972,776	8,743,152	8,229,246
Fines & Forfeitures	500,000	500,000	561,027	488,464	498,141	513,868
Sales Tax	3,775,000	4,115,000	4,014,005	3,828,164	3,634,624	3,561,726
Total Funding	27,738,213	27,138,213	26,774,749	26,197,617	25,550,130	24,770,735
Student Population	16,730	16,957	17,089	17,217	17,609	17,235
Per Pupil Funding	1,657.99	1,600.41	1,566.78	1,521.61	1,450.97	1,437.23
Amount Change	57.58	33.63	45.17	70.64	13.74	89.09
Percentage Change	3.60%	2.15%	2.97%	4.87%	0.96%	6.61%

Community College

The budget includes an increase of \$150,000 in current expenditures for Cleveland Community College. This appropriation equates to a 13.16% increase over the previous year and will prove helpful in our ongoing efforts to move the Community College up in the statewide comparison of County funding per budgeted FTE. The capital reserve allocation for the Community College is funded in the budget at \$60,000.

Capital Projects

This budget addresses several capital projects. These projects are summarized as follows:

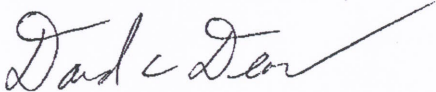
- Old Courthouse Renovation - Allocating approximately \$1.5 million over a 6 year period to renovate the interior of the old Courthouse.
- Early College High School - Collaborating with Cleveland County Schools and Cleveland Community College to fund a temporary facility for this program. The County contribution would total \$416,000 over 5 years.
- Gateway Trails - In conjunction with the City of Kings Mountain, the County agreed to provide \$180,000 over the next three years to this project.
- 800 MHz Communication System - In December 2007, the County approved \$6 million to fund this system over a 15-year period. This project is scheduled to begin operation in June 2009.
- Jail Annex Expansion - While a cost estimate has not been completed, this project is anticipated to cost approximately \$6 million.
- Number Three Volunteer Fire Department - In November 2007, the County agreed to purchase the existing fire station for \$275,000 to be converted into an EMS base station. Renovations should begin some time in March 2009.

Conclusion

The County property tax base has increased an average of only 1.68% per year over the past four years. With the challenges of our economy and inflation over 4%, we are faced with the difficult task of meeting the demands for public services with limited resources.

We look forward to continuing our focus on the recruitment of new businesses and the retention of our current businesses. Creating and retaining jobs for our citizens will help stabilize our local economy as well as assist with maintaining a stable tax rate. As always, our County departments and staff do an outstanding job containing costs while providing exceptional public services. We assure you that we will continue to be good stewards of our allocated resources.

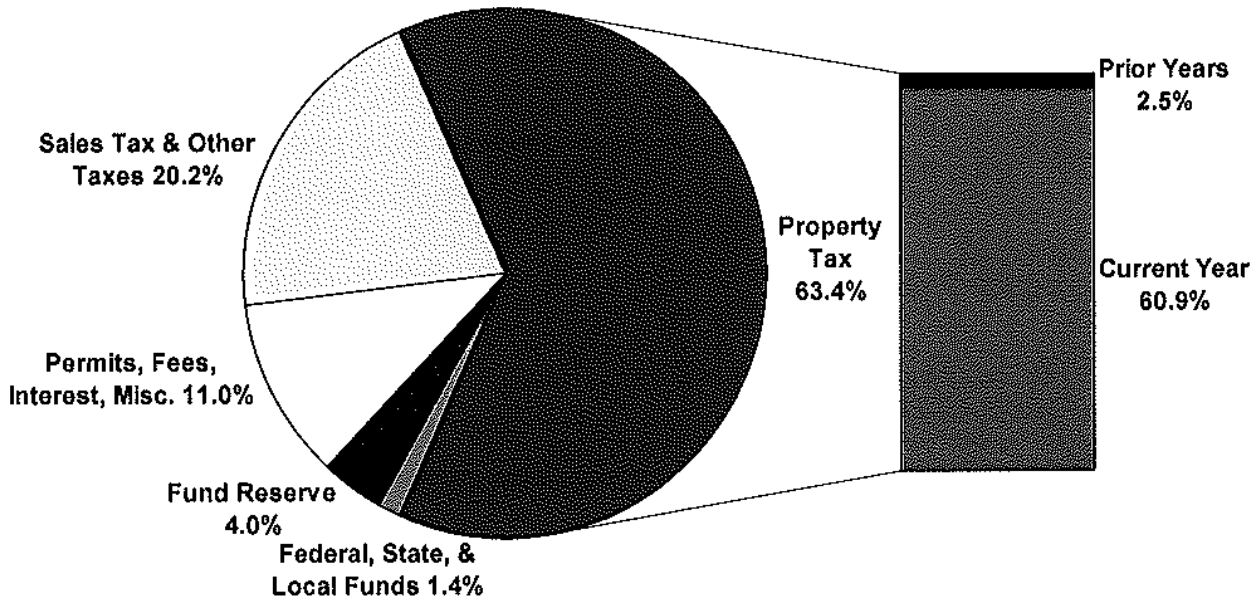
Respectfully submitted,

A handwritten signature in cursive script, appearing to read "David C. Dear", with a long, sweeping flourish extending to the right.

David C. Dear
County Manager / Budget Officer

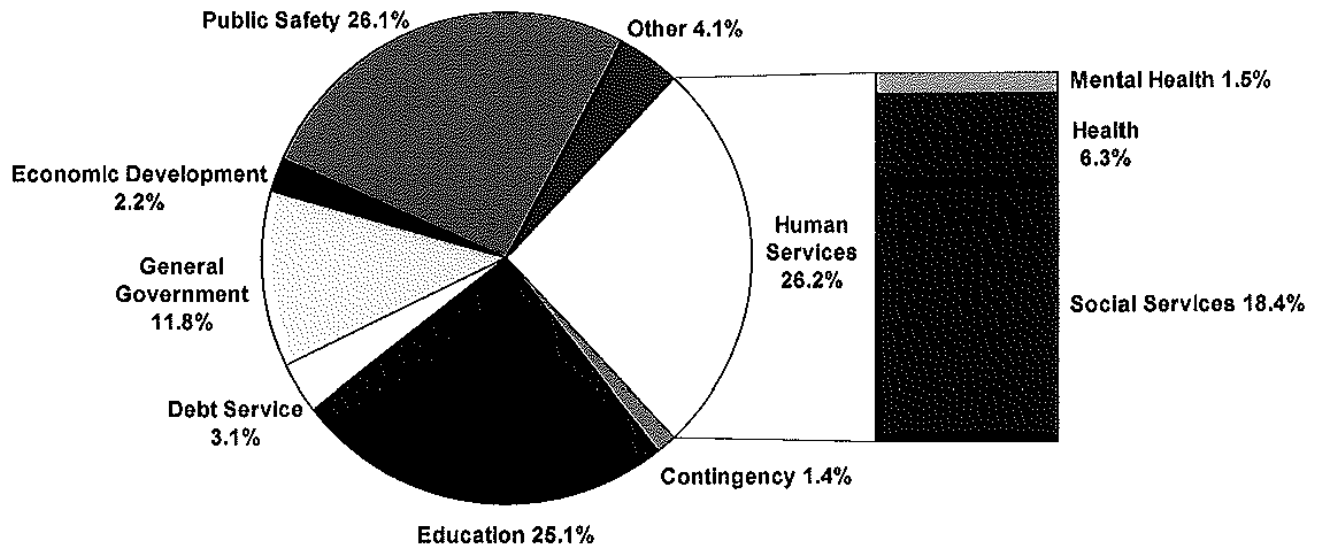
Cleveland County Revenues

FY 2008-2009 Primary Fund By Source



Cleveland County Expenditures

FY 2008-2009 Primary Fund By Function




DESCRIPTION	FY 2008 BUDGET ORDINANCE	FY 2009 BUDGET ORDINANCE	AMOUNT CHANGE	% CHANGE
<u>GENERAL FUND CLASSIFICATION:</u>				
Primary Government Services	59,194,091	60,169,389	975,298	1.65%
Social Services and Public Assistance	27,661,586	27,065,666	(1,595,562)	-5.57%
Public Health	10,707,370	11,587,299	879,929	8.22%
Employee Wellness	784,209	797,574	13,365	1.70%
Court Facilities	347,335	351,928	4,593	1.32%
Workers Compensation	375,000	380,000	5,000	1.33%
Health / Dental Insurance	<u>629,209</u>	<u>679,943</u>	<u>50,734</u>	<u>8.06%</u>
TOTAL, INCLUDING TRANSFERS	100,698,442	101,031,799	333,357	0.33%
LESS INTERFUND TRANSFERS:	<u>(20,078,836)</u>	<u>(17,510,210)</u>	<u>2,568,626</u>	<u>-12.79%</u>
TOTAL, EXCLUDING TRANSFERS	80,619,606	83,521,589	2,901,983	3.60%
<u>SPECIAL REVENUE FUND CLASSIFICATION:</u>				
Public Schools District	8,676,000	9,217,425	541,425	6.24%
Schools Capital Reserve	3,157,592	2,947,585	(210,007)	-6.65%
Property Revaluation	25,800	11,000	(14,800)	-57.36%
Emergency Telephone (E911)	382,984	306,510	(76,474)	-19.97%
County Fire Service District	<u>1,194,891</u>	<u>1,291,878</u>	<u>96,987</u>	<u>8.12%</u>
TOTAL, INCLUDING TRANSFERS	13,437,267	13,774,398	337,131	2.51%
LESS INTERFUND TRANSFERS:	<u>(11,000)</u>	<u>(11,000)</u>	<u>-</u>	<u>0.00%</u>
TOTAL, EXCLUDING TRANSFERS	13,426,267	13,763,398	337,131	2.51%
<u>DEBT SERVICE FUND CLASSIFICATION:</u>				
	5,143,429	3,334,178	(1,809,251)	-35.18%
LESS INTERFUND TRANSFERS:	<u>(2,877,429)</u>	<u>(3,334,178)</u>	<u>(456,749)</u>	<u>15.87%</u>
TOTAL, EXCLUDING TRANSFERS	2,266,000	-	(2,266,000)	-100.00%
<u>CAPITAL PROJECT FUND CLASSIFICATION:</u>				
Capital Projects	1,175,000	1,566,000	391,000	33.28%
Capital Reserve	<u>1,175,000</u>	<u>1,566,000</u>	<u>391,000</u>	<u>33.28%</u>
TOTAL, INCLUDING TRANSFERS	2,350,000	3,132,000	782,000	33.28%
LESS INTERFUND TRANSFERS:	<u>(1,175,000)</u>	<u>(2,710,000)</u>	<u>(1,535,000)</u>	<u>130.64%</u>
TOTAL, EXCLUDING TRANSFERS	1,175,000	422,000	(753,000)	-64.09%
<u>ENTERPRISE FUND CLASSIFICATION:</u>				
TOTAL, INCLUDING TRANSFERS:	<u>5,788,423</u>	<u>5,954,901</u>	<u>166,478</u>	<u>2.88%</u>
	5,788,423	5,954,901	166,478	2.88%
TOTAL, INCLUDING TRANSFERS	127,417,561	127,227,276	(190,285)	-0.15%
LESS INTERFUND TRANSFERS:	<u>(24,142,265)</u>	<u>(23,565,388)</u>	<u>576,877</u>	<u>2.39%</u>
TOTAL, EXCLUDING TRANSFERS	103,275,296	103,661,888	386,592	0.37%

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
I: PREFACE AND INTRODUCTION
B. List of Principal County Officials**

BOARD OF COUNTY COMMISSIONERS

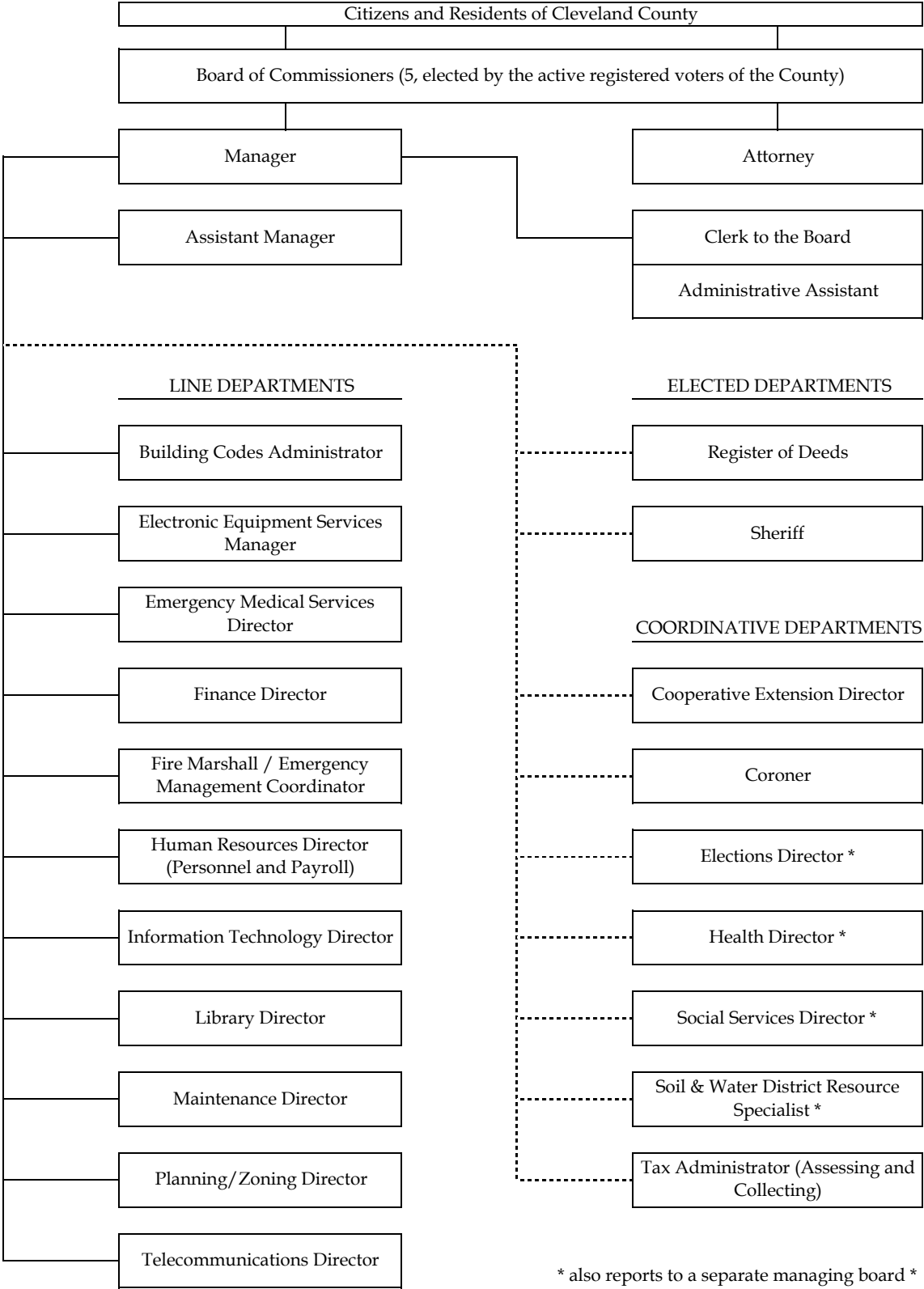
<p>MARY ACCOR Commissioner Term Expires 2008</p>		<p>JO BOGGS Commission Chair Term Expires 2010</p> 		<p>EDDIE HOLBROOK Commission Vice-Chair Term Expires 2010</p>
<p>RONNIE HAWKINS Commissioner Term Expires 2008</p>			<p>JOHNNY HUTCHINS Commissioner Term Expires 2008</p>	

COUNTY OFFICIALS

<p>EDDIE BAILES Assistant Manager</p> <p>PAUL EZELL Building Codes Administrator</p> <p>MARK DELLINGER Electronic Equipment Services Manager</p> <p>JOE LORD Emergency Medical Services Director</p> <p>C. D. CREPPS Finance Director</p> <p>DEWEY COOK Fire Marshall / Emergency Management Coordinator</p> <p>ALEXIS PEARSON Human Resources Director (Personnel and Payroll)</p> <p>MARTY GOLD Information Technology Director</p> <p>CAROL WILSON Library Director</p> <p>PETE MCFARLAND Maintenance Director</p> <p>BILL MCCARTER Planning/Zoning Director</p> <p>DAVID DODD Telecommunications Director</p>	<p>DAVID C. DEAR Manager</p> 	<p>BOB YELTON Attorney</p> <p>KERRI MELTON Clerk to the Board</p> <p>APRIL CROTTS Administrative Assistant</p> <p>BONNIE REECE Register of Deeds</p> <p>RAYMOND HAMRICK Sheriff</p> <p>GREG TRAYWICK Cooperative Extension Director</p> <p>DWIGHT TESSNEER Coroner</p> <p>DEBRA BLANTON Elections Director *</p> <p>DENESE STALLINGS Health Director *</p> <p>JOHN WASSON Social Services Director *</p> <p>BEN ROBINSON Soil & Water District Resource Specialist *</p> <p>CHRIS GREEN Tax Administrator (Assessing and Collecting)</p>
---	---	--

* also reports to a separate managing board *

**Cleveland County, North Carolina
 Annual Financial and Compliance Report
 For the Year Ended June 30, 2008
 I: PREFACE AND INTRODUCTION
 C. Organizational Chart**



Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
I: PREFACE AND INTRODUCTION
D. Introduction from the County Finance Director

October 1, 2008

To the Citizens, Cleveland County Board of Commissioners, and other interested readers:

County management hereby respectfully submits, and is responsible for the contents of, the *Annual Financial and Compliance Report For the Year Ended June 30, 2008* to the Cleveland County Board of Commissioners, residents of Cleveland County, and other readers. With this *Annual Financial and Compliance Report* of Cleveland County, North Carolina, management portrays the basic financial condition of the County government.

This introduction serves to present a brief description of the four sections that make up this annual report, describe that County management has sole responsibility for this year-end report, and to introduce interested readers to Cleveland County. "Section I. Preface and Introduction" begins with a message from the County Manager, includes organizational information, and ends with this introduction letter. Section II includes the bulk of the financial statements, including the "Notes to Financial Statements" and "Required Supplementary Information." For a narrative overview and analysis of the County's fiscal performance, see the "Management's Discussion and Analysis" in Section II. Section III displays statistical and trend information concerning major items such as property taxes, debts, revenues and expenditures, demographics, and economics. Finally, the County's status of compliance with grant-related federal and state rules and regulations is shown in Section IV.

County's Responsibilities

This report fulfills the County's responsibility to annually publish complete, accurate, and reliable financial statements and related schedules. Although an independent auditing firm of licensed certified public accountants is hired each year to conduct a financial and compliance audit, County management is responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the accounting principles that are generally accepted in the United States of America. We are also responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and federal and state programs. In addition, we have monitored sub-recipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of the federal Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal controls, and preventing and detecting fraud. Therefore, County management has established a comprehensive internal control framework that is designed

both 1) to help protect the County's assets from loss, theft, or misuse and 2) to compile sufficient reliable information presented in this report as the County's official financial statements and related schedules such that the presented information complies with U. S. generally accepted accounting principles. While County management conducts its continuing assessment, the County asserts reasonable assurance that its internal control over both 1) the effectiveness and efficiency of operations and 2) financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, as of June 30, 2008 was operating effectively.

The County Finance Department is tasked with investigating possible or alleged incidents of fraud, waste, and abuse. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity. If you notice any County employee acting unprofessionally during working hours or using County equipment or other County property for unofficial purposes, please report the event to either 1) the County Finance Department at 704-484-4807, 2) the County Manager at 704-484-4800, and/or 3) any one or more of your County Commissioners.

The financial statements herein are fairly presented in conformity with U. S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government required by U. S. generally accepted accounting principles to be included in the financial reporting entity. Except for items identified in another section within this report, the following statements are true:

- 1) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 2) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal and State awards.
- 3) The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund equity.
- 4) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 5) There are no unasserted claims or assessments that are probable of assertion and no other liabilities or gain or loss contingencies that must be accrued and that must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies.
- 6) There are no reservations or designation of fund equity that were not properly authorized and approved.
- 7) All funds and activities are properly classified in the financial statements.

Description of Cleveland County

Thank you for your interest in Cleveland County, North Carolina. Established by the General Assembly of North Carolina, Cleveland County has a land area of approximately 465 square miles. In 1841, Tryon County was separated into Cleveland, Lincoln, and Rutherford counties. Cleveland County was originally named after Colonel Benjamin Cleaveland, a partisan leader of the western frontier and one of the heroes in the Battle of Kings Mountain during the Revolutionary War. In 1887, the original spelling of Cleaveland was changed to Cleveland.

The City of Shelby, chartered in 1884, is the County seat and the most populous municipality in the County. Shelby was named after Colonel Isaac Shelby, another war hero from the Battle of Kings Mountain. To travel to Shelby, one must venture about 45 miles west from the City of Charlotte or 75 miles east from the City of Asheville, both in North Carolina, or 50 miles north of the City of Spartanburg, South Carolina. In short, Cleveland County is strategically located between two of the largest metropolitan areas of the Carolinas. In fact, Charlotte Douglas International Airport is the fifth largest hub in the nation. And, the region offers major league sports, breathtaking mountains, and nearby sunny beaches.

The City of Kings Mountain is the second largest city in the County. About 90% of the City of Kings Mountain is located in Cleveland County and the remaining amount in Gaston County. Kings Mountain is situated near the intersection of I-85 and US 74. The city is located roughly midway between Shelby and Gastonia, the two seats of their respective counties.

Cleveland County has a commission-manager form of government, meaning that the County Board of Commissioners governs the County, is responsible for the County's policies and procedures, and appoints a County Manager to direct the routine administration of the County. The Board of Commissioners consists of five members elected at large whose terms of office are staggered to keep experienced persons on the Board at all times.

The County levies a property tax on both real and personal property located within its border. Through the annual budget ordinance, the property tax rate is set and provides resources for the County to provide a full range of governmental services, including law enforcement, fire protection, medical-related emergency transportation, public health and social services, solid waste collection, and others. The County also contributes to local public educational entities.

The County has established a unified countywide school district that is operated and administered by a separate non-partisan nine-member board of education whose members are elected by the citizens. Cleveland County Schools has about 17,000 students. The local board of education appoints a superintendent to direct the day-to-day management of the school system.

Further, high school sports in the County have a rich championship history. And, in recent years, three of the four high schools have had teams competing in state championship title matches in football, basketball, and softball. And, our teams won almost every time.

Also, a number of post-secondary institutions exist in and near the County. Cleveland Community College offers an associate degree program, diplomas and certificates, and a continuing education program. The Town of Boiling Springs hosts Gardner-Webb University, a four-year liberal arts college. Ambassador Baptist College trains men and women for full-time Christian service. Catawba Valley Community College in the City of Hickory, Central Piedmont Community College in the City of Charlotte, Gaston College in the City of Dallas, and Isothermal Community College in the City of Spindale also serve Cleveland County residents from the state's Community College System. Other nearby post-secondary institutions include Belmont Abbey, Converse College, Davidson College, Furman University, Johnson C. Smith University, Lenoir-Rhyne College, Limestone College, Queens College, the University of North Carolina at Charlotte, the University of South Carolina at Spartanburg, Winthrop University, and Wofford College.

The local economy is diverse and without dependence on any one industry. Truck cabs, compact discs, transmissions, aircraft parts, ceramic capacitor material, electric motors, and production equipment are just a few of the items fabricated in Cleveland County. Cleveland County is home to numerous ISO 9000 certified companies and over one-fourth of the work force is involved in manufacturing. And, the County offers a unique combination of assets to existing and new industry, such as an abundant and educated workforce, a highly diversified industrial base, a positive work ethic, cooperative educational programs from Cleveland Community College located in Shelby, organically grown food, ethanol (an alternative fuel for vehicles), and easy access to various types of transportation routes. The county has a broad diversity of manufacturing firms, of which more than 25 firms employ 100 or more persons.

Nestled in the rolling piedmont of the southwestern portion of North Carolina and bordering South Carolina, Cleveland County is situated in the foothills of the Blue Ridge Mountains. The County has easy access to virtually all of the mid-Southeast's major markets. Both Charlotte-Douglas International Airport and Greenville-Spartanburg International Airport are within an hour's drive. Major rail lines also track through the County. And, the port of Charleston is easily accessible via major interstate highways. The County is about 200 miles from Myrtle Beach, South Carolina, 200 miles from Atlanta, Georgia, 410 miles from Washington, D. C., and 650 miles from New York, New York.

The County has many attractions, such as the Shelby City Park train and carousel. The County also boasts the largest county fair in the state at the Cleveland County Fairgrounds. The Cleveland County Fair is usually held for more than a week and begins near the end of September. Plus, golfers enjoy the variety of quality golf courses in the County. In addition, the County partners with non-profit agencies that oversee operations at the Broad River Greenway and the Kings Mountain Trails Gateway. Activities such as horseback riding, backpacking, and canoeing are found at these facilities that boast over 2,000 acres. You will also find log cabins, picturesque scenes, and picnic areas at these facilities. Plus, the County is central to recreational facilities located in nearby national parks (i.e. Kings Mountain) and state parks (i.e. South Mountain and Crowders Mountain).

The locals are proud of the area's history and its natural beauty. Area attractions include:

Belwood Heritage Museum 704-538-6695	Lawndale Historical Museum 704-538-7212
Brackett Cedar Park 704-538-7124	Moss Lake, Kings Mountain 704-482-7926
Broad River Greenway, Boiling Springs 704-434-2357	Neisler Natatorium, Kings Mountain 704-734-5654
Carmike 10, Cleveland Mall, Shelby 704-482-6623	Pine Grove Golf Course, Shelby 704-487-0455
Carolina Foothills Handmade Association 704-484-2787	River Bend Golf Course, Shelby 704-482-4286
Challenger 3 Golf Club, Shelby 704-482-5061	Royster Memorial Golf Course, Shelby 704-484-6823
Cleveland County Arts Council, Shelby 704-484-2787	Shelby City Aquatic Center 704-484-6839
Cleveland Memorial Library, Shelby 704-487-9069	Shelby City Park Carrousel and Train 704-484-6839
Crowders Mountain State Park, Gastonia 704-853-5375	Shelby Farmers Market 704-484-9005
Deer Brook Golf Club, Shelby 704-482-4653	Shelby Parks and Recreation 704-484-6839
Gardner-Webb University Pool 704-406-4420	Spangler Branch Library, Lawndale 704-538-7005
Kings Mountain/Bessemer City Drive-In 704-739-2150	Sunset Drive-In, Mooresboro 704-434-7782
Kings Mountain Country Club 704-739-5871	Thunder Valley Speedway, Lawndale 704-538-9666
Kings Mountain Historical Fire Museum 704-74-0555	Woodbridge Golf Links, Kings Mountain 704-482-0353
Kings Mountain Historical Museum 704-739-6613	YMCA Boiling Springs 704-434-0441
Kings Mountain Library 704-739-2371	YMCA Kings Mountain 704-734-0449
Kings Mountain National Military Park 864-936-7921	YMCA Kings Mountain - Public Pool 704-734-0449
Kings Mountain State Park 803-222-3209	YMCA Shelby 704-484-9622

Throughout Cleveland County, you will find caring and highly trained physicians and nurses eager to provide quality healthcare and share their knowledge.

Long-Term Financial Planning

To improve the County's financial position, the County annually evaluates and plans long-term operating and capital needs for all provided services and programs. The formal plan is titled the "Capital Improvement Program" (CIP). The plan addresses both 1) the projected

costs of additional operating and capital needs and 2) the strategy to provide financial resources from which to pay the costs in the foreseeable future. Major items in the plan include an expansion of the adult detention center, improving public school facilities, and constructing a multi-purpose community complex. The first year of the plan reflects the items included in the County's capital budget for the year ending June 30, 2009.

In other efforts to maintain or improve the County's financial status, County management encourages the pursuit of the following goals:

- ✓ re-evaluate the CIP each year
- ✓ maintain at least 20% of annual operating expenditures in cash reserves
- ✓ avoid using one-time revenue resources for recurring expenditures
- ✓ aggressively seek financial support, such as federal or state grant monies, to attain a sufficient level of resources to finance capital projects
- ✓ pay for small capital projects without borrowing funds and borrow funds, as needed, for larger and more expensive capital projects

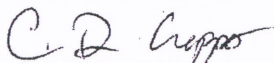
I express deep appreciation for the Board of Commissioners, County Manager, and other administrative staff for their interest and support in planning and conducting the financial affairs of the County.

Summary

This *Annual Financial and Compliance Report* was compiled by staff of the Cleveland County Finance Department, in cooperation with the County Manager and various staff of certain other departments, primarily Social Services, Property Tax Administration, Information Technology, and Human Resources. Martin Starnes & Associates, CPAs, P.A., an independent auditing firm of licensed certified public accountants, printed this report. The contributions of all participants are invaluable.

With 15 incorporated municipalities of varying sizes and many smaller communities in the County, you will find there are many great places to live and visit in Cleveland County. Most importantly, you will find that the people of Cleveland County are welcoming and friendly to neighbors and newcomers. And, the caring workers of Cleveland County businesses consistently out-give other communities to United Way and other community organizations. Cleveland County is a great place to live, work, play, and just enjoy life. You are always welcome in Cleveland County.

Respectfully submitted,



C. D. Crepps
County Finance Director

This page left blank intentionally.

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008**

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

	<u>Identifier</u>	<u>Page No.</u>
A. Report from the Independent Auditor	Subsection II.A	23
B. Management's Discussion and Analysis	Subsection II.B	25
C. Basic Financial Statements (includes Notes to Financial Statements)	Subsection II.C	37
D. Required Supplementary Information:	Subsection II.D	85
E. Other Supplementary Information	Subsection II.E.	128

This page left blank intentionally.



Martin Starnes & Associates, CPAs, P.A.

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, 2008, which collectively comprise Cleveland 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the general fund, the school capital reserve fund and county capital reserve fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2008, 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 grants and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis 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 on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Cleveland County, North Carolina. The introductory information, 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. The combining and individual nonmajor fund financial statements and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit report, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statement and, accordingly, we express no opinion on them.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

October 25, 2008

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2008
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, 2008* 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 \$141,535,324. This amount is also referred to as total net assets.
- On a government-wide basis, total net assets increased by \$24,940,215 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 acquisition of planned assets.
- The ending fund balances of all governmental funds combined equals \$44,861,335, an increase of \$6,321,693 from last year. A large piece of this increase in the ending fund balance is due to an unspent balance of proceeds from a \$6,000,000 installment financing issue. Also, the use of conservative spending habits and the intentional accumulation of resources for future use has further contributed to an increase in cash. Of the total fund balance, \$36,063,625, or approximately 80.4%, 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 \$20,951,992, or 26.1% of total general fund expenditures for the fiscal year.
- Total long-term liabilities increased by \$2,122,108 (11.6%) to \$20,418,558 during the current fiscal year due to making scheduled principal payments while issuing over \$6,000,000 in new debt.

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 components:

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

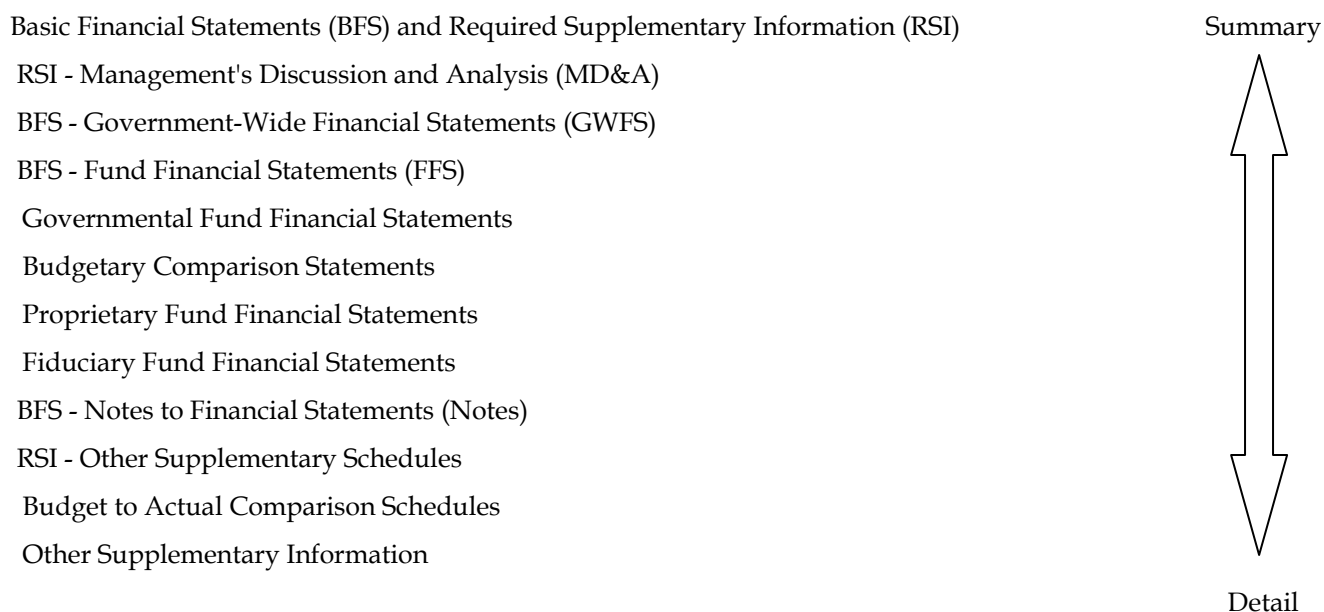


Figure 1. Level of Detail

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.

Net Assets and Changes in Net Assets

In the fiscal year ended June 30, 2008, net assets increased by \$24,940,215 to \$141,535,324. 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 1. Condensed Statement of Net Assets

Category	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
	(amounts depicted in thousands of dollars)					
Current and other assets	\$ 45,924	\$ 52,359	\$ 14,618	\$ 10,644	\$ 60,542	\$ 63,003
Capital assets	72,999	93,230	5,575	11,005	78,574	104,235
Total assets	118,923	145,589	20,193	21,649	139,116	167,238
Current and other liabilities	4,109	4,256	115	1,029	4,224	5,285
Long-term liabilities	14,928	16,668	3,369	3,750	18,297	20,418
Total liabilities	19,037	20,924	3,484	4,779	22,521	25,703
Invested in capital assets, net	68,763	85,742	5,575	11,005	74,338	96,747
Restricted	10,298	11,915	-	-	10,298	11,915
Unrestricted	20,825	27,008	11,134	5,865	31,959	32,873
Total net assets	\$ 99,886	\$ 124,665	\$ 16,709	\$ 16,870	\$ 116,595	\$ 141,535

Table 2. Condensed Statement of Activities

Category	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Revenues:	(amounts depicted in thousands of dollars)					
Program revenues						
Charges for services	\$ 20,454	\$ 22,771	\$ 4,927	\$ 4,762	\$ 25,381	\$ 27,533
Program grants & contributions	30,642	46,669	326	308	30,968	46,977
General revenues						
Property and other taxes	48,180	48,740	-	-	48,180	48,740
General grants & contributions	2,270	2,200	-	-	2,270	2,200
Investment earnings	1,529	1,605	703	616	2,232	2,221
Total revenues	103,075	121,985	5,956	5,686	109,031	127,671
Program expenses:						
General government	8,102	8,681	-	-	8,102	8,681
Public safety	18,573	20,236	-	-	18,573	20,236
Human services	38,399	39,511	-	-	38,399	39,511
Education	23,310	24,944	-	-	23,310	24,944
Economic and phys. development	3,528	2,118	-	-	3,528	2,118
Cultural	1,101	1,287	-	-	1,101	1,287
Solid waste	-	-	4,568	5,285	4,568	5,285
Interest on long-term liabilities	663	669	-	-	663	669
Total expenses	93,676	97,446	4,568	5,285	98,244	102,731
Excess (deficiency) before transfers	9,399	24,539	1,388	401	10,787	24,940
Transfers	175	241	(175)	(241)	-	-
Change in net assets	9,574	24,780	1,213	160	10,787	24,940
Net assets, beginning	90,312	99,886	15,496	16,709	105,808	116,595
Net assets, ending	\$ 99,886	\$ 124,666	\$ 16,709	\$ 16,869	\$ 116,595	\$ 141,535

Table 3. Condensed Statement of Activities (Percentages)

Category	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Revenues:						
Program revenues						
Charges for services	19.84%	18.67%	82.72%	83.75%	23.28%	21.57%
Program grants & contributions	29.73%	38.26%	5.47%	5.42%	28.40%	36.80%
General revenues						
Property and other taxes	46.74%	39.96%	0.00%	0.00%	44.19%	38.18%
General grants & contributions	2.20%	1.80%	0.00%	0.00%	2.08%	1.72%
Investment earnings	1.48%	1.32%	11.80%	10.83%	2.05%	1.74%
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Program expenses:						
General government	8.65%	8.91%	0.00%	0.00%	8.25%	8.45%
Public safety	19.83%	20.77%	0.00%	0.00%	18.90%	19.70%
Human services	40.99%	40.55%	0.00%	0.00%	39.09%	38.46%
Education	24.88%	25.60%	0.00%	0.00%	23.73%	24.28%
Economic and phys. development	3.77%	2.17%	0.00%	0.00%	3.59%	2.06%
Cultural	1.18%	1.32%	0.00%	0.00%	1.12%	1.25%
Solid waste	0.00%	0.00%	100.00%	100.00%	4.65%	5.14%
Interest on long-term liabilities	0.71%	0.69%	0.00%	0.00%	0.67%	0.65%
Total expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Each year-end balance of unrestricted net assets has been reduced by the outstanding bonded debt used to finance construction of school buildings. However, 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 (\$1,623,199).

Of total revenues, about 38.18% stems from property and other taxes, 36.80% from program grants and contributions, and 21.57% from charges for services. Of total expenses, about 38.46% is spent toward human service programs, 24.28% toward education programs, and 19.70% on public safety programs. To summarize, the County's total revenues are about \$127.7 million and total expenses are about \$102.7 for the year ended June 30, 2008, adding about \$25.0 million to the total net assets of the County.

Governmental Activities

Governmental activities increased the County's net assets by \$24,779,862, thereby accounting for 99.4% 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 71.3% percent of expenses, general property taxes amounts to another 36.7% of expenses, local option sales tax amounts to 12.3% of expenses, and other general revenues amount to 5.1% of expenses. Total revenues amounted to 125.4% 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 \$21,763,741 during the year. Part of this increase was offset by the increase of \$1,532,201 in accumulated depreciation.
- Successful efforts to collect both current and delinquent property taxes and other accounts.

Business-Type Activities

Business-type activities increased Cleveland County's net assets by \$160,353, which accounts for 0.6% 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 103.0% of expenses.
- Revenue generated from an agreement to discard debris created by a major manufacturer, partially offset by large expenditures toward construction of a new landfill facility.

Due to the nature of the landfill business, we intend to continue to build cash reserves following the closing of the older landfill and opening of the newer landfill. Generally, increases in assets beget increases in net assets. And, a large amount of cash reserves is needed to fund the construction of additional landfill cells. One new cell will begin accepting waste during the fiscal year ending June 30, 2009.

FUND HIGHLIGHTS

As noted earlier, Cleveland County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds with either large balances at year-end or a large amount of activity during the year are classified as "major" funds and receive special attention throughout this *Annual Financial and Compliance Report For the Fiscal Year Ended June 30, 2008*.

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, 2008, the County reported \$44,861,335 as the combined fund balance of all governmental funds. The total increase in the combined fund balance of all governmental funds of \$6,321,693 may be attributed to various causes. Primarily, the reason for this increase results from the unspent proceeds of a \$6,000,000 installment purchase for an 800 MHz communication system and continued accumulation of resources to fund future projects and to fund the purchase of planned assets. Due to this accumulation of cash, the Schools Capital Reserve Fund remains a major fund and the County Capital Reserve Fund has become a major fund for the year ended June 30, 2008.

The General Fund, also a major 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 \$20,951,992, while total fund balance reached \$28,538,665. The total decrease in the fund balance of the General Fund of \$481,746 is primarily attributed to large transfers for current and future construction projects to the Capital Projects Fund and the County Capital Reserve Fund and partially offset by conservative estimates of revenues and expenditures. In the General Fund, actual revenues exceeded budget by nearly \$1.46 million and actual expenditures were less than budget by almost \$4.80 million. Unreserved fund balance represents 26.1% of total General Fund expenditures, while total fund balance represents 35.5% 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 \$5,865,103. The growth in total net assets for this fund was \$160,353. 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 for a summary of budget amendments by fund..

General Fund: Total amendments to the General Fund increased budgeted revenues by \$2,832,943, appropriations of fund balance by \$3,412,399, and various other resources. The primary reasons for the increases was (1) to carry-forward budget related to a) unspent grant awards and other restricted resources (such as donations), b) unpaid obligations (i.e. year-end outstanding encumbrances), and c) other incomplete projects, (2) to accept new grants and other new resources for the purchase of various supplies, equipment, and services, and (3) to make available transfers to the Capital Projects Fund and to the County Capital Reserve Fund related to the purchase and renovation of buildings and other property.

Schools Capital Reserve Fund. The lone budget amendments to the Schools Capital Reserve Fund increased revenues and expenditures by \$725,000 to account for a withdrawal of proceeds from the state lottery for renovations made to classrooms at Kings Mountain High School.

County Capital Reserve Fund. Budget amendments to the County Capital Reserve Fund increased revenues and expenditures by \$7,221,471 primarily to account for the proceeds from the installment purchase financing and other financing for the purchase of 800 MHz Communications Equipment (\$6,438,645) and to continue projects initiated in prior years.

Enterprise Fund. Total amendments to the Solid Waste Collection and Disposal Fund increased revenues and expenditures by \$6,285,631 primarily to account for the construction of a new landfill cell that will accept waste once the current landfill is filled and accompanying offices.

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), 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), and budget for new special projects.

In addition, two current 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 \$495,817 in the Cleveland Community College Bond Fund and \$400,000 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 were primarily to account for increases in transfers from the General Fund and County Capital Reserve Fund related to the purchase and renovation of buildings and other property both now and in future years.

Table 4. Schedule of Budget Amendment Amounts by Fund

Fund	Original Adopted Budget	Amendments to Budget	Final Amended Budget
General Fund	\$ 82,212,848	\$ 7,217,414	\$ 89,430,262
Schools Capital Reserve Fund	3,157,592	725,000	3,882,592
County Capital Reserve Fund	1,175,000	7,221,471	8,396,471
Enterprise Fund	5,788,423	6,285,631	12,074,054
Non-major Funds	16,598,104	10,955,111	27,553,215
Totals	\$ 108,931,967	\$ 32,404,627	\$ 141,336,594

Table 5. Schedule of Budget Amendment Percentages by Fund

Fund	Original Adopted Budget	Amendments to Budget	Final Amended Budget
General Fund	75.47%	22.27%	63.27%
Schools Capital Reserve Fund	2.90%	2.24%	2.75%
County Capital Reserve Fund	1.08%	22.29%	5.94%
Enterprise Fund	5.31%	19.40%	8.54%
Non-major Funds	15.24%	33.81%	19.49%
Totals	100.00%	100.00%	100.00%

CAPITAL ASSET AND LONG-TERM LIABILITIES HIGHLIGHTS

Capital assets. Cleveland County's capital assets for its governmental and business-type activities as of June 30, 2008 totals \$104,234,792 (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:

- Acquisition of new equipment and vehicles (\$2,581,119 increase).
- Acquisition of capital assets other than equipment and vehicles through the purchase, major renovation, or received donation of land and buildings (\$29,769,363 increase)
- Increase in accumulated depreciation, including depreciation expense on equipment and vehicles of \$1,580,531 and on capital assets other than equipment and vehicles of \$2,573,087 (\$4,153,618 decrease to reported capital assets).
- Retirement and subsequent disposal of items sold, traded-in, made obsolete by newer equipment, or otherwise properly disposed (\$1,087,168 decrease for equipment and vehicles; \$1,454,429 decrease for capital assets other than equipment and vehicles; \$2,541,597 total decrease)

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

Category	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
	(amounts depicted in thousands of dollars)					
Land and land improvements	\$ 7,729	\$ 9,839	\$ 1,614	\$ 1,974	\$ 9,343	\$ 11,813
Construction in progress	132	1,626	823	5,804	955	7,430
Buildings and improvements	60,025	76,750	317	779	60,342	77,529
Equipment (including vehicles)	3,455	3,471	1,079	982	4,534	4,453
Leasehold improvements	292	278	11	11	303	289
Infrastructure	1,366	1,266	1,731	1,455	3,097	2,721
Total capital assets, net	\$ 72,999	\$ 93,230	\$ 5,575	\$ 11,005	\$ 78,574	\$ 104,235

The County's investments in capital assets increased over 30% 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 Liabilities. As of June 30, 2007, Cleveland County had total indebtedness outstanding of \$11,666,458 all of which is debt backed by the full faith and credit of the County. During the year ended June 30, 2008, the total outstanding indebtedness was changed to \$12,934,111, an increase of \$1,267,653 (29.5%). During the year, the County met all normal debt service requirements and issued new debt of \$6,230,676.

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. After calculating the County's legal debt limit (which is 8% of total assessed value) and subtracting current outstanding general obligation debt, the legal debt margin for Cleveland County is \$457,066,373. 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 education, public safety, and the County share of public assistance programs continues to rise substantially. The Cleveland County Board of Commissioners lowered the tax rates for fiscal year 2009 in the County-wide general district, County-wide school district, and County fire district, from a combined 76 cents per \$100 in assessed property value to 75 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.

The total County budget increased by only 0.37% from the prior year. Although many funds enjoyed a typical increase, these increases were almost fully offset by decrease in the Debt Service Fund by \$2,266,000. Absence this decrease in the Debt Service Fund, the County budget would have grown by 2.63%. For a look at the County's adopted budget for fiscal year 2009, please review the Message from the County Manager.

Governmental Activities: Property taxes and revenues from ambulance services are projected to lead the increase in revenues. And, due to changes by the State legislature, the County's share of Medicaid has decreased substantially, partially offset by a decrease in revenues from the local option sales taxes that the State will begin to keep for itself. Still, overall estimated revenues increased by 3.60% 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 \$83,521,589 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.cncgov/Financed/index.html> or address your request to:

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

This page left blank intentionally.

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
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	38
2. Fund Financial Statements	Part II.C.2	43
3. Notes to Financial Statements	Part II.C.3	55

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, more detailed data is shown in the "Notes to the Financial Statements" that help to explain some of the information in the financial statements.

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
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	39
b. Government-Wide Statement of Activities	Exhibit II.C.1.b	40

The Government-Wide Financial Statements provide both long-term and short-term information about the County's overall financial status and provide a broad overview of the County's finances that is similar in format to a financial statement of a private-sector business.

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

June 30, 2008

With Comparative Totals as of June 30, 2007

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2008	2007
ASSETS				
Cash and cash equivalents	\$ 40,463,830	\$ 6,592,420	\$ 47,056,250	\$ 44,965,250
Taxes receivable, net	2,939,849	-	2,939,849	2,827,605
Accounts receivable, net	8,293,613	409,129	8,702,742	8,621,340
Inventories	114,832	-	114,832	168,177
Prepaid items	98,152	175	98,327	198,636
Restricted cash	-	3,642,732	3,642,732	3,269,213
Deferred charges - issuance costs	21,214	-	21,214	32,290
Deferred charges - refunding	301,877	-	301,877	459,491
Loan receivable	126,000	-	126,000	-
Capital assets				
Land and construction in progress	11,465,111	7,778,607	19,243,718	10,297,942
Other capital assets, net of accumulated depreciation	81,764,991	3,226,083	84,991,074	68,276,039
Total capital assets	93,230,102	11,004,690	104,234,792	78,573,981
Total Assets	\$ 145,589,469	\$ 21,649,146	\$ 167,238,615	\$ 139,115,983
LIABILITIES				
Accounts payable and accrued expenses	\$ 2,470,892	\$ 1,026,486	\$ 3,497,378	\$ 2,704,095
Unearned revenues	1,436,931	2,480	1,439,411	1,264,007
Accrued interest payable	151,606	-	151,606	45,634
Due to other taxing units	189,512	-	189,512	203,122
Premium on bond issuance	6,826	-	6,826	7,566
Long-term liabilities				
Current portion of long-term liabilities	4,223,401	41,444	4,264,845	5,939,091
Noncurrent portion of long-term liabilities	12,444,770	3,708,943	16,153,713	12,357,359
Total Long-term liabilities	16,668,171	3,750,387	20,418,558	18,296,450
Total Liabilities	\$ 20,923,938	\$ 4,779,353	\$ 25,703,291	\$ 22,520,874
NET ASSETS				
Invested in capital assets, net of related debt	\$ 85,741,754	\$ 11,004,690	\$ 96,746,444	\$ 74,337,794
Restricted net assets:				
Education	5,978,415	-	5,978,415	4,960,626
Human Services	2,866,227	-	2,866,227	2,856,899
Public Safety	2,868,598	-	2,868,598	2,237,765
Other purposes	202,219	-	202,219	242,972
Total restricted net assets	11,915,459	-	11,915,459	10,298,262
Unrestricted net assets	27,008,318	5,865,103	32,873,421	31,959,053
Total Net Assets	\$ 124,665,531	\$ 16,869,793	\$ 141,535,324	\$ 116,595,109

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, 2008
With Comparative Totals as of June 30, 2007

PRIMARY GOVERNMENT FUNCTIONS / PROGRAMS	Expenses	Program Revenues		Net program revenues (expenses)	
		Charges for services	Operating grants and contributions		Capital grants and contributions
EXPENSES, PROGRAM REVENUES, AND NET RESULTS					
Governmental activities:					
General government	\$ (8,681,365)	\$ 2,453,453	\$ 1,131,279	\$ 719,895	\$ (4,376,738)
Public safety	(20,235,804)	6,124,163	2,515,297	91,643	(11,504,701)
Human services	(39,510,671)	4,800,258	16,200,691	19,928,365	1,418,643
Education	(24,943,842)	9,215,690	13,630	5,279,537	(10,434,985)
Economic and physical development	(2,118,255)	58,980	461,092	(12,671)	(1,610,854)
Cultural and recreational	(1,286,918)	118,385	283,022	(8,440)	(893,951)
Interest on long-term liabilities	(669,490)	-	66,000	-	(603,490)
Subtotal governmental activities	(97,446,345)	22,770,929	20,671,011	25,998,329	(28,006,076)
Business-type activities					
Solid Waste Collection and Disposal	(5,285,293)	4,762,245	308,472	-	(214,576)
Total business-type activities	(5,285,293)	4,762,245	308,472	-	(214,576)
Total primary government	\$ (102,731,638)	\$ 27,533,174	\$ 20,979,483	\$ 25,998,329	\$ (28,220,652)

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	
			2008	2007
NET PROGRAM REVENUES (EXPENSES)--FROM PRIOR PAGE				
Governmental activities:				
General government	\$ (4,376,738)	\$ -	\$ (4,376,738)	\$ (4,794,750)
Public safety	(11,504,701)	-	(11,504,701)	(12,035,418)
Human services	1,418,643	-	1,418,643	(12,426,745)
Education	(10,434,985)	-	(10,434,985)	(8,834,866)
Economic and physical development	(1,610,854)	-	(1,610,854)	(3,139,752)
Cultural and recreational	(893,951)	-	(893,951)	(820,217)
Interest on long-term liabilities	(603,490)	-	(603,490)	(528,567)
Subtotal governmental activities	(28,006,076)	-	(28,006,076)	(42,580,315)
Business-type activities				
Solid Waste Collection and Disposal	-	(214,576)	(214,576)	686,288
Total business-type activities	-	(214,576)	(214,576)	686,288
Total primary government	(28,006,076)	(214,576)	(28,220,652)	(41,894,027)
GENERAL REVENUES AND TRANSFERS:				
Property taxes	35,815,553	-	35,815,553	35,297,651
Local option sales taxes	12,002,826	-	12,002,826	12,037,091
Other taxes and licenses	921,337	-	921,337	844,704
Grants and contributions, general	2,200,000	-	2,200,000	2,270,000
Investment earnings, general	1,604,977	616,174	2,221,151	2,232,233
Miscellaneous revenues, general	-	-	-	-
Transfers:	241,245	(241,245)	-	-
Total general revenues and transfers	52,785,938	374,929	53,160,867	52,681,679
CHANGE IN NET ASSETS	24,779,862	160,353	24,940,215	10,787,652
Net assets -- beginning	99,885,669	16,709,440	116,595,109	105,807,457
Net assets -- ending	\$ 124,665,531	\$ 16,869,793	\$ 141,535,324	\$ 116,595,109

This page left blank intentionally.

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
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	44
a.i. Reconciliation of the 'Governmental Funds: Balance Sheet' to the 'Government-Wide Statement of Net Assets'	Exhibit II.C.2.a.i	45
b. Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.C.2.b	46
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	47
c. General Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.c	48
d. Schools Capital Reserve Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.d	49
e. County Capital Reserve Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.e	50
f. Enterprise Fund: Statement of Fund Net Assets	Exhibit II.C.2.f	51
g. Enterprise Fund: Statement of Revenues, Expenses, and Changes in Fund Net Assets	Exhibit II.C.2.g	52
h. Enterprise Fund: Statement of Cash Flows	Exhibit II.C.2.h	53
i. Fiduciary Funds: Statement of Fiduciary Net Assets	Exhibit II.C.2.i	54

The Fund Financial Statements focus exclusively on short-term information and provide a more detailed look at the County's operating funds. (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.)

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

(continued on next page)

June 30, 2008

With Comparative Totals as of June 30, 2007

	Governmental Funds					
	General	Schools	County	Other	Totals	
		Capital Reserve	Capital Reserve	Non-major Funds	2008	2007
ASSETS						
Cash and cash equivalents	\$ 24,734,944	\$ 5,978,415	\$ 7,452,250	\$ 2,298,221	\$ 40,463,830	\$ 34,019,660
Taxes receivable, net	2,032,464	-	-	571,953	2,604,417	2,508,634
Accounts receivable, net	7,206,037	879,634	24,252	183,690	8,293,613	8,220,120
Due from other governmental funds	402,304	-	75,000	306,110	783,414	411,794
Inventories	114,832	-	-	-	114,832	168,177
Prepaid items	98,152	-	-	-	98,152	196,714
Total assets	\$ 34,588,733	\$ 6,858,049	\$ 7,551,502	\$ 3,359,974	\$ 52,358,258	\$ 45,525,099
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenses	\$ 2,058,218	\$ -	\$ 86	\$ 408,114	\$ 2,466,418	\$ 2,582,905
Contract retainage	-	-	-	4,474	4,474	8,740
Unearned revenues	1,377,007	-	-	59,924	1,436,931	1,261,325
Deferred revenues	2,044,221	-	-	571,953	2,616,174	2,517,571
Due to other governmental funds	381,110	-	402,304	-	783,414	411,794
Due to other taxing units	189,512	-	-	-	189,512	203,122
Total liabilities	6,050,068	-	402,390	1,044,465	7,496,923	6,985,457
Fund balances						
Reserved fund balance:						
Encumbrances	189,073	-	-	-	189,073	319,497
Inventories	114,832	-	-	-	114,832	168,177
Prepaid items	98,152	-	-	-	98,152	196,714
Register of deeds	(4,218)	-	-	-	(4,218)	14,834
State Statute	7,188,834	879,634	99,252	232,151	8,399,871	8,332,610
Unreserved designated fund balance:						
for future insurance claims	1,591,412	-	-	-	1,591,412	1,591,412
for subsequent year's expenditures	4,904,485	-	422,000	146,852	5,473,337	3,918,817
Unreserved undesignated fund balance:	14,456,095	5,978,415	(55,252)	-	20,379,258	21,341,524
Non-major Special Revenue funds	-	-	-	1,936,506	1,936,506	2,656,057
Non-major Capital Projects funds	-	-	6,683,112	-	6,683,112	-
Total fund balances	28,538,665	6,858,049	7,149,112	2,315,509	44,861,335	38,539,642
Total liabilities and fund balances	\$ 34,588,733	\$ 6,858,049	\$ 7,551,502	\$ 3,359,974	\$ 52,358,258	\$ 45,525,099

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

See 'Exhibit II.C.2.a.i' on following page for a list of items that differ in treatment between the governmental activities column on the government-wide statement (see Exhibit II.C.1.a) 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, 2008

With Comparative Totals as of June 30, 2007

	2008	2007
Total fund balances of governmental funds	\$ 44,861,335	\$ 38,539,642
<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 focii and bases of accounting, specifically relating to the following</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:	335,432	318,971
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	316,265	484,215
3. Governmental funds report expenditures for items that are treated as additions to long-term assets on the Statement of Net Assets. Total long-term assets is:	126,000	-
4. 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:	128,093,828	106,330,087
5. 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:	(34,863,726)	(33,331,525)
6. 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:	2,616,174	2,517,571
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. The accrued interest payable balance is:	(151,606)	(45,634)
8. 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.	(16,668,171)	(14,927,658)
Total net assets of governmental activities	<u>\$ 124,665,531</u>	<u>\$ 99,885,669</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, 2008

With Comparative Totals as of June 30, 2007

	Governmental Funds					
	General	Schools	County	Other	Totals	
		Capital Reserve	Capital Reserve	Non-major Funds	2008	2007
REVENUES						
Ad valorem taxes	\$ 35,697,275	\$ -	-	#####	\$ 45,717,409	\$45,093,388
Other taxes	12,517,939	3,488,442	-	748,095	16,754,476	17,096,336
Unrestricted intergovernmental revenues	501,827	-	-	-	501,827	101,559
Restricted intergovernmental revenues	18,837,147	1,422,157	-	2,520,186	22,779,490	22,713,808
Licenses, fees, and permits	1,086,477	-	-	-	1,086,477	1,139,917
Sales and services	9,497,364	-	-	-	9,497,364	8,351,036
Investment earnings	1,606,255	368,938	171,574	118,400	2,265,167	2,000,774
Miscellaneous	1,010,381	-	14,000	13	1,024,394	642,769
Total revenues	80,754,665	5,279,537	185,574	13,406,828	99,626,604	97,139,587
EXPENDITURES						
General government	8,289,618	-	-	67,252	8,356,870	8,019,607
Public safety	16,198,097	-	-	2,942,138	19,140,235	17,518,573
Human services	37,798,345	-	-	841,585	38,639,930	36,995,794
Education	11,048,342	-	-	9,215,690	20,264,032	19,959,846
Economic and physical development	1,652,646	-	-	458,438	2,111,084	3,592,196
Cultural and recreational	1,085,151	-	-	250,000	1,335,151	971,465
Schools capital outlay	4,125,000	-	-	613,167	4,738,167	3,350,000
Debt service, principal reduction	143,960	-	-	4,732,347	4,876,307	4,954,194
Debt service, interest and fees	10,867	-	-	398,354	409,221	551,238
Total expenditures	80,352,026	-	-	19,518,971	99,870,997	95,912,913
Excess (deficiency) of revenues over expenditures	402,639	5,279,537	185,574	(6,112,143)	(244,393)	1,226,674
OTHER FINANCING SOURCES (USES)						
Transfers in	2,367,817	-	1,387,700	5,881,462	9,636,979	6,072,458
Transfers out	(3,577,043)	(3,882,592)	(1,622,577)	(313,522)	(9,395,734)	(5,897,111)
Capital lease financing issued	230,676	-	-	-	230,676	-
Installment financing issued	-	-	6,000,000	-	6,000,000	-
Proceeds from sales of capital assets	94,165	-	-	-	94,165	-
Total other financing sources (uses)	(884,385)	(3,882,592)	5,765,123	5,567,940	6,566,085	175,347
Net change in fund balances	(481,746)	1,396,945	5,950,697	(544,203)	6,321,693	1,402,021
FUND BALANCES						
Beginning fund balances	29,020,411	5,461,104	1,198,415	2,859,712	38,539,642	37,137,621
Ending fund balances	\$ 28,538,665	\$ 6,858,049	\$ 7,149,112	\$ 2,315,509	\$ 44,861,335	\$38,539,642

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

See 'Exhibit II.C.2.b.i' on following page for a list of items that differ in treatment between the governmental activities column on the government-wide statement (see Exhibit II.C.1.b) 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, 2008

With Comparative Totals as of June 30, 2007

	2008	2007
Net change in fund balances of governmental funds	\$ 6,321,693	\$ 1,402,021
<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:	19,191,086	4,972,656
2. Governmental funds report expenditures for items that are treated as additions to capital and other long-term assets on the Statement of Net Assets. The current year's	4,686,206	1,973,648
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:	(3,533,401)	(3,383,022)
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.	(386,144)	(300,341)
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.	115,060	49,615
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:	4,876,307	4,970,606
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.	(260,269)	(111,429)
8. Governmental funds recognize the issuance of new debt as a source of financing for items that are treated as additions to long-term liabilities on the Statement of Net Assets. In the current year, the issuance of new debt amounted to:	(6,230,676)	-
Total net change in net assets of governmental activities	\$ 24,779,862	\$ 9,573,754

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, 2008

	General Fund			Variance - Over (Under)
	Original Budget	Final Budget	Actual	
REVENUES				
Ad valorem taxes	\$ 34,910,590	\$ 34,910,590	\$ 35,697,275	\$ 786,685
Other taxes	12,308,500	12,308,500	12,517,939	209,439
Unrestricted intergovernmental revenues	382,000	382,000	501,827	119,827
Restricted intergovernmental revenues	18,693,135	21,337,016	18,837,147	(2,499,869)
Licenses, fees, and permits	1,070,490	1,070,490	1,086,477	15,987
Sales and services	7,686,982	7,760,274	9,497,364	1,737,090
Investment earnings	1,100,000	1,100,000	1,606,255	506,255
Miscellaneous	312,000	427,770	1,010,381	582,611
Total revenues	76,463,697	79,296,640	80,754,665	1,458,025
EXPENDITURES				
General government	9,179,767	9,364,905	8,289,618	(1,075,287)
Public safety	15,121,608	16,585,190	16,198,097	(387,093)
Human services	39,903,543	40,204,778	37,798,345	(2,406,433)
Education	11,048,342	11,048,342	11,048,342	-
Economic and physical development	1,297,515	2,538,476	1,652,646	(885,830)
Cultural and recreational	1,043,471	1,129,386	1,085,151	(44,235)
Schools capital outlay	3,400,000	4,125,000	4,125,000	-
Debt service, principal reduction	79,401	144,037	143,960	(77)
Debt service, interest and fees	8,364	10,794	10,867	73
Total expenditures	81,082,011	85,150,908	80,352,026	(4,798,882)
Excess of revenues over (under) expenditures	(4,618,314)	(5,854,268)	402,639	6,256,907
OTHER FINANCING SOURCES (USES)				
Transfers in	1,626,111	2,351,111	2,367,817	16,706
Transfers out	(1,130,837)	(4,279,354)	(3,577,043)	702,311
Capital lease financing issued	-	155,602	230,676	75,074
Proceeds from sales of capital assets	-	91,470	94,165	2,695
Fund balance appropriated	4,123,040	7,535,439	-	(7,535,439)
Total other financing sources (uses)	4,618,314	5,854,268	(884,385)	(6,738,653)
Net change in fund balance	\$ -	\$ -	(481,746)	\$ (481,746)
FUND BALANCES				
Beginning fund balances			29,020,411	
Ending fund balances			<u>\$ 28,538,665</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, 2008

	Schools Capital Reserve Fund			Variance - Over (Under)
	Original Budget	Final Budget	Actual	
REVENUES				
Other taxes	\$ 2,457,592	\$ 2,384,526	\$ 3,488,442	\$ 1,103,916
Restricted intergovernmental revenues	700,000	1,498,066	1,422,157	(75,909)
Investment earnings	-	-	368,938	368,938
Total revenues	3,157,592	3,882,592	5,279,537	1,396,945
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,157,592)	(3,882,592)	(3,882,592)	-
Total other financing sources (uses)	(3,157,592)	(3,882,592)	(3,882,592)	-
Net change in fund balance	\$ -	\$ -	1,396,945	\$ 1,396,945
FUND BALANCES				
Beginning fund balances			5,461,104	
Ending fund balances			<u>\$ 6,858,049</u>	

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

Cleveland County, North Carolina

e. County Capital Reserve Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual

For the Year Ended June 30, 2008

	County Capital Reserve Fund			Variance - Over (Under)
	Original Budget	Final Budget	Actual	
REVENUES				
Investment earnings	\$ -	\$ -	\$ 171,574	\$ 171,574
Miscellaneous	-	-	14,000	14,000
Total revenues	-	-	185,574	185,574
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,391,105	1,387,700	(3,405)
Transfers out	(1,175,000)	(8,396,471)	(1,622,577)	6,773,894
Installment financing issued	-	6,000,000	6,000,000	-
Fund balance appropriated	1,175,000	1,005,366	-	(1,005,366)
Total other financing sources (uses)	-	-	5,765,123	5,765,123
Net change in fund balance	\$ -	\$ -	5,950,697	\$ 5,950,697
FUND BALANCES				
Beginning fund balances			1,198,415	
Ending fund balances			<u>\$ 7,149,112</u>	

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

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

June 30, 2008

With Comparative Totals as of June 30, 2007

	Solid Waste Collection and Disposal	
	Totals	
	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,592,420	\$ 10,945,590
Accounts receivable, net	409,129	401,220
Prepaid items	175	1,922
Total current assets:	<u>7,001,724</u>	<u>11,348,732</u>
Non-current assets:		
Restricted cash	3,642,732	3,269,213
Capital assets		
Land, land improvements, and construction in progress	7,778,607	2,437,261
Other capital assets, net of accumulated depreciation	3,226,083	3,138,158
Total capital assets	<u>11,004,690</u>	<u>5,575,419</u>
Total non-current assets	<u>14,647,422</u>	<u>8,844,632</u>
Total assets	<u>\$ 21,649,146</u>	<u>\$ 20,193,364</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 842,458	\$ 93,443
Contract retainages	184,028	19,007
Unearned revenues / customer deposits	2,480	2,682
Compensated absences	41,444	35,971
Total current liabilities	<u>1,070,410</u>	<u>151,103</u>
Non-current liabilities:		
Accrued landfill closure and postclosure care costs	3,642,732	3,269,213
Compensated absences	66,211	63,608
Total non-current liabilities	<u>3,708,943</u>	<u>3,332,821</u>
Total liabilities	<u>4,779,353</u>	<u>3,483,924</u>
NET ASSETS		
Invested in capital assets	11,004,690	5,575,419
Unrestricted net assets	<u>5,865,103</u>	<u>11,134,021</u>
Total net assets	<u>\$ 16,869,793</u>	<u>\$ 16,709,440</u>

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

Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

With Comparative Totals as of June 30, 2007

	<u>Solid Waste Collection and Disposal</u>	
	<u>Totals</u>	
	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Household user fees	\$ 1,428,068	\$ 1,402,512
Departmental fees	3,334,177	3,524,921
Other operating revenue	121,518	108,884
Total operating revenues	<u>4,883,763</u>	<u>5,036,317</u>
OPERATING EXPENSES		
Salaries / benefits	1,590,149	1,519,998
Other expenses	2,701,408	2,108,833
Depreciation	620,217	622,150
Landfill closure and postclosure care	373,519	316,924
Total operating expenses	<u>5,285,293</u>	<u>4,567,905</u>
Operating income (loss)	<u>(401,530)</u>	<u>468,412</u>
NONOPERATING REVENUES AND EXPENSES		
Share of state's white goods and scrap tire taxes	159,506	145,736
Intergovernmental revenues, restricted	82,776	72,140
Investment earnings	616,174	702,957
Loss on disposal of capital assets	(55,328)	-
Total nonoperating revenues and expenses	<u>803,128</u>	<u>920,833</u>
Income before contributions and transfers	<u>401,598</u>	<u>1,389,245</u>
Transfer from(to) governmental funds (i.e. General Fund)	<u>(241,245)</u>	<u>(175,347)</u>
Change in net assets	<u>160,353</u>	<u>1,213,898</u>
Net assets, beginning	<u>16,709,440</u>	<u>15,495,542</u>
Net assets, ending	<u>\$ 16,869,793</u>	<u>\$ 16,709,440</u>

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

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

For the Year Ended June 30, 2008
With Comparative Totals as of June 30, 2007

	Solid Waste Collection and Disposal	
	Totals	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from household user fees	\$ 1,428,068	\$ 1,402,512
Cash received from customers	3,320,613	3,655,770
Cash received from sale of waste and recyclable materials	121,243	105,574
Cash received from other operations	275	3,310
Cash paid to employees for services	(1,582,073)	(1,516,959)
Cash paid for goods and services	(1,780,172)	(2,024,601)
Net cash flows from operating activities	1,507,954	1,625,606
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Government grants	82,776	72,140
Transfer to governmental funds (General Fund)	(241,245)	(175,347)
Net cash flows from noncapital financing activities	(158,469)	(103,207)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(6,104,817)	(899,304)
Share of state's white goods and scrap tire taxes	159,506	145,736
Net cash flows from capital and related financing activities	(5,945,311)	(753,568)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	616,174	702,957
Net cash flows from investing activities	616,174	702,957
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,979,652)	1,471,788
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: beginning balance	14,214,803	12,743,015
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: ending balance	\$ 10,235,151	\$ 14,214,803
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET		
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ (401,530)	\$ 468,412
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 items that have occurred during the year prior to this report date:		
1. Decrease (increase) in accounts receivable, net	(7,909)	131,198
2. Decrease (increase) in prepayments	1,747	(1,798)
3. Increase (decrease) in accounts payable and contract retainages	914,036	87,438
4. Increase (decrease) in customer deposits	(202)	(1,757)
5. Increase (decrease) in accrued compensatory leave	8,076	3,039
6. Increase (decrease) in accrued landfill closure and postclosure care costs	373,519	316,924
7. Depreciation expense (not a cash expenditure, no effect on cash flow)	620,217	622,150
Net cash flows from operating activities	\$ 1,507,954	\$ 1,625,606

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

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

June 30, 2008

With Comparative Totals as of June 30, 2007

	Agency Funds	
	Totals	
	2008	2007
ASSETS		
Cash and cash equivalents	\$ 141,400	\$ 124,103
Taxes receivable, net	34,680	33,678
Accounts receivable, net	2,054,745	2,004,314
Intergovernmental receivable	189,512	203,122
Total assets	<u>2,420,337</u>	<u>2,365,217</u>
LIABILITIES		
Accounts payable and accrued expenses	269,206	269,344
Due to other taxing units	2,151,131	2,095,873
Total liabilities	<u>\$ 2,420,337</u>	<u>\$ 2,365,217</u>

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, 2008
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	56
b. Detail Notes on Important Items	Note b	63
c. Joint Ventures	Note c	82
d. Jointly Governed Organization	Note d	83
e. Hospital Lease Agreement	Note e	83
f. Benefit Payments Issued by the State	Note f	84

The Notes to Financial Statements summarize significant accounting policies, provide essential details, and explain and add insight to the data contained in the Government-Wide Financial Statements and Fund Financial Statements.

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2008
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 reported actuarial studies on certain pension plans 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"). 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, such as 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.

County Capital Reserve Fund. This fund accounts for various proceeds that are designated to support expansions and renovations of County property and to support other capital acquisitions of the County.

The County reports the following eight non-major governmental funds: the Public Schools Fund, the Community College Bond Fund, the Revaluation Fund, the Emergency Telephone Fund, the County Fire Service District Fund, the Community Development Fund, the Debt Service Fund, and the Capital Projects 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.

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.

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 tax receivables 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 tax receivables 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 motor vehicles, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered

from March 2007 through February 2008 apply to the fiscal year ended June 30, 2008. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. The taxes for vehicles registered from March 2008 and afterward and due on or after July 1, 2008 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 are reported as an intergovernmental payable at year end.

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.

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 Schools Fund, the Schools Capital Reserve Fund, the Revaluation Fund, the Emergency Telephone Fund, the County Fire Service District Fund, the Debt Service Fund, the Capital Projects Fund, the County Capital Reserve Fund, and the Solid Waste Disposal and Collection Fund. All unencumbered 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 Fund and Community Development Fund, 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, the governing board approved to issue \$6,000,000 of installment-purchase debt. Several other 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:

Capital Asset Category	Useful Life
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 Items - 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, 2008, the County's deposits had a carrying amount of \$39,319,919 and a bank balance of \$40,482,531. Of the bank balance, \$138,921 was covered by federal depository insurance, \$35,107,069 in certificates of deposit was covered by collateral held under the dedicated method, and the remaining \$5,212,490 in interest bearing

deposits was covered by collateral held under the pooling method. Also at June 30, 2008, Cleveland County had \$8,115 cash on hand.

The County had a carrying amount of \$35,107,069 in certificates of deposit. Of this balance, \$11,419,177 was scheduled to mature within 3 months, \$17,491,449 was scheduled to mature within 3 to 12 months, and \$6,196,442 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, 2008, the County's investment balances and maturities were as follows:

<u>Investment type</u>	<u>Fair Market</u>	<u>Due to Mature Within:</u>		
	<u>Value</u>	<u>up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Federal government agencies	\$ 2,632,072	\$ -	\$ -	\$ 2,632,072
NCCMT -- Cash Portfolio	8,880,276	n/a	n/a	n/a
Total investments	\$ 11,512,348	\$ -	\$ -	\$ 2,632,072

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, 2008, 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 Federal Home Loan Bank (a US Agency) 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, 2008, 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 gain on investments held at year-end for the year ended June 30, 2008 was \$79,675 and \$87,978, 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, 2008, the County held 15.51% of its deposits and investments with the North Carolina Capital Management Trust, 70.53% in certificates of deposits at various financial institutions, 5.19% 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, 2008:

Year Levied	Additional Tax	Interest	Total
2008	\$ 1,198,545	\$ 68,916	\$ 1,267,461
2007	1,198,849	176,830	1,375,679
2006	1,279,432	303,865	1,583,297
2005	1,367,744	201,742	1,569,486
Total	\$ 5,044,570	\$ 751,353	\$ 5,795,923

4. Receivables

Receivables reported on the Government-Wide Financial Statements and Fund Financial Statements at June 30, 2008 are reported net of an allowance for uncollectible accounts as follows:

	Accounts	Taxes & Other Assessments	Total
Governmental activities:			
General Fund	\$ 10,144,666	\$ 3,394,186	\$ 13,538,852
Schools Capital Reserve Fund	879,634	-	879,634
County Capital Reserve Fund	24,252	-	24,252
Nonmajor governmental funds	183,690	948,366	1,132,056
Accrued interest (government-wide reporting)	-	880,922	880,922
Total receivables	11,232,242	5,223,474	16,455,716
General Fund	(2,938,629)	(1,361,722)	(4,300,351)
Nonmajor governmental funds	-	(376,413)	(376,413)
Accrued interest (government-wide reporting)	-	(545,490)	(545,490)
Total allowances for uncollectible accounts	(2,938,629)	(2,283,625)	(5,222,254)
Total governmental activities	\$ 8,293,613	\$ 2,939,849	\$ 11,233,462
Business-type activities:			
Solid Waste Fund	\$ 431,084	\$ 268,170	\$ 699,254
Allowances for uncollectible accounts	(21,955)	(268,170)	(290,125)
Total business-type activities	\$ 409,129	\$ -	\$ 409,129

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 Balance	Additions	Retirements	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
General government	\$ 7,380,448	\$ 939,676	\$ (436,320)	\$ (607,438)	\$ 7,276,365
Public Safety	19,636,889	2,436,800	(552,528)	(948,673)	20,572,487
Human Services	72,166,501	22,510,622	(1,442,002)	(335,245)	92,899,876
Economic and Physical Dev.	2,322,719	16,028	(8,824)	(31,549)	2,298,375
Cultural and Recreational	4,823,530	279,101	(10,536)	(45,371)	5,046,724
Total capital assets	106,330,087	26,182,227	(2,450,210)	(1,968,276)	128,093,828
Less accumulated depreciation on:					
General government	(2,258,242)	(249,773)	472,928	(14,321)	(2,049,408)
Public Safety	(10,638,701)	(1,308,196)	1,178,967	-	(10,767,930)
Human Services	(19,426,409)	(1,834,765)	291,750	14,144	(20,955,280)
Economic and Physical Dev.	(77,086)	(8,324)	32,064	-	(53,346)
Cultural and Recreational	(931,086)	(132,343)	25,668	-	(1,037,761)
Total accumulated depreciation	(33,331,525)	(3,533,401)	2,001,377	(177)	(34,863,726)
Total capital assets, net	\$72,998,562	\$22,648,826	\$ (448,833)	\$ (1,968,453)	\$ 93,230,102

Capital asset activity, by asset class, for the year ended June 30, 2008 was as follows for governmental activities:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated:					
Land and land improvements	\$ 7,728,784	\$ 2,133,236	\$ (22,815)	\$ -	\$ 9,839,204
Construction in Progress	131,897	1,599,250	(17,840)	(87,400)	1,625,907
Subtotal	7,860,680	3,732,486	(40,655)	(87,400)	11,465,111
Capital assets being depreciated:					
Buildings and building improvements	84,997,781	20,217,359	(1,413,774)	87,400	103,888,766
Equipment (including vehicles)	11,548,527	2,232,382	(995,781)	(1,968,276)	10,816,852
Leasehold improvements	425,178	-	-	-	425,178
Infrastructure	1,497,921	-	-	-	1,497,921
Subtotal	98,469,406	22,449,741	(2,409,555)	(1,880,876)	116,628,717
Total capital assets	106,330,087	26,182,227	(2,450,210)	(1,968,276)	128,093,828
Less accumulated depreciation on:					
Buildings and building improvements	(24,972,731)	(2,166,241)	-	-	(27,138,972)
Equipment (including vehicles)	(8,093,808)	(1,252,812)	2,001,377	(177)	(7,345,420)
Leasehold improvements	(133,189)	(14,212)	-	-	(147,401)
Infrastructure	(131,797)	(100,136)	-	-	(231,933)
Total accumulated depreciation	(33,331,525)	(3,533,401)	2,001,377	(177)	(34,863,726)
Total capital assets, net	\$72,998,562	\$22,648,826	\$ (448,833)	\$ (1,968,453)	\$ 93,230,102

All business-type activities relate to the environmental protection expenditure function. Capital asset activity, by asset class, for the year ended June 30, 2008 was as follows for business-type activities.

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
BUSINESS-TYPE ACTIVITIES					
Capital assets not being depreciated:					
Land and land improvements	\$ 1,614,409	\$ 359,965	\$ -	\$ -	\$ 1,974,374
Construction in Progress	822,852	5,196,791	-	(215,411)	5,804,233
Subtotal	2,437,262	5,556,756	-	(215,411)	7,778,607
Capital assets being depreciated:					
Buildings and building improvements	389,052	262,761	-	215,411	867,224
Equipment (including vehicles)	4,256,674	281,827	(24,710)	(446,358)	4,067,433
Leasehold improvements	16,518	-	-	-	16,518
Infrastructure	4,130,636	-	-	-	4,130,636
Subtotal	8,792,880	544,589	(24,710)	(230,948)	9,081,811
Total capital assets	11,230,141	6,101,345	(24,710)	(446,358)	16,860,417
Less accumulated depreciation on:					
Buildings and building improvements	(72,066)	(15,814)	-	-	(87,880)
Equipment (including vehicles)	(3,177,332)	(327,720)	20,714	398,498	(3,085,840)
Leasehold improvements	(5,174)	(552)	-	-	(5,726)
Infrastructure	(2,400,150)	(276,131)	-	-	(2,676,281)
Total accumulated depreciation	(5,654,722)	(620,217)	20,714	398,498	(5,855,728)
Total capital assets, net	\$ 5,575,419	\$ 5,481,127	\$ (3,996)	\$ (47,860)	\$11,004,690

6. Construction Commitments

The County is involved with the following incomplete construction/renovation projects as of June 30, 2008:

Project Name	Spent-to-date	Remaining Commitments
800 MHz Communication System	\$ 1,090,369	\$ 5,348,279
Landfill Construction	3,401,614	1,826,229
Animal Shelter Renovations	476,483	30,637
Incomplete Housing Rehab Projects	44,749	38,650
Total	\$ 5,013,215	\$ 7,243,795

B. Liabilities

1. Payables

Payables at the Government-Wide and Fund level at June 30, 2008 were as shown in the following table.

	Vendors	Employee Benefits	Cash Held in Trust	Insurance Claims *	Total
Governmental activities:					
General Fund	\$ 1,108,946	\$ 341,658	\$ -	\$ 607,614	\$ 2,058,218
Schools Capital Reserve Fund	-	-	-	-	-
County Capital Reserve Fund	86	-	-	-	86
Nonmajor governmental funds	412,588	-	-	-	412,588
Total governmental activities	\$ 1,521,620	\$ 341,658	\$ -	\$ 607,614	\$ 2,470,892
Business-type activities:					
Solid Waste Fund	\$ 1,026,486	\$ -	\$ -	\$ -	\$ 1,026,486
Fiduciary activities:					
Agency Funds	\$ 127,806	\$ -	\$ 141,400	\$ -	\$ 269,206

* The estimated liability for outstanding losses from health insurance coverage, dental plan, and workers' compensation coverage includes \$607,614 for incurred but not reported claims.

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, 2008 is \$1,247,559. 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 0.08% 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, 2008, the County made contributions to the State for death benefits of \$22,708. 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, 2008, the LEOSSA's membership consisted of:

Member Category	No.
Retirees currently receiving benefits	9
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members:	
Vested	55
Non-vested	29
Total members	93

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, 2008 is \$96,599. For trend information, see Exhibit II.D.1.b (Schedule of Employer Contributions) presented as required supplementary information in Subsection D that follows these *Notes to Financial Statements*.

Annual Required Contribution. The annual required contribution for the current year was determined as part of the December 31, 2006 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, 2006 was 24 years. For trend information, see Exhibit II.D.1.b (Schedule of Employer Contributions) and Exhibit II.D.1.c (Notes to Law Enforcement Officers' Special Separation Allowance) presented as required supplementary information in Subsection D that follows these *Notes to Financial Statements*.

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, 2008 are \$107,236 and \$295,460, respectively. For

more information, see Exhibit II.D.1.b (Schedule of Employer Contributions) and Exhibit II.D.1.c (Notes to Law Enforcement Officers' Special Separation Allowance) presented as required supplementary information in Subsection D that follows these *Notes to Financial Statements*.

Funded Status and Funding Progress. As of the most recent actuarial valuation date (December 31, 2006), the County had no assets to pay future liabilities. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$981,492. The annual payroll of active employees covered under this plan (covered payroll) was \$3,126,082 and the ratio of the UAAL to the covered payroll was 31.397%. For multiyear trend information concerning the actuarial value of assets, liabilities, and covered payroll, see Exhibit II.D.1.a (Schedule of Funding Progress) presented as required supplementary information in Subsection D that follows these *Notes to Financial Statements*.

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. The Comprehensive Annual Financial Report (CAFR) for the State of North Carolina includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the SRIP. The State's CAFR may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of 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, 2008 were \$230,322, which consisted of \$164,582 from the County and \$65,740 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, 2008 were \$1,558,705, which consisted of \$1,133,931 from the County and \$424,774 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. The Comprehensive Annual Financial Report (CAFR) for the State of North Carolina includes financial statements and required supplementary information for the RODSPF. The State's CAFR may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. On a monthly basis, the County remits to DST an amount equal to one and one-half percent (1.5%) of the monthly receipts collected as of July 1, 2007 pursuant to Article 1 of NCGS 161. Before the law changed, the County remitted to DST an amount equal to four and one-half percent (4.5%) 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, 2008, the County's required and actual contributions were \$6,922. 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, fifty retirees were receiving post-employment 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, 2008, the County made payments for post-employment health benefit premiums of \$206,160. 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, 2008, the County added \$373,519 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 \$3,642,732 reported as landfill closure and post-closure care liability at June 30, 2008 represents a cumulative amount reported to-date. The County is required to contribute to the reserve at least \$373,518 annually hereafter until the total balance accumulated reaches \$4,016,250. 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 2008 and the fact that the County expects to close the current facility in 2009. 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 *
General Fund:		
Prepaid taxes not yet earned	\$ 253,792	\$ -
Other accounts, net	912,510	11,757
Taxes receivable, net	210,705	2,032,464
Subtotal	1,377,007	2,044,221
Public Schools Fund, taxes receivable, net	54,496	525,843
Fire District Fund, taxes receivable, net	5,428	46,110
Total governmental activities	\$ 1,436,931	\$ 2,616,174
Solid Waste Collection and Disposal Fund:		
Prepaid fees not yet earned	\$ 2,480	\$ -
Total business-type activities	\$ 2,480	\$ -

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 \$534,114 for incurred and unpaid claims as of June 30, 2008. 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 \$30,949 for incurred and unpaid claims as of June 30, 2008. 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, 2008 is \$300,000 per occurrence. The estimated liability for outstanding losses includes \$42,551 for incurred and unpaid claims as of June 30, 2008. The County has contracted with a private insurer to administer the payment of claims and the County reimburses the insurer each week.

The following table summarizes the amount of insurance claims payable at year-end for the various coverages described above:

Insurance Claims Payable (incurred but not reported)	June 30, 2008	June 30, 2007
General Fund:		
Health insurance coverage	\$ 534,114	\$ 507,099
Dental plan	30,949	25,865
Workers' compensation coverage	42,551	42,551
Total	\$ 607,614	\$ 575,515

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.

In addition, 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, at a minimum, 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, 2008, 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 computer equipment for the Social Services department was executed in June 2007 and requires 60 monthly payments of \$1,464. And, an agreement to lease imaging and related computer equipment for the Register of Deeds' office was executed in November 2007 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, 2008, the County's leased equipment had a value of:

Governmental Activities	Recorded Value of Asset	Accumulated Depreciation	Net Book Value
Computer equipment (Social Services)	\$ 75,075	\$ (13,664)	\$ 61,411
Imaging equipment (Register of Deeds)	155,602	(16,605)	138,997
Computer equipment (Info. Tech.)	146,374	(143,702)	2,672
Total	\$ 377,051	\$ (173,972)	\$ 203,079

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

c. Installment Purchase Loans

The County entered a contract to help finance the costs of implementing an 800 MHz Communication System. 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 *e. Total Indebtedness*.

d. 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 *e. Total Indebtedness*.

e. Total Indebtedness

The County's general obligation and contractual bonds payable at June 30, 2008 are comprised of the following individual issues:

General Obligation Bonds	Outstanding at June 30, 2008
\$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%	\$ 2,100,000
\$29,920,000 - Refunding Serial Bonds, Series 2003; due in annual installments of \$2,075,000 to \$4,775,000 through June 1, 2010; interest from 2.6% to 3.1%	4,250,000
Subtotal	6,350,000
Installment Purchase Loans	
\$6,000,000 - Public Safety Communication Equipment, Series 2007; due in annual installments of \$400,000 through December 2022; interest at 3.93%	6,000,000
Contractual Obligations	
\$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%	584,111
Total	\$ 12,934,111

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, 2008, \$2,856,561 of the \$4,250,000 remaining balance relates to financing the construction of public school facilities.

At June 30, 2008, Cleveland County had an amount of bonds authorized but un-issued of \$0 and a legal debt margin of \$457,066,373.

Annual debt service requirements to maturity for the County's general obligation bonds, other long-term debt, and capitalized leases are as follows:

	General Obligation Bonds:		Other Long-Term Debt:		Capitalized Leases:		Total Debt Service:	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$4,715,000	\$368,500	\$ 17,347	\$ 26,582	\$ 77,604	\$ 10,792	\$4,809,951	\$405,874
2009	2,425,000	225,450	417,866	261,860	46,115	8,506	2,888,981	495,816
2010	2,325,000	148,700	418,642	245,248	45,552	6,379	2,789,194	400,327
2011	250,000	74,950	419,677	228,596	47,769	4,162	717,446	307,708
2012	250,000	63,450	420,196	212,260	49,467	1,830	719,663	277,540
2013	250,000	51,700	420,972	195,884	14,177	141	685,149	247,725
Sum 5 yrs.	5,500,000	564,250	2,097,353	1,143,848	203,079	21,017	7,800,432	1,729,115
Next 5 yrs. (2014-2018)	850,000	89,300	2,116,771	731,760	-	-	2,966,771	821,060
Next 5 yrs. (2019-2023)	-	-	2,144,473	310,960	-	-	2,144,473	310,960
Next 5 yrs. (2024-2028)	-	-	183,570	36,074	-	-	183,570	36,074
Next 5 yrs. (2029-2033)	-	-	41,944	1,940	-	-	41,944	1,940
Total	\$6,350,000	\$653,550	\$6,584,111	\$2,224,582	\$203,079	\$21,017	13,137,190	2,899,149
					Less Capitalized Leases:		203,079	21,017
					Total Long-Term Debt:		\$12,934,111	\$2,878,132

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, 2008, there were seven series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$35,680,000 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. The following table displays the changes in earned leave, including sick leave and a portion of compensatory 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 (or Expense)" to both the current and non-current portions of the accrued liability on the Government-Wide Financial Statements.

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Difference (or Expense)
Vacation Leave (accrued)	\$ 2,065,257	\$ 1,779,471	\$ (1,608,138)	\$ 2,236,590	\$ 171,333
General Government	266,095	231,651	(207,130)	290,616	24,521
Public Safety	731,130	564,202	(551,236)	744,096	12,966
Human Services	1,012,336	935,431	(818,831)	1,128,936	116,600
Cultural (Library)	31,982	25,746	(14,851)	42,877	10,895
Other	23,714	22,441	(16,090)	30,065	6,351
Subtotal	2,065,257	1,779,471	(1,608,138)	2,236,590	171,333
Holiday Leave (accrued)	446,887	1,363,593	(1,235,857)	574,623	127,736
General Government	-	150,986	(148,768)	2,218	2,218
Public Safety	444,817	531,353	(405,460)	570,710	125,893
Human Services	2,070	644,150	(644,638)	1,582	(488)
Cultural (Library)	-	23,801	(23,801)	-	-
Other	-	13,303	(13,190)	113	113
Subtotal	446,887	1,363,593	(1,235,857)	574,623	127,736
Compensatory Leave (accrued)	347,870	545,449	(469,010)	424,309	76,439
General Government	30,775	29,467	(21,168)	39,074	8,299
Public Safety	178,131	157,200	(152,356)	182,975	4,844
Human Services	132,797	342,211	(281,813)	193,195	60,398
Cultural (Library)	4,805	14,757	(10,633)	8,929	4,124
Other	1,362	1,814	(3,040)	136	(1,226)
Subtotal	347,870	545,449	(469,010)	424,309	76,439
Subtotal (accrued)	2,860,014	3,688,513	(3,313,006)	3,235,521	375,507
Compensatory Leave (unaccrued)	323,108	411,554	(257,758)	476,904	153,796
General Government	59,457	89,105	13,004	161,566	102,109
Public Safety	99,601	23,331	(41,618)	81,314	(18,287)
Human Services	155,315	283,556	(210,196)	228,675	73,360
Cultural (Library)	7,673	11,435	(13,759)	5,349	(2,324)
Other	1,062	4,127	(5,189)	-	(1,062)
Subtotal	323,108	411,554	(257,758)	476,904	153,796
Sick Leave (unaccrued)	2,369,538	1,345,970	(1,196,570)	2,518,938	149,400
General Government	312,134	164,712	(137,703)	339,143	27,009
Public Safety	849,347	438,072	(425,864)	861,555	12,208
Human Services	1,136,957	702,709	(600,265)	1,239,401	102,444
Cultural (Library)	47,945	25,965	(24,010)	49,900	1,955
Other	23,155	14,512	(8,728)	28,939	5,784
Subtotal	2,369,538	1,345,970	(1,196,570)	2,518,938	149,400
Subtotal (unaccrued)	2,692,646	1,757,524	(1,454,329)	2,995,841	303,195
Grand Totals	\$ 5,552,660	\$ 5,446,037	\$ (4,767,334)	\$ 6,231,363	\$ 678,703

All business-type activities relate to the environmental protection expenditure function. Accrued leave activity, by type of leave, for the year ended June 30, 2008 was as follows for business-type activities.

Business-type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Difference (or Expense)
Vacation Leave (accrued)	\$ 74,833	\$ 62,675	\$ (59,612)	\$ 77,896	\$ 3,063
Holiday Leave (accrued)	13,098	49,520	(46,688)	15,930	2,832
Compensatory Leave (accrued)	11,648	13,315	(11,134)	13,829	2,181
Subtotal (accrued)	99,579	125,510	117,434	107,655	8,076
Compensatory Leave (unaccrued)	2,073	2,339	(2,434)	1,978	(95)
Sick Leave (unaccrued)	82,873	54,022	(42,395)	94,500	11,627
Subtotal (unaccrued)	84,946	56,361	(44,829)	96,478	11,532
Grand Totals	\$ 184,525	\$ 181,871	\$ 162,263	\$ 204,134	\$ 19,609

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, 2008:

Governmental Activities	Next Year		Future Year Obligation	Total
	Interest Payable	Next Year Obligation		
G.O. Bonds (capital related)	\$ 41,803	\$ 713,113	\$ 680,326	\$ 1,435,242
G.O. Bonds (non-capital related)	183,647	1,711,887	3,244,674	5,140,208
Bank Financed Loans	235,800	400,000	5,600,000	6,235,800
Contractual Obligations	26,060	17,866	566,245	610,171
Total Bonds	487,310	2,842,866	10,091,245	13,421,421
Capitalized Leases	8,506	46,115	156,964	211,584
Net Pension Obligation	-	-	295,460	295,460
Accrued (earned, unpaid) Leave	-	1,334,420	1,901,101	3,235,521
Totals	\$ 495,816	\$ 4,223,401	\$ 12,444,770	\$ 17,163,986
Business-type Activities				
Accrued (earned, unpaid) Leave	\$ -	\$ 41,444	\$ 66,212	\$ 107,655
Landfill closure/post-closure care	-	-	3,642,732	3,642,732
Totals	\$ -	\$ 41,444	\$ 3,708,944	\$ 3,750,387
	Beginning Balance	Additions	Reductions	Ending Balance
G.O. Bonds (capital related)	\$ 4,385,240	\$ -	\$ (2,991,801)	\$ 1,393,439
G.O. Bonds (non-capital related)	6,679,760	-	(1,723,199)	4,956,561
Bank Financed Loans	-	6,000,000	-	6,000,000
Contractual Obligations	601,458	-	(17,347)	584,111
Capitalized Leases	116,363	230,676	(143,960)	203,079
Net Pension Obligation	284,823	10,637	-	295,460
Accrued (earned, unpaid) Leave	2,860,014	3,688,513	(3,313,006)	3,235,521
Totals	\$ 14,927,658	\$ 9,919,189	\$ (8,189,313)	\$ 16,668,171
By purpose:				
County	\$ 2,185,240	\$ 6,000,000	\$ (791,801)	\$ 7,393,439
Community College	2,200,000	-	(100,000)	2,100,000
Hospital	2,200,000	-	(2,200,000)	-
Public Schools (K-12)	4,479,760	-	(1,623,199)	2,856,561
Waterline	601,458	-	(17,347)	584,111
Equipment--Capitalized Leases	116,363	230,676	(143,960)	203,079
Employment/Post-employment	3,144,837	3,688,513	(3,313,006)	3,530,981
Totals	\$ 14,927,658	\$ 9,919,189	\$ (8,189,313)	\$ 16,668,171
Business-type Activities				
Accrued (earned, unpaid) Leave	\$ 99,579	\$ 125,510	\$ (117,434)	\$ 107,655
Landfill closure/post-closure care	3,269,213	373,519	-	3,642,732
Totals	\$ 3,368,792	\$ 499,029	\$ (117,434)	\$ 3,750,387

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, 2008 consists of the following:

Activity description	Amount
From General Fund to Revaluation Fund for property revaluation efforts	\$ 11,000
From General Fund to Emergency Telephone Fund for medical insurance on employees	48
From General Fund to Debt Service Fund for debt service payments on outstanding long-term bonds	1,107,109
From General Fund to Capital Projects Fund for current capital projects activity	1,383,136
From General Fund to County Capital Reserve Fund to accumulate resources for future capital projects	1,075,000
From General Fund to Solid Waste Disposal and Collection Fund for medical insurance on employees	750
Subtotal from General Fund	3,577,043
From Schools Capital Projects Fund to General Fund for current capital projects activity of the school system	2,125,000
From Schools Capital Projects Fund to Debt Service Fund for debt service payments on outstanding long-term bonds used for construction of school buildings	1,757,592
Subtotal from Schools Capital Projects Fund	3,882,592
From Emergency Telephone Fund to General Fund for medical insurance on employees	822
From Emergency Telephone Fund to County Capital Reserve Fund for purchasing equipment for the E911 Center	312,700
Subtotal from Emergency Telephone Fund	313,522
From County Capital Reserve Fund to Capital Projects Fund for current capital projects activity of the County	1,622,577
From Solid Waste Disposal and Collection Fund to General Fund for workers' compensation and medical insurance on employees	241,995
Total interfund activity	\$ 9,637,729

During the fiscal year, the County made a one-time transfer from the Emergency Telephone System Fund to the County Capital Reserve Fund for the purpose of purchasing equipment for the E911 Center. Pursuant to state law, this transfer was also made to remove any unspent funds from the Emergency Telephone System Fund as of January 1, 2008 that arose from the County's E911 surcharge to all land-based telephone subscribers.

Due to/from balances represent advances/reimbursements to be made among funds based upon the fact that the County utilizes a central depository for processing receipts and payments. For example, numerous payments were made following the receipt of invoices after June 30 for services performed or goods received prior to June 30. All interfund balances are expected to be offset with recorded transfers in the ensuing fiscal year. The composition of interfund balances as of June 30, 2008 is as follows:

Reporting Fund	Due from General Fund	Due from Other Funds	Due to Other Funds
Governmental Funds			
General Fund	\$ -	\$ 402,304	\$ 381,110
Schools Capital Reserve Fund	-	-	-
Emergency Telephone Fund	36,867	-	-
Fire District Fund	6,896	-	-
Capital Projects Fund	262,347	-	-
Capital Reserve Fund	75,000	-	402,304
Total interfund balances	381,110	402,304	783,414

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, 2008, consists of the following:

Governmental activities	Beginning Balance	Activity	Ending Balance
General government	14,834	(19,052)	(4,218)
Register of Deeds Automation Fund (3.994.19)	14,834	(19,052)	(4,218)
Public safety	2,237,765	630,833	2,868,598
E911 Service Cash (FD26)	1,105,672	(67,186)	1,038,486
Fire Districts Cash (FD28)	1,075,038	29,676	1,104,714
Overspent Dare Program Donations	(398)	4,600	4,202
Unspent Sheriff Donations	5,624	500	6,125
Unspent K9 Donations	399	4,820	5,219
Overspent K9 Fundraisers	(656)	2,212	1,557
Unspent Reading Fathers Donations	65	(58)	8
Unspent Emergency Management Donations	850	(850)	-
Unspent EMS Donations	1,409	(1,250)	159
Unspent Federal Forfeiture Monies	48,165	358,557	406,722
Unspent State Forfeiture Monies	1,595	299,811	301,406
Human services	2,856,899	9,328	2,866,227
Unspent grants to Social Services	75	(60)	15
Unspent Health Donations	-	9,388	9,388
Unspent earnings from Health Department	2,856,824	-	2,856,824
Education	4,960,626	1,017,789	5,978,414
Public Schools Capital Projects Cash (FD21)	4,479,445	1,498,969	5,978,414
Community College Bond Cash (FD23)	481,181	(481,181)	-
Economic and physical development	31,035	6,630	37,665
Unspent Coop Exp Special Project	4,476	4,676	9,152
Unspent Soil Conservation Special Project	26,559	1,953	28,513
Culture and recreation	197,102	(28,329)	168,773
Unspent Library Donations	197,102	(28,329)	168,773
Total	\$ 10,298,262	\$ 1,617,198	\$ 11,915,459

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, 2008, consists of the following:

Governmental activities:	Beginning Balance	Activity	Ending Balance
Capital assets	\$ 106,330,087	\$ 21,763,741	\$ 128,093,828
Adjustments			
Depreciation on capital assets	(33,331,525)	(1,532,201)	(34,863,726)
Bonds issued for capital purposes, current portion	(2,991,801)	1,878,688	(1,113,113)
Leases issued for capital equipment, current portion	(66,227)	20,112	(46,115)
Bonds issued for capital purposes, future portion	(1,393,439)	(4,886,887)	(6,280,326)
Leases issued for capital equipment, future portion	(50,136)	(106,827)	(156,963)
Premium on bonds issued for capital purposes	(4,146)	6,384	2,238
Deferred charges on bonds issued for capital purposes	269,562	(163,631)	105,931
Subtotal adjustments	(37,567,712)	(4,784,362)	(42,352,074)
Invested in capital assets, net of related debt	\$ 68,762,375	\$ 16,979,379	\$ 85,741,754

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 \$1,140,129 for operating purposes and an additional \$60,000 for capital purposes during the fiscal year ended June 30, 2008 to Cleveland Community College.

The County paid an additional \$1,000 to CCC for rescue training courses and \$329 in course materials for employees.

Over recent years, the County has paid an additional \$587,533 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.

Another building project began in fiscal year 2008. The County paid \$33,465 to CCC for a temporary facility for an early college high school. The County is funding their portion of this project through the County Capital Projects Fund. For more information, see ‘Exhibit II.D.3.j’ 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, \$2,100,000 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, 2008. The County paid an additional \$19,058 to IPDC to coordinate and administer the Community Development Block Grant awards for a Housing Rehab project, \$7,500 to update the County's portion of a regional Comprehensive Economic Development Strategy, and \$35 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, 2008:

<u>Program Title</u>	<u>Number</u>	<u>State or Federal Pass-Thru Grantor</u>	<u>Federal (Direct and Pass-Thru)</u>	<u>State (Direct and Pass-Thru)</u>
<u>U.S. Dept. of Health & 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	-	\$ 124,825	\$ 7,342
<u>U.S. Dept. of Housing and Urban Development</u>				
<u>Passed-through N.C. Dept of Commerce, thru Isothermal Planning and Development</u>				
Community Development Block Grant	14.228	04-C-1288	97,057	-
Total pass-thru grants awards from IPDC			<u>\$ 221,882</u>	<u>\$ 7,342</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:

FY	Hospital Facilities	
	Principal	Interest
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 Food	10.557	-	\$ 2,003,951	\$ -	\$ -
Stamps Medical	10.551	-	17,368,762	-	-
Assistance Participation in Budgeted County Expenditures	93.778	-	91,346,992	47,471,112	6,331,696
IV-D Offset Fees-ESC	93.563				
IV-D Offset Fees-Federal	93.563				
Independent Living Links	93.674		1,488	372	-
Links Transitional Funds	93.674		2,082	-	-
IV-E Adoption Subsidy	93.659	-	370,792	105,464	105,464
Energy Assistance Payments	93.568	-	298,424	-	-
AFDC Payments and Penalties	93.560	-	(344)	(94)	(94)
AFDC Transitional Child Care Payments	93.560	-	(146)	-	-
TANF Payments and Penalties	93.558	-	1,427,958	58	58
TANF Unemployed Parents Assistance	93.558	-			
Child Welfare Services Adoption			-	325,183	93,211
State-County / Special Assistance Domicillary Care Payments			-	1,367,563	1,367,563
Total participation in budgeted county expenditures			2,100,254	1,798,545	1,566,201
Total direct benefit payments			\$112,819,959	\$ 49,269,657	\$ 7,897,897

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008**

**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	87
2. Major Governmental Funds Financial Statements	Part II.D.2	92
3. Non-major Governmental Funds Financial Statements	Part II.D.3	105
4. Major Enterprise Fund Financial Schedule	Part II.D.4	120
5. Fiduciary Funds Financial Statement	Part II.D.5	124

The Required Supplementary Information concerns, first, the County's 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, by comparing actual results with the budgetary estimates and limitations.

This page left blank intentionally.

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008**

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	88
b. Schedule of Employer Contributions	Exhibit II.D.1.b	88
c. Notes to Law Enforcement Officers' Special Separation Allowance	Exhibit II.D.1.c	89

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, 2008

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 period ended December 31, 2005						
2007	\$ -	\$ 981,492	\$ 981,492	0.000%	\$ 3,126,082	31.397%
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	-

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

Cleveland County, North Carolina
b. Schedule of Employer Contributions

For the Year Ended June 30, 2008

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 period ended December 31, 2005						
2008	\$ 96,599	\$ 104,088	92.805%	\$ 107,236	90.081%	\$ 295,460
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	-	-	-	-	-

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008**

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, 2008

The actuarial valuation for the fiscal year ended 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 below.

ANNUAL PAYROLL FOR THE PERIOD 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 PERIOD 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 ENDED 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 total 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>

NET PENSION OBLIGATION (& ANNUAL PENSION COST) FOR THE YEAR ENDED JUNE 30, 2008

Net Pension Obligation, as of June 30, 2007		\$ 284,823
annual required contribution	\$ 104,088	
adjustment to annual required contribution	(17,502)	
interest on net pension obligation	20,650	
annual pension cost	<u>\$ 107,236</u>	
contributions	(96,599)	
Change in net pension obligation		<u>10,637</u>
Net Pension Obligation, as of June 30, 2008		<u>\$ 295,460</u>

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008**

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, 2009

The actuarial valuation for the fiscal year ending June 30, 2009 is based on the annual payroll for law enforcement officers in the calendar year ended December 31, 2007. 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.

ANNUAL PAYROLL FOR THE PERIOD ENDED DECEMBER 31, 2007

	Number	Amount
1) active members - current annual compensation	87	\$ 3,126,082
2) retired members - current annual benefits	9	96,599
total annual payroll		<u>\$ 3,222,681</u>

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2007

Present and Prospective Assets		
present assets		\$ -
present value of future (unfunded) accrued liability contributions		981,492
total assets, as of December 31, 2007		<u>\$ 981,492</u>
Accrued Actuarial Liabilities = present value of benefits payable in respect of:		
present retired members and beneficiaries		\$ 282,161
present active members		699,331
total liabilities, as of December 31, 2007		<u>\$ 981,492</u>

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2009

The annual required contribution for the year ending June 30, 2009 is calculated as of December 31, 2007. 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	1.5451%	\$ 49,795
2) portion of value earned and not contributed in previous years	1.8620%	60,006
total annual required contribution	3.4071%	<u>\$ 109,801</u>

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008

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

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, 2008	June 30, 2009
Valuation Date	Dec 31, 2006	Dec 31, 2007
Remaining Amortization Period	24 years	23 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%

** 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.

Fiscal Year Ended June 30	Retirees Receiving Benefits	Other * Plan Members	Vested Plan Members	Nonvested Plan Members	Total Plan Members
2008	9	-	55	29	93
2007	9	-	48	35	92
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

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

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
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	93
b. Schools Capital Reserve Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)	Exhibit II.D.2.b	102
c. County Capital Reserve Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (added details)	Exhibit II.D.2.c	103

The Major Governmental Funds Financial 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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year	\$ 33,547,200	\$ 33,657,919	\$ 110,719	\$ 33,273,489
Prior years	1,119,690	1,587,115	467,425	1,506,120
Penalties, interest, and advertising, net	243,700	452,241	208,541	437,710
Subtotal ad valorem taxes	<u>34,910,590</u>	<u>35,697,275</u>	<u>786,685</u>	<u>35,217,319</u>
Other taxes				
Local option sales tax	11,875,000	12,002,826	127,826	12,037,091
Occupancy tax	186,000	195,531	9,531	185,438
Rental tax	22,500	25,716	3,216	24,397
Privilege license	-	3,445	3,445	3,880
Register of deeds excise stamp	225,000	290,421	65,421	320,334
Subtotal other taxes	<u>12,308,500</u>	<u>12,517,939</u>	<u>209,439</u>	<u>12,571,140</u>
Intergovernmental revenues, unrestricted				
Video programming services	265,000	395,905	130,905	310,834
Payments in lieu of taxes	12,000	-	(12,000)	11,575
Sheriff court fees	60,000	51,516	(8,484)	46,048
Jail fees	35,000	43,203	8,203	30,834
Safe road taxes	10,000	11,203	1,203	13,102
Subtotal intergovernmental revenues, unrestricted	<u>382,000</u>	<u>501,827</u>	<u>119,827</u>	<u>412,393</u>
Intergovernmental revenues, restricted				
County program grants	3,267,400	2,462,180	(805,220)	1,663,494
Social services program grants	15,336,465	14,161,811	(1,174,654)	14,002,620
Health program grants	2,505,816	1,984,868	(520,948)	2,420,031
Court facilities fees	227,335	228,288	953	208,218
Subtotal intergovernmental revenues, restricted	<u>21,337,016</u>	<u>18,837,147</u>	<u>(2,499,869)</u>	<u>18,294,363</u>
Subtotal intergovernmental revenues	<u>21,719,016</u>	<u>19,338,974</u>	<u>(2,380,042)</u>	<u>18,706,756</u>
Licenses, fees, and permits				
Board of election fees	-	3,438	3,438	410
Register of deeds fees and permits	440,000	497,315	57,315	556,413
Marriage licenses	-	15,575	15,575	14,525
Street sign fees	-	230	230	1,175
Civil, pistol, and concealed weapons permits	130,000	164,359	34,359	143,349
Inmate fees	-	6,217	6,217	6,433
Emergency Management fees	-	520	520	1,374
Building permit and inspection fees	240,000	232,651	(7,349)	205,829
Hazardous material licenses	-	-	-	437
Zoning permits and fees	51,000	29,566	(21,434)	37,552
Soil conservation signs	-	11	11	66
Environmental health permits	209,490	136,595	(72,895)	142,405
Subtotal licenses, fees, and permits	<u>1,070,490</u>	<u>1,086,477</u>	<u>15,987</u>	<u>1,109,968</u>

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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		Actual
REVENUES (continued from previous page)				
Sales and services				
Rents, concessions, and parking	\$ 1,474,000	\$ 1,485,307	\$ 11,307	\$ 1,478,393
Contracted revenues	901,727	912,247	10,520	796,315
County program fees	838,000	1,463,611	625,611	870,798
Social Services Department fees	34,685	21,533	(13,152)	21,695
Health Department fees	432,400	516,591	84,191	492,242
Medicaid / Medicare service fees	4,079,462	5,098,075	1,018,613	4,721,542
Subtotal sales and services	<u>7,760,274</u>	<u>9,497,364</u>	<u>1,737,090</u>	<u>8,380,985</u>
Investment earnings	1,100,000	1,606,255	506,255	1,538,052
Miscellaneous				
Insurance proceeds	49,439	469,072	419,633	169,876
Contributions / donations	159,782	181,317	21,535	155,046
ABC net revenues	75,000	116,801	41,801	84,542
Vending & Phone commissions	64,000	73,307	9,307	64,910
State Refunds to Social Services	-	31,075	31,075	51,688
Paving assessments	-	6,810	6,810	43,479
Sale of used surplus equipment and vehicles	29,000	71,276	42,276	33,955
Miscellaneous others	50,549	60,723	10,174	27,077
Subtotal miscellaneous	<u>427,770</u>	<u>1,010,381</u>	<u>582,611</u>	<u>630,573</u>
Total revenues	<u>79,296,640</u>	<u>80,754,665</u>	<u>1,458,025</u>	<u>78,154,793</u>
EXPENDITURES				
General government				
Governing body (including grants received and awarded)				
Salaries / benefits	333,203	291,480	(41,723)	283,103
Other expenses	2,624,864	1,803,480	(821,384)	2,201,568
Capital outlay	66,734	49,992	(16,742)	-
Subtotal governing body	<u>3,024,801</u>	<u>2,144,952</u>	<u>(879,849)</u>	<u>2,484,671</u>
Administration				
Salaries / benefits	408,501	406,949	(1,552)	400,035
Other expenses	30,067	28,721	(1,346)	24,098
Subtotal administration	<u>438,568</u>	<u>435,670</u>	<u>(2,898)</u>	<u>424,133</u>
Finance				
Salaries / benefits	492,858	489,049	(3,809)	473,192
Other expenses	75,300	65,771	(9,529)	60,744
Capital outlay	13,074	13,073	(1)	-
Subtotal finance	<u>581,232</u>	<u>567,893</u>	<u>(13,339)</u>	<u>533,936</u>
Tax administration (listing and collection)				
Salaries / benefits	996,506	988,131	(8,375)	950,928
Other expenses	243,771	224,975	(18,796)	249,296
Capital outlay	13,093	13,073	(20)	2,857
Subtotal tax listing	<u>1,253,370</u>	<u>1,226,179</u>	<u>(27,191)</u>	<u>1,203,081</u>

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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Legal				
Salaries / benefits	-	-	-	-
Other expenses	\$ 74,412	\$ 65,471	\$ (8,941)	\$ 88,845
Capital outlay	40,731	40,731	-	20,220
Subtotal legal	115,143	106,202	(8,941)	109,065
Elections				
Salaries / benefits	296,020	271,445	(24,575)	194,248
Other expenses	180,293	171,275	(9,018)	100,921
Capital outlay	14,850	-	(14,850)	-
Subtotal elections	491,163	442,720	(48,443)	295,169
Register of deeds (including automation)				
Salaries / benefits	318,664	316,287	(2,377)	317,731
Other expenses	59,921	51,542	(8,379)	57,454
Capital outlay	180,715	180,715	-	-
Subtotal register of deeds	559,300	548,544	(10,756)	375,185
Information Technology				
Salaries / benefits	360,254	358,317	(1,937)	341,948
Other expenses	96,539	89,784	(6,755)	62,960
Capital outlay	33,719	33,162	(557)	16,485
Subtotal information technology	490,512	481,263	(9,249)	421,393
Human Resources				
Salaries / benefits	326,605	324,474	(2,131)	301,702
Other expenses	21,953	21,413	(540)	25,023
Subtotal human resources	348,558	345,887	(2,671)	326,725
Public buildings maintenance				
Salaries / benefits	389,654	386,555	(3,099)	372,623
Other expenses	917,189	914,769	(2,420)	868,857
Capital outlay	259,978	250,430	(9,548)	165,438
Subtotal public buildings maintenance	1,566,821	1,551,754	(15,067)	1,406,918
Juvenile Crime Prevention Council Admin., other expenses:	300	14	(286)	3,303
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	49,439	14,574	(34,865)	7,529
Court facilities				
Salaries / benefits	118,935	116,054	(2,881)	110,782
Other expenses	228,799	209,948	(18,851)	219,753
Subtotal court facilities	347,734	326,002	(21,732)	330,535
Total general government	9,364,905	8,289,618	(1,075,287)	8,019,607
Public safety				
Sheriff (including schools resource officers)				
Salaries / benefits	4,749,590	4,715,433	(34,157)	4,459,455
Other expenses	856,516	806,732	(49,784)	700,982
Capital outlay	207,277	206,506	(771)	197,062
Subtotal sheriff	5,813,383	5,728,671	(84,712)	5,357,499

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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Law enforcement and other public safety grants				
Other expenses	\$ 59,913	\$ 54,707	\$ (5,206)	\$ 26,103
Capital outlay	16,529	16,480	(49)	25,861
Subtotal public safety grants	<u>76,442</u>	<u>71,187</u>	<u>(5,255)</u>	<u>51,964</u>
Criminal Justice (Day Reporting Center)				
Salaries / benefits	54,255	53,791	(464)	51,247
Other expenses	49,033	47,377	(1,656)	44,644
Subtotal criminal justice	<u>103,288</u>	<u>101,168</u>	<u>(2,120)</u>	<u>95,891</u>
Federal and state forfeited property				
Other expenses	108,325	73,424	(34,901)	141,955
Capital outlay	249,553	246,110	(3,443)	221,010
Subtotal federal and state forfeited property	<u>357,878</u>	<u>319,534</u>	<u>(38,344)</u>	<u>362,965</u>
Detention Centers				
Salaries / benefits	1,467,821	1,454,201	(13,620)	1,339,930
Other expenses	957,767	949,622	(8,145)	924,882
Capital outlay	54,586	50,045	(4,541)	2,064
Subtotal detention center	<u>2,480,174</u>	<u>2,453,868</u>	<u>(26,306)</u>	<u>2,266,876</u>
Emergency management				
Salaries / benefits	209,697	205,879	(3,818)	191,109
Other expenses	67,852	58,739	(9,113)	82,561
Capital outlay	50,054	17,193	(32,861)	3,382
Subtotal emergency management	<u>327,603</u>	<u>281,811</u>	<u>(45,792)</u>	<u>277,052</u>
Emergency medical services				
Salaries / benefits	4,015,001	3,989,096	(25,905)	3,972,222
Other expenses	796,384	727,066	(69,318)	703,141
Capital outlay	442,206	434,487	(7,719)	189,367
Subtotal emergency medical services	<u>5,253,591</u>	<u>5,150,649</u>	<u>(102,942)</u>	<u>4,864,730</u>
Rescue Squads, other expenses	<u>97,920</u>	<u>81,943</u>	<u>(15,977)</u>	<u>162,085</u>
Communications				
Salaries / benefits	746,759	740,948	(5,811)	704,508
Other expenses	27,392	18,336	(9,056)	12,774
Subtotal communications	<u>774,151</u>	<u>759,284</u>	<u>(14,867)</u>	<u>717,282</u>
Electronic maintenance				
Salaries / benefits	276,365	275,235	(1,130)	251,829
Other expenses	84,018	80,894	(3,124)	66,202
Capital outlay	16,876	16,875	(1)	-
Subtotal electronic maintenance	<u>377,259</u>	<u>373,004</u>	<u>(4,255)</u>	<u>318,031</u>
Inspections				
Salaries / benefits	327,028	324,703	(2,325)	308,953
Other expenses	35,822	33,068	(2,754)	35,564
Subtotal inspections	<u>362,850</u>	<u>357,771</u>	<u>(5,079)</u>	<u>344,517</u>
Medical examiner				
Salaries / benefits	28,642	28,232	(410)	19,817
Other expenses	63,612	49,285	(14,327)	64,423
Subtotal medical examiner	<u>92,254</u>	<u>77,517</u>	<u>(14,737)</u>	<u>84,240</u>

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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Hazardous materials				
Other expenses	\$ 20,515	\$ 16,483	\$ (4,032)	\$ 27,626
Capital outlay	-	-	-	7,495
Subtotal hazardous materials	20,515	16,483	(4,032)	35,121
Animal Control				
Salaries / benefits	348,102	326,220	(21,882)	314,878
Other expenses	99,780	98,987	(793)	71,762
Subtotal animal control	447,882	425,207	(22,675)	386,640
Total public safety	16,585,190	16,198,097	(387,093)	15,324,893
Human services				
Miscellaneous				
Pathways, other expenses	891,758	891,758	-	891,738
Veteran services				
Salaries / benefits	49,382	48,995	(387)	47,900
Other expenses	3,533	3,038	(495)	2,981
Subtotal veteran services	52,915	52,033	(882)	50,881
Council on aging, other expenses	138,648	138,648	-	134,325
Social services:				
Administration				
Salaries / benefits	893,779	886,638	(7,141)	680,614
Other expenses	1,409,979	905,332	(504,647)	685,968
Capital outlay	46,080	431,743	385,663	16,847
Subtotal administration	2,349,838	2,223,713	(126,125)	1,383,429
Title XX				
Salaries / benefits	3,888,836	3,597,121	(291,715)	3,639,391
Other expenses	624,835	475,633	(149,202)	564,581
Subtotal Title XX	4,513,671	4,072,754	(440,917)	4,203,972
Outside Poor, other expenses	6,427,477	5,862,774	(564,703)	5,801,253
Income maintenance				
Salaries / benefits	3,723,179	3,573,552	(149,627)	3,328,488
Other expenses	334,385	246,052	(88,333)	228,368
Subtotal income maintenance	4,057,564	3,819,604	(237,960)	3,556,856
Special assistance, salaries / benefits	33,733	32,063	(1,670)	32,245
Aid to Blind, other expenses	8,000	8,730	730	6,159
IVD Child Support				
Salaries / benefits	1,208,177	1,176,018	(32,159)	1,174,322
Other expenses	6,380	4,990	(1,390)	5,231
Subtotal IVD child support	1,214,557	1,181,008	(33,549)	1,179,553
Smart Start, salaries / benefits	42,671	42,220	(451)	40,704
Public assistance, other expenses	9,528,712	9,300,943	(227,769)	10,094,784
Total social services	28,176,223	26,543,809	(1,632,414)	26,298,955

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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Health services				
Administration				
Salaries / benefits	\$ 799,495	\$ 792,847	\$ (6,648)	\$ 661,909
Other expenses	649,750	603,659	(46,091)	527,146
Capital outlay	-	-	-	16,000
Subtotal administration	<u>1,449,245</u>	<u>1,396,506</u>	<u>(52,739)</u>	<u>1,205,055</u>
Smart Start				
Salaries / benefits	111,679	96,861	(14,818)	57,678
Other expenses	57,733	39,215	(18,518)	63,025
Subtotal Smart Start	<u>169,412</u>	<u>136,076</u>	<u>(33,336)</u>	<u>120,703</u>
AIDS				
Salaries / benefits	164,030	162,865	(1,165)	151,457
Other expenses	87,076	75,271	(11,805)	60,020
Subtotal AIDS	<u>251,106</u>	<u>238,136</u>	<u>(12,970)</u>	<u>211,477</u>
Tuberculosis / Communicable Diseases				
Salaries / benefits	56,389	55,899	(490)	26,935
Other expenses	18,280	14,476	(3,804)	20,294
Subtotal tuberculosis/communicable diseases	<u>74,669</u>	<u>70,375</u>	<u>(4,294)</u>	<u>47,229</u>
Adult health				
Salaries / benefits	609,157	601,672	(7,485)	626,761
Other expenses	345,000	326,550	(18,450)	241,218
Capital outlay	-	-	-	10,422
Subtotal adult health	<u>954,157</u>	<u>928,222</u>	<u>(25,935)</u>	<u>878,401</u>
School health				
Salaries / benefits	913,484	868,672	(44,812)	782,140
Other expenses	101,014	84,958	(16,056)	85,569
Subtotal school health	<u>1,014,498</u>	<u>953,630</u>	<u>(60,868)</u>	<u>867,709</u>
Health promotions				
Salaries / benefits	93,253	92,435	(818)	65,577
Other expenses	84,417	75,662	(8,755)	81,986
Subtotal health promotions	<u>177,670</u>	<u>168,097</u>	<u>(9,573)</u>	<u>147,563</u>
Nutrition grant				
Salaries / benefits	198,912	171,115	(27,797)	147,250
Other expenses	176,722	99,672	(77,050)	99,770
Capital outlay	-	-	-	2,072
Subtotal nutrition grant	<u>375,634</u>	<u>270,787</u>	<u>(104,847)</u>	<u>249,092</u>
Child health				
Salaries / benefits	455,287	451,659	(3,628)	484,673
Other expenses	81,822	61,252	(20,570)	71,555
Subtotal child health	<u>537,109</u>	<u>512,911</u>	<u>(24,198)</u>	<u>556,228</u>
Maternal health				
Salaries / benefits	1,699,506	1,689,559	(9,947)	1,527,594
Other expenses	121,142	116,936	(4,206)	99,066
Subtotal maternal health	<u>1,820,648</u>	<u>1,806,495</u>	<u>(14,153)</u>	<u>1,626,660</u>

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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Family planning				
Salaries / benefits	\$ 679,794	\$ 667,171	\$ (12,623)	\$ 651,833
Other expenses	235,461	203,260	(32,201)	195,004
Capital outlay	-	-	-	4,125
Subtotal family planning	915,255	870,431	(44,824)	850,962
Women - Infants - Children				
Salaries / benefits	369,543	338,512	(31,031)	361,058
Other expenses	27,119	26,495	(624)	26,658
Subtotal women - infants - children	396,662	365,007	(31,655)	387,716
Environmental health				
Salaries / benefits	787,773	779,759	(8,014)	719,940
Other expenses	108,003	62,967	(45,036)	53,299
Capital outlay	60,365	58,281	(2,084)	4,741
Subtotal environmental health	956,141	901,007	(55,134)	777,980
Other public health grants				
Salaries / benefits	160,391	145,585	(14,806)	118,866
Other expenses	181,719	145,314	(36,405)	48,048
Capital outlay	500	499	(1)	-
Subtotal other public health grants	342,610	291,398	(51,212)	166,914
Dental clinic				
Salaries / benefits	275,986	221,018	(54,968)	213,819
Other expenses	119,676	103,453	(16,223)	91,840
Subtotal dental clinic	395,662	324,471	(71,191)	305,659
Carolina Access				
Salaries / benefits	609,154	549,476	(59,678)	466,493
Other expenses	274,418	202,032	(72,386)	130,697
Subtotal Carolina Access	883,572	751,508	(132,064)	597,190
CODAP				
Salaries / benefits	195,287	168,261	(27,026)	140,750
Other expenses	35,897	18,779	(17,118)	13,501
Subtotal CODAP	231,184	187,040	(44,144)	154,251
Total health services	10,945,234	10,172,097	(773,137)	9,150,789
Total human services	40,204,778	37,798,345	(2,406,433)	36,526,688
Education				
Public schools				
Current expenses	9,908,213	9,908,213	-	9,808,213
Schools capital outlay	4,125,000	4,125,000	-	3,300,000
Subtotal public schools	14,033,213	14,033,213	-	13,108,213
Community college, other expenses	1,140,129	1,140,129	-	1,060,129
Total education	15,173,342	15,173,342	-	14,168,342

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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Economic and physical development				
Planning and zoning				
Salaries / benefits	\$ 205,988	\$ 204,824	\$ (1,164)	\$ 194,790
Other expenses	100,257	86,308	(13,949)	74,707
Capital outlay	23,029	16,028	(7,001)	12,360
Subtotal planning and zoning	329,274	307,160	(22,114)	281,857
Economic development				
Other expenses	1,669,236	826,219	(843,017)	2,540,342
Capital outlay	-	-	-	18,387
Subtotal economic development	1,669,236	826,219	(843,017)	2,558,729
Cooperative extension				
Salaries / benefits	233,887	231,707	(2,180)	217,409
Other expenses	51,373	42,744	(8,629)	52,500
Subtotal cooperative extension	285,260	274,451	(10,809)	269,909
Forestry, other expenses	51,889	47,838	(4,051)	31,384
Soil conservation				
Salaries / benefits	74,634	73,859	(775)	69,557
Other expenses	8,920	3,856	(5,064)	22,632
Subtotal soil conservation	83,554	77,715	(5,839)	92,189
Waterline and sewer maintenance, other expenses	119,263	119,263	-	-
Total economic and physical development	2,538,476	1,652,646	(885,830)	3,234,068
Cultural				
Library system				
Salaries / benefits	635,670	629,568	(6,102)	594,718
Other expenses	377,536	348,483	(29,053)	316,805
Subtotal library system	1,013,206	978,051	(35,155)	911,523
Broad River Greenway				
Other expenses	49,700	48,979	(721)	47,008
Capital outlay	-	-	-	3,350
Subtotal Broad River Greenway	49,700	48,979	(721)	50,358
Museum, other expenses	66,480	58,121	(8,359)	9,584
Total cultural	1,129,386	1,085,151	(44,235)	971,465
Debt service				
Principal reduction	144,037	143,960	(77)	62,365
Interest and fees	10,794	10,867	73	7,730
Total debt service	154,831	154,827	(4)	70,095
Total expenditures	85,150,908	80,352,026	(4,798,882)	78,315,158
Excess of revenues over (under) expenditures	(5,854,268)	402,639	6,256,907	(160,365)

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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance -	2007
	Budget	Actual	Over (Under)	Actual
EXPENDITURES (continued from previous page)				
Excess of revenues over (under) expenditures (repeated from prior page)	\$ (5,854,268)	\$ 402,639	\$ 6,256,907	\$ (160,365)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from Special Revenue fund-Schools Capital Reserve	2,125,000	2,125,000	-	1,300,000
from Special Revenue fund-Emergency Telephone	-	822	822	-
from Enterprise fund	226,111	241,995	15,884	175,347
Transfers out:				
to Special Revenue fund-Revaluation	(11,000)	(11,000)	-	-
to Special Revenue fund-Emergency Telephone	-	(48)	(48)	-
to Special Revenue fund-Community Development	-	-	-	(275)
to Debt Service fund	(1,119,837)	(1,107,109)	12,728	(1,162,642)
to Capital Projects fund-Capital Projects	(2,073,517)	(1,383,136)	690,381	(276,219)
to Capital Projects fund-Capital Reserve	(1,075,000)	(1,075,000)	-	(375,000)
to Enterprise fund	-	(750)	(750)	-
Capital lease financing issued	155,602	230,676	75,074	-
Proceeds from sales of capital assets	91,470	94,165	2,695	-
Fund balance appropriated	7,535,439	-	(7,535,439)	-
Total other financing sources (uses)	5,854,268	(884,385)	(6,738,653)	(338,789)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(481,746)	\$ (481,746)	(499,154)
FUND BALANCES				
Beginning fund balances		29,020,411		29,519,565
Ending fund balances		<u>\$ 28,538,665</u>		<u>\$ 29,020,411</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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance -	2007
	Budget	Actual	Over (Under)	Actual
REVENUES				
Local Option Sales Taxes, restricted portions of Articles 40 and 42				
Other taxes	\$ 2,384,526	\$ 3,488,442	\$ 1,103,916	\$ 3,467,859
Investment earnings	-	299,376	299,376	199,644
Subtotal	2,384,526	3,787,818	1,403,292	3,667,503
State Corporate Income Taxes				
Intergovernmental revenues	773,066	739,874	(33,192)	1,626,074
Investment earnings	-	26,845	26,845	65,441
Subtotal	773,066	766,719	(6,347)	1,691,515
State Education Lottery Proceeds				
Intergovernmental revenues	725,000	682,283	(42,717)	-
Investment earnings	-	42,717	42,717	-
Subtotal	725,000	725,000	-	-
Total revenues	3,882,592	5,279,537	1,396,945	5,359,018
OTHER FINANCING SOURCES (USES)				
Local Option Sales Taxes, restricted portions of Articles 40 and 42				
Transfers out:				
To General Fund	(1,400,000)	(1,400,000)	-	(1,300,000)
To Debt Service Fund	(984,526)	(984,526)	-	(184,904)
Subtotal	(2,384,526)	(2,384,526)	-	(1,484,904)
State Corporate Income Taxes				
Transfers out:				
To Debt Service Fund	(773,066)	(773,066)	-	(1,683,691)
State Education Lottery Proceeds				
Transfers out:				
To General Fund	(725,000)	(725,000)	-	-
Total other financing sources (uses)	(3,882,592)	(3,882,592)	-	(3,168,595)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	1,396,945	\$ 1,396,945	2,190,423
FUND BALANCES				
Local Option Sales Taxes, restricted portions of Articles 40 and 42				
Beginning fund balances		5,453,280		3,270,681
Ending fund balances		6,856,572		5,453,280
State Corporate Income Taxes				
Beginning fund balances		7,824		-
Ending fund balances		1,477		7,824
Total Combined				
Beginning fund balances		5,461,104		3,270,681
Ending fund balances		\$ 6,858,049		\$ 5,461,104

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, 2008
With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year	\$ 8,676,000	\$ 8,704,811	\$ 28,811	\$ 8,605,354
Prior years	858,067	409,781	(448,286)	388,199
Penalties and interest	-	101,098	101,098	97,951
Total revenues	9,534,067	9,215,690	(318,377)	9,091,504
EXPENDITURES				
Education:				
Consolidated school system	9,534,067	9,215,690	(318,377)	9,091,504
Miscellaneous	-	-	-	-
Total expenditures	9,534,067	9,215,690	(318,377)	9,091,504
Excess of revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	-	\$ -	-
FUND BALANCES				
Beginning fund balances		50		50
Ending fund balances		<u>\$ 50</u>		<u>\$ 50</u>

This page left blank intentionally.

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008**

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	106
b. Non-major Governmental Funds: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.D.3.b	108
c. Public Schools Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.c	110
d. Community College Bond Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.d	111
e. Revaluation Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.e	112
f. Emergency Telephone Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.f	113
g. County Fire Service District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.g	115
h. Community Development Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.h	116
i. Debt Service Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.i	117
j. Capital Projects Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.j	118

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, 2008
With Comparative Totals as of June 30, 2007

	Non-major Governmental Funds			
	Public Schools	Community College Bond	Revaluation	Emergency Telephone
ASSETS				
Cash and cash equivalents	\$ 150,713	\$ -	\$ 4,308	\$ 1,038,486
Taxes receivable, net	525,843	-	-	-
Accounts receivable, net	-	-	-	56,508
Due from other funds	-	-	-	36,867
Prepaid items	-	-	-	-
Total assets	\$ 676,556	\$ -	\$ 4,308	\$ 1,131,861
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 96,167	\$ -	\$ -	\$ 13,613
Contract retainage	-	-	-	-
Unearned revenues	54,496	-	-	-
Deferred revenues	525,843	-	-	-
Due to other funds	-	-	-	-
Total liabilities	676,506	-	-	13,613
Fund balances:				
Reserved fund balance:				
Encumbrances	-	-	-	-
Prepaid items	-	-	-	-
State Statute	-	-	-	138,339
Unreserved designated fund balance:				
for subsequent year's expenditures	-	-	-	-
Unreserved undesignated fund balance:				
Special Revenue funds	50	-	4,308	979,909
Total fund balances	50	-	4,308	1,118,248
Total liabilities and fund balances	\$ 676,556	\$ -	\$ 4,308	\$ 1,131,861

Non-major Governmental Funds						
Fire District	CDBG Housing Rehab	Debt Service	Capital Projects	Totals		
				2008	2007	
\$ 1,104,714	\$ -	\$ -	\$ -	\$ 2,298,221	\$ 2,852,510	
46,110	-	-	-	571,953	552,778	
86,916	40,266	-	-	183,690	119,991	
6,896	-	-	262,347	306,110	99,066	
-	-	-	-	-	150	
\$ 1,244,636	\$ 40,266	\$ -	\$ 262,347	\$ 3,359,974	\$ 3,624,495	
\$ 195	\$ 35,792	\$ -	\$ 262,347	\$ 408,114	\$ 150,476	
-	4,474	-	-	4,474	-	
5,428	-	-	-	59,924	61,417	
46,110	-	-	-	571,953	552,778	
-	-	-	-	-	112	
51,733	40,266	-	262,347	1,044,465	764,783	
-	-	-	-	-	62,034	
-	-	-	-	-	150	
93,812	-	-	-	232,151	126,671	
146,852	-	-	-	146,852	14,800	
952,239	-	-	-	1,936,506	2,656,057	
1,192,903	-	-	-	2,315,509	2,859,712	
\$ 1,244,636	\$ 40,266	\$ -	\$ 262,347	\$ 3,359,974	\$ 3,624,495	

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, 2008

With Comparative Totals as of June 30, 2007

	Non-major Governmental Funds			
	Public Schools	Community College Bond	Revaluation	Emergency Telephone
REVENUES				
Ad valorem taxes	\$ 9,215,690	\$ -	\$ -	\$ -
Other taxes	-	-	-	403,893
Intergovernmental revenues, restricted	-	-	-	157,129
Investment earnings	-	13,630	491	54,438
Miscellaneous	-	-	-	13
Total revenues	9,215,690	13,630	491	615,473
EXPENDITURES				
General government	-	-	22,158	-
Public safety	-	-	-	324,481
Human services	-	-	-	-
Education	9,215,690	-	-	-
Economic and physical development	-	-	-	-
Cultural	-	-	-	-
Schools capital outlay	-	494,810	-	-
Debt service, principal reduction	-	-	-	-
Debt service, interest and fees	-	-	-	-
Total expenditures	9,215,690	494,810	22,158	324,481
Excess of revenues over (under) expenditures	-	(481,180)	(21,667)	290,992
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	11,000	48
Transfers out	-	-	-	(313,522)
Installment financing issued	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	-	-	11,000	(313,474)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	-	(481,180)	(10,667)	(22,482)
FUND BALANCES				
Beginning fund balances	50	481,180	14,975	1,140,730
Ending fund balances	\$ 50	\$ -	\$ 4,308	\$ 1,118,248

Non-major Governmental Funds						
Fire District	CDBG Housing Rehab	Debt Service	Capital Projects	Totals		
				2008	2007	
\$ 804,444	\$ -	\$ -	\$ -	\$ 10,020,134	\$ 9,876,069	
344,202	-	-	-	748,095	746,503	
-	97,057	2,266,000	-	2,520,186	2,793,371	
49,841	-	-	-	118,400	128,791	
-	-	-	-	13	12,196	
1,198,487	97,057	2,266,000	-	13,406,828	13,556,930	
-	-	-	45,094	67,252	-	
1,166,177	-	-	1,451,480	2,942,138	2,193,680	
-	-	-	841,585	841,585	469,106	
-	-	-	-	9,215,690	9,091,504	
-	97,057	-	361,381	458,438	358,128	
-	-	-	250,000	250,000	-	
-	-	-	118,357	613,167	50,000	
-	-	4,732,347	-	4,732,347	4,891,829	
-	-	398,354	-	398,354	543,508	
1,166,177	97,057	5,130,701	3,067,897	19,518,971	17,597,755	
32,310	-	(2,864,701)	(3,067,897)	(6,112,143)	(4,040,825)	
-	-	2,864,701	3,005,713	5,881,462	4,222,111	
-	-	-	-	(313,522)	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	2,864,701	3,005,713	5,567,940	4,222,111	
32,310	-	-	(62,184)	(544,203)	181,286	
1,160,593	-	-	62,184	2,859,712	2,678,426	
\$ 1,192,903	\$ -	\$ -	\$ 0	\$ 2,315,509	\$ 2,859,712	

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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year	\$ 8,676,000	\$ 8,704,811	\$ 28,811	\$ 8,605,354
Prior years	858,067	409,781	(448,286)	388,199
Penalties and interest	-	101,098	101,098	97,951
Total revenues	9,534,067	9,215,690	(318,377)	9,091,504
EXPENDITURES				
Education:				
Consolidated school system	9,534,067	9,215,690	(318,377)	9,091,504
Miscellaneous	-	-	-	-
Total expenditures	9,534,067	9,215,690	(318,377)	9,091,504
Excess of revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	-	\$ -	-
FUND BALANCES				
Beginning fund balances		50		50
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, 2008

With Comparative Totals from Project Inception to June 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Investment earnings	\$ 537,856	\$ 523,219	\$ 13,630	\$ 536,849
Miscellaneous	29,144	29,144	-	29,144
Total revenues	567,000	552,363	13,630	565,993
EXPENDITURES				
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	588,540	92,723	494,810	587,533
Misc Professional Services	31,540	31,540	-	31,540
Total expenditures	3,667,000	3,171,183	494,810	3,665,993
Excess of revenues over (under) expenditures	(3,100,000)	(2,618,820)	(481,180)	(3,100,000)
OTHER FINANCING SOURCES (USES)				
Bond financing issued	3,100,000	3,100,000	-	3,100,000
Total other financing sources (uses)	3,100,000	3,100,000	-	3,100,000
over (under) expenditures and other financing	\$ -	\$ 481,180	(481,180)	\$ -
FUND BALANCES				
Beginning fund balances			481,180	
Ending fund balances			\$ -	

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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ -	\$ 491	\$ 491	\$ 749
EXPENDITURES				
General government:				
Postage	12,500	12,500	-	-
Advertising	1,800	913	(887)	-
Contracted services	11,500	8,745	(2,755)	-
Total expenditures	25,800	22,158	(3,642)	-
Excess of revenues over (under) expenditures	(25,800)	(21,667)	4,133	749
OTHER FINANCING SOURCES (USES)				
Transfers in:				
From General Fund	11,000	11,000	-	-
Fund balance appropriated	14,800	-	(14,800)	-
Total other financing sources (uses)	25,800	11,000	(14,800)	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(10,667)	\$ (10,667)	749
FUND BALANCES				
Beginning fund balances		14,975		14,226
Ending fund balances		<u>\$ 4,308</u>		<u>\$ 14,975</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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		Actual
REVENUES				
E911 Wireline System				
System subscriber fees	\$ 234,810	\$ 403,893	\$ 169,083	\$ 405,914
Investment earnings	-	10,750	10,750	7,999
Miscellaneous	-	13	13	4
Subtotal	234,810	414,656	179,846	413,917
E911 Wireless System				
System surcharge fees	138,308	132,394	(5,914)	179,884
Other intergovernmental revenues	-	24,735	24,735	23,360
Investment earnings	-	43,688	43,688	38,997
Miscellaneous	-	-	-	4
Subtotal	138,308	200,817	62,509	242,245
Total revenues	373,118	615,473	242,355	656,162
EXPENDITURES				
Public safety:				
E911 Wireline System				
Salaries/benefits	107,711	109,172	1,461	104,005
Telecommunications	61,316	61,684	368	62,343
Other	61,024	52,159	(8,865)	71,904
Capital outlay, equipment	4,759	4,758	(1)	3,575
Subtotal	234,810	227,773	(7,037)	241,827
E911 Wireless System				
Telecommunications	84,108	56,873	(27,235)	59,731
Other	48,383	34,083	(14,300)	37,678
Capital outlay, equipment	5,817	5,752	(65)	-
Subtotal	138,308	96,708	(41,600)	97,409
Total public safety expenditures	373,118	324,481	(48,637)	339,236
Excess of revenues over (under) expenditures				
E911 Wireline System	-	186,883	186,883	172,090
E911 Wireless System	-	104,109	104,109	144,836
Total excess	-	290,992	290,992	316,926

(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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		Actual
(continued from previous page)				
Excess of revenues over (under) expenditures (repeated from prior page)				
E911 Wireline System	-	186,883	186,883	172,090
E911 Wireless System	-	104,109	104,109	144,836
Total excess	-	290,992	290,992	316,926
OTHER FINANCING SOURCES (USES)				
E911 Wireline System				
Transfers in:				
From General Fund	-	48	48	-
Transfers out:				
To General Fund	-	(822)	(822)	-
To Capital Reserve Fund	(316,105)	(312,700)	3,405	-
Fund balance appropriated, E911 Wireline System	316,105	-	(316,105)	-
Total other financing sources (uses)	-	(313,474)	(313,474)	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses				
E911 Wireline System	-	(126,591)	(126,591)	172,090
E911 Wireless System	-	104,109	104,109	144,836
Total excess	\$ -	(22,482)	\$ (22,482)	316,926
FUND BALANCES				
E911 Wireline System				
Beginning fund balances		263,705		91,615
Ending fund balances		<u>137,114</u>		<u>263,705</u>
E911 Wireless System				
Beginning fund balances		877,025		732,189
Ending fund balances		<u>981,134</u>		<u>877,025</u>
Total Combined				
Beginning fund balances		1,140,730		823,804
Ending fund balances		<u>\$ 1,118,248</u>		<u>\$ 1,140,730</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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year	\$ 728,640	\$ 752,129	\$ 23,489	\$ 736,817
Prior years	24,057	41,849	17,792	38,014
Penalties and interest	10,000	10,466	466	9,734
	<u>762,697</u>	<u>804,444</u>	<u>41,747</u>	<u>784,565</u>
Other taxes, local option sales taxes	342,194	344,202	2,008	340,589
Investment earnings	90,000	49,841	(40,159)	56,589
Total revenues	<u>1,194,891</u>	<u>1,198,487</u>	<u>3,596</u>	<u>1,181,743</u>
EXPENDITURES				
Public safety:				
Supplies	4,015	698	(3,317)	195
Repairs on equipment	1,750	-	(1,750)	-
Contracted and professional services	10,200	2,128	(8,072)	2,891
Insurance	68,925	53,350	(15,575)	53,687
Awards to Volunteer Fire Departments	1,110,001	1,110,001	-	1,348,000
Total expenditures	<u>1,194,891</u>	<u>1,166,177</u>	<u>(28,714)</u>	<u>1,404,773</u>
Excess of revenues over (under) expenditures	-	32,310	32,310	(223,030)
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>32,310</u>	<u>\$ 32,310</u>	<u>(223,030)</u>
FUND BALANCES				
Beginning fund balances		1,160,593		1,383,623
Ending fund balances		<u>\$ 1,192,903</u>		<u>\$ 1,160,593</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, 2008

With Comparative Totals from Project Inception to June 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, federal CDBG-HR grant	\$ 400,000	\$ -	\$ 97,057	\$ 97,057
Total revenues	400,000	-	97,057	97,057
EXPENDITURES				
Economic and physical development:				
Community Development Block Grant-Housing Rehab (CDBG-HR):				
Administration	43,500	-	14,726	14,726
Housing rehabilitation	356,500	-	82,331	82,331
Total expenditures	400,000	-	97,057	97,057
Excess of revenues over (under) expenditures	-	-	-	-
FUND BALANCES				
Beginning fund balances			-	
Ending fund balances			\$ -	

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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		Actual
REVENUES				
Intergovernmental revenues, restricted	\$ 2,266,000	\$ 2,266,000	\$ -	\$ 2,404,100
Total revenues	2,266,000	2,266,000	-	2,404,100
EXPENDITURES				
Debt service:				
Principal retirement	4,732,347	4,732,347	-	4,891,829
Interest	395,082	395,082	-	543,436
Fees	16,000	3,272	(12,728)	72
Total expenditures	5,143,429	5,130,701	(12,728)	5,435,337
Excess of revenues over (under) expenditures	(2,877,429)	(2,864,701)	12,728	(3,031,237)
OTHER FINANCING SOURCES (USES)				
Transfers in				
From General Fund	1,119,837	1,107,109	(12,728)	1,162,642
From Schools Capital Reserve Fund	1,757,592	1,757,592	-	1,868,595
Total other financing sources (uses)	2,877,429	2,864,701	(12,728)	3,031,237
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	-	\$ -	-
FUND BALANCES				
Beginning fund balances		-		-
Ending fund balances		<u>\$ -</u>		<u>\$ -</u>

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, 2008

With Comparative Totals from Project Inception to June 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, restricted	\$ 1,084,920	\$ 1,084,920	\$ -	\$ 1,084,920
Miscellaneous	-	12,188	-	12,188
Total revenues	1,084,920	1,097,108	-	1,097,108
EXPENDITURES				
General government:				
Computer replacement program	\$ 96,927	\$ -	45,094	\$ 45,094
Subtotal	96,927	-	45,094	45,094
Public safety				
Communications Equipment Project	8,487,443	1,523,404	1,160,554	2,683,958
E911 Dispatch Equipment	316,105	-	-	-
EMS Base Station - Number 3 Township	275,000	-	139,698	139,698
Animal Shelter Building Renovations	100,000	26,657	44,805	71,462
Jail Annex Renovations and Security Improvements	118,666	20,824	96,673	117,497
Jail Annex Expansion	9,750	-	9,750	9,750
Subtotal	9,306,964	1,570,885	1,451,480	3,022,365
Human services				
Council on Aging of Cleveland County	140,000	-	140,000	140,000
Health Complex Building/Parking Renovations	1,349,271	557,252	701,585	1,258,837
Subtotal	1,489,271	557,252	841,585	1,398,837
Education				
Early College High School (5-Year Diploma/Degree)	132,000	-	58,357	58,357
Community College grant	210,000	150,000	60,000	210,000
Subtotal	342,000	150,000	118,357	268,357
Economic and physical development				
Industrial Park - Washburn Switch Road	1,120,177	1,102,151	-	1,102,151
Industrial Park - Kings Mountain	570,645	139,395	126,509	265,904
Moss Lake Dock Project	158,186	100,272	57,913	158,185
Airport Renovations	186,675	10,000	176,675	186,675
Other Miscellaneous Projects	150,350	-	284	284
Subtotal	2,186,033	1,351,818	361,381	1,713,199
Cultural and recreational				
Old Courthouse Renovation	250,000	-	250,000	250,000
Subtotal	250,000	-	250,000	250,000
Total expenditures	13,671,195	3,629,955	3,067,897	6,697,852
Excess of revenues over (under) expenditures	(12,586,275)	(2,532,847)	(3,067,897)	(5,600,744)

(continued on next page)

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, 2008

With Comparative Totals from Project Inception to June 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
(continued from previous page)				
Excess of revenues over (under) expenditures (repeated from prior page)	(12,586,275)	(2,532,847)	(3,067,897)	(5,600,744)
OTHER FINANCING SOURCES (USES)				
Transfers in				
From General Fund	3,230,544	1,368,136	1,383,136	2,751,272
From Capital Reserve Fund	9,355,731	1,226,895	1,622,577	2,849,472
Total other financing sources (uses)	12,586,275	2,595,031	3,005,713	5,600,744
 Excess of revenues and other financing sources over (under) expenditures and other financing uses	 \$ -	 \$ 62,184	 (62,184)	 \$ -
FUND BALANCES				
Beginning fund balances			62,184	
Ending fund balances			\$ -	

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
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	121

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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		Actual
REVENUES				
Operating revenues:				
Household user fees	\$ 1,358,718	\$ 1,428,068	\$ 69,350	\$ 1,402,512
Departmental fees	3,644,550	3,328,522	(316,028)	3,524,572
Miscellaneous	80,561	121,518	40,957	108,884
Total operating revenues	5,083,829	4,878,108	(205,721)	5,035,968
Non-operating revenues:				
Other taxes	125,000	159,506	34,506	145,736
Intergovernmental revenues	90,000	82,776	(7,224)	72,140
Interest earned	78,155	616,174	538,019	702,957
Total non-operating revenues	293,155	858,456	565,301	920,833
Total revenues	5,376,984	5,736,564	359,580	5,956,801
EXPENDITURES				
Administration and operating expenditures:				
Salaries and benefits	1,595,006	1,582,072	(12,934)	1,516,959
Supplies and materials	284,696	281,784	(2,912)	34,653
Uniforms	7,200	7,017	(183)	7,542
Travel and training	7,902	9,003	1,101	8,567
Utilities, telecommunications, and postage	69,800	75,038	5,238	62,971
Repairs and maintenance	417,297	358,979	(58,318)	187,033
Advertising	4,671	4,480	(191)	5,344
Laundry and dry cleaning	17,750	19,382	1,632	19,838
Rent	16,461	13,728	(2,733)	3,249
Contracted services	307,841	323,967	16,126	261,659
Insurance	80,400	80,400	-	75,400
Garbage	1,005,000	937,371	(67,629)	959,550
Professional and legal services	489,873	150,764	(339,109)	102,239
Automotive fuels and supplies	428,648	431,655	3,007	347,101
Miscellaneous	13,361	2,185	(11,176)	33,338
Total administration and operating expenditures	4,745,906	4,277,825	(468,081)	3,625,443
Capital outlay	7,102,037	6,104,817	(997,220)	899,304
Total expenditures	11,847,943	10,382,642	(1,465,301)	4,524,747
Excess of revenues over (under) expenditures	(6,470,959)	(4,646,078)	1,824,881	1,432,054

(continued on next page)

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, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		Actual
(continued from previous page)				
Excess of revenues over (under) expenditures (repeated from prior page)	(6,470,959)	(4,646,078)	1,824,881	1,432,054
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	(226,111)	(241,995)	(15,884)	(175,347)
Transfer from General Fund	-	750	750	-
Fund balance appropriated	6,697,070	-	(6,697,070)	-
Total other financing sources (uses)	6,470,959	(241,245)	(6,712,204)	(175,347)
Excess of operating revenues and other financing sources over (under) operating expenditures and other financing uses	\$ -	\$ (4,887,323)	\$ (4,887,323)	\$ 1,256,707
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)		\$ (4,887,323)		\$ 1,256,707
Capital outlay expenditures		6,104,817		899,304
Non-cash gain (loss) on sales of capital assets		(55,328)		-
Depreciation expense		(620,217)		(622,150)
Change in accrued leave earned expense		(8,077)		(3,039)
Landfill closure and postclosure care expense		(373,519)		(316,924)
Change in net assets (full accrual basis)		\$ 160,353		\$ 1,213,898
Another Difference in Reporting under Modified Accrual (MA) Basis versus Full Accrual (FA) Basis				
Departmental fees (modified accrual basis)		\$ 3,328,522		\$ 3,524,572
Bad debt expense (reduces departmental fees revenue under MA basis)		5,655		349
Departmental fees (full accrual basis)		\$ 3,334,177		\$ 3,524,921

This page left blank intentionally.

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
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	125

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

The County also has granted retired employees access to certain post employment benefits, such as pension payments and health care, for a limited time. The County has decided not to advance any funds toward these future expenditures, instead electing to pay the expenditures as they become due. Related activities include the following:

Law Enforcement Officers Special Separation Allowance

Cleveland County, North Carolina

a. Combining Statement of Changes in Assets and Liabilities -- Fiduciary Funds

For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
Fines and Forfeitures Agency Fund				
Assets				
Intergovernmental receivable *	\$ 4,251	\$ 656,767	\$ (653,602)	\$ 7,416
Liabilities				
Due to other taxing units - State of North Carolina *	\$ 4,251	\$ 9,223	\$ (6,058)	\$ 7,416
Due to other taxing units - Cleveland County Board of Education	-	647,544	(647,544)	-
Total liabilities	\$ 4,251	\$ 656,767	\$ (653,602)	\$ 7,416
Inmate Agency Fund				
Assets				
Cash and cash equivalents	\$ 2,520	\$ 164,992	\$ (162,962)	\$ 4,550
Intergovernmental receivable	1,285	124,554	(124,206)	1,633
Total assets	\$ 3,805	\$ 289,546	\$ (287,168)	\$ 6,183
Liabilities				
Accounts payable	\$ 3,805	\$ 269,632	\$ (267,254)	\$ 6,183
Property Tax Agency Fund				
Assets				
Taxes receivable	\$ 33,678	\$ 293,585	\$ (292,583)	\$ 34,680
Accounts receivable	1,061,778	12,443,869	(12,393,410)	1,112,237
Intergovernmental receivable	197,585	12,548,086	(12,565,208)	180,463
Total assets	\$ 1,293,041	\$ 25,285,540	\$ (25,251,201)	\$ 1,327,380
Liabilities				
Accounts payable	\$ 143,955	\$ 14,541,966	\$ (14,559,748)	\$ 126,173
Due to other taxing units	1,149,086	12,805,662	(12,753,541)	1,201,207
Total liabilities	\$ 1,293,041	\$ 27,347,628	\$ (27,313,289)	\$ 1,327,380
Rescue Squad Agency Fund				
Assets				
Cash and cash equivalents	\$ 84,555	\$ 24,071	\$ (22,500)	\$ 86,126
Accounts receivable	942,536	-	(28)	942,508
Intergovernmental receivable	1	35	(36)	-
Total assets	\$ 1,027,092	\$ 24,106	\$ (22,564)	\$ 1,028,634
Liabilities				
Accounts payable	\$ 84,556	\$ 24,106	\$ (22,536)	\$ 86,126
Due to other taxing units	942,536	-	(28)	942,508
Total liabilities	\$ 1,027,092	\$ 24,106	\$ (22,564)	\$ 1,028,634

(continued on next page)

Cleveland County, North Carolina

a. Combining Statement of Changes in Assets and Liabilities -- Fiduciary Funds

For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
(continued from previous page)				
Social Services Agency Fund				
Assets				
Cash and cash equivalents	\$ 37,028	\$ 180,225	\$ (166,529)	\$ 50,724
Liabilities				
Accounts payable	\$ 37,028	\$ 180,225	\$ (166,529)	\$ 50,724
TOTALS, All Agency Funds				
Assets				
Cash and investments	\$ 124,103	\$ 369,288	\$ (351,991)	\$ 141,400
Taxes receivable	33,678	293,585	(292,583)	34,680
Accounts receivable	2,004,314	12,443,869	(12,393,438)	2,054,745
Intergovernmental receivable	203,122	13,329,442	(13,343,052)	189,512
Total assets	\$ 2,365,217	\$ 26,436,184	\$ (26,381,064)	\$ 2,420,337
Liabilities				
Accounts payable	\$ 269,344	\$ 15,015,929	\$ (15,016,067)	\$ 269,206
Due to other taxing units	2,095,873	13,462,429	(13,407,171)	2,151,131
Total liabilities	\$ 2,365,217	\$ 28,478,358	\$ (28,423,238)	\$ 2,420,337
Law Enforcement Officers Special Separation Allowance				
Assets				
Present value of future accrued liability contribution	\$ 923,552	\$ -	\$ (1,997)	\$ 921,555
Liabilities				
Actuarial accrued liabilities	\$ 923,552	\$ -	\$ (1,997)	\$ 921,555

Note:

* these amounts in the Fines & Forfeitures Agency Fund concern the 3% late penalty on delinquent property taxes on motor vehicles

This page left blank intentionally.

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
E. Other Supplementary Information

	<u>Identifier</u>	<u>Page No.</u>
1. Schedule of Cash and Investment Balances	Exhibit II.E.01	129
2. Schedule of Interfund Transfers	Exhibit II.E.02	130
3. Analysis of Current Tax Levy - General Fund	Exhibit II.E.03	131
4. Schedule of Ad Valorem Taxes Receivable - General Fund (10)	Exhibit II.E.04	132
5. Schedule of Ad Valorem Taxes Receivable - Public Schools Fund (20)	Exhibit II.E.05	133
6. Schedule of Ad Valorem Taxes Receivable - County Fire Service District Fund (28)	Exhibit II.E.06	134
7. Schedule of Ad Valorem Taxes Receivable - Fallston Fire District (74)	Exhibit II.E.07	135
8. Schedule of Ad Valorem Taxes Receivable - Lattimore Fire District (75)	Exhibit II.E.08	135
9. Schedule of Ad Valorem Taxes Receivable - Rippy Fire District (76)	Exhibit II.E.09	136
10. Schedule of Ad Valorem Taxes Receivable - County Sanitary District (82)	Exhibit II.E.10	136
11. Schedule of Ad Valorem Taxes Receivable - City of Shelby (77)	Exhibit II.E.11	137
12. Schedule of Ad Valorem Taxes Receivable - Town of Boiling Springs (78)	Exhibit II.E.12	137
13. Schedule of Ad Valorem Taxes Receivable - Town of Grover (79)	Exhibit II.E.13	138
14. Schedule of Ad Valorem Taxes Receivable - City of Kings Mountain (80)	Exhibit II.E.14	138
15. Schedule of Ad Valorem Taxes Receivable - Town of Lattimore (81)	Exhibit II.E.15	139
16. Schedule of Ad Valorem Taxes Receivable - Town of Kingstown (83)	Exhibit II.E.16	139
17. Schedule of Ad Valorem Taxes Receivable - Town of Fallston (84)	Exhibit II.E.17	140
18. Schedule of Ad Valorem Taxes Receivable - Town of Earl (85)	Exhibit II.E.18	140
19. Schedule of Ad Valorem Taxes Receivable - Town of Polkville (86)	Exhibit II.E.19	141
20. Schedule of Ad Valorem Taxes Receivable - Town of Lawndale (87)	Exhibit II.E.20	141
21. Schedule of Ad Valorem Taxes Receivable - Town of Casar (88)	Exhibit II.E.21	142
22. Schedule of Ad Valorem Taxes Receivable - Town of Waco (89)	Exhibit II.E.22	142

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, 2008

	Purchase Value	Fair (Market) Value	Amounts Presented on Statements *
Cash			
In physical possession	\$ 8,115	\$ 8,115	\$ 8,115
In demand deposits	39,319,919	39,319,919	39,319,919
Total cash	39,328,034	39,328,034	39,328,034
Cash equivalents			
NC Capital Management Trust (money market accounts)	8,880,276	8,880,276	8,880,276
U.S. Government Securities	4,489,558	4,463,510	2,632,072
Total cash equivalents	13,369,834	13,343,786	11,512,348
Total cash and cash equivalents	\$ 52,697,868	\$ 52,671,820	\$ 50,840,382
Distribution by Funds			
General Fund		\$ 24,734,944	
Special Revenue Funds:			
Public School Fund	\$ 150,713		
Schools Capital Reserve Fund	5,978,415		
Public School Bond Fund	-	hide rows that are not needed	
Community College Bond Fund	-		
Revaluation Fund	4,308		
Emergency Telephone Fund	1,038,486		
Fire District Fund	1,104,714	8,276,636	
Capital Projects Fund: Capital Reserve Fund		7,452,250	
Enterprise Fund, unrestricted cash		6,592,420	
Agency Funds		141,400	
Total unrestricted cash and cash equivalents			\$ 47,197,650
Enterprise Fund, restricted cash		3,642,732	
Total restricted cash			3,642,732
Total cash and cash equivalents			\$ 50,840,382

* '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, 2008

	Operating Transfers from:				
	General Fund	Special Revenue Funds	Capital Reserve Fund	Enterprise Fund	Total
Operating Transfers to:					
General Fund	\$ -	\$ 2,125,822	\$ -	\$ 241,995	\$ 2,367,817
Special Revenue Funds	11,048	-	-	-	11,048
Debt Service Fund	1,107,109	1,757,592	-	-	2,864,701
Capital Projects Fund	1,383,136	-	1,622,577	-	3,005,713
Capital Reserve Fund	1,075,000	312,700	-	-	1,387,700
Enterprise Fund	750	-	-	-	750
Total	\$ 3,577,043	\$ 4,196,114	\$ 1,622,577	\$ 241,995	\$ 9,637,729

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

For the Year Ended June 30, 2008

	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	\$ 5,793,430,686	0.58000	\$ 33,601,898	\$ 29,710,049	\$ 3,891,849
Property Taxed at Prior Year's Rate	84,436,003	0.58000	489,729	93,665	396,064
Penalties (late charges)	-		47,303	47,303	-
Subtotals	5,877,866,689		34,138,930	29,851,017	4,287,913
Discoveries, Late Listings, and Other Supplements (including Public Service Companies):					
Public Service Companies	236,754,791	0.58000	1,373,178	1,373,178	-
Property Taxed at Current Year's Rate	17,681,858	0.58000	102,555	95,550	7,005
Property Taxed at Prior Year's Rate	1,898,734	0.58000	11,013	8,291	2,722
Subtotals	256,335,383		1,486,745	1,477,018	9,727
Abatements					
Property Taxed at Current Year's Rate	(18,501,816)	0.58000	(107,311)	(62,456)	(44,854)
Property Taxed at Prior Year's Rate	(3,939,415)	0.58000	(22,849)	(5,419)	(17,429)
Subtotals	(22,441,231)		(130,159)	(67,876)	(62,284)
Totals	\$ 6,111,760,841		35,495,516	31,260,159	4,235,356
Net Levy			35,495,516	31,260,159	4,235,356
Less Uncollected Taxes, Current Year, at June 30			(1,737,213)	(1,054,432)	(682,781)
Current Year's Taxes Collected			\$ 33,758,303	\$ 30,205,728	\$ 3,552,575
Current Levy Collection Percentage (current year's taxes collected / net levy)			95.106%	96.627%	83.879%

Secondary Market Disclosures:

Assessed Valuations:

Assessment Ratio	100%				
Real Property	\$ 4,439,802,142	0.58000	\$ 25,750,852		
Personal Property (current rate)	1,352,808,586	0.58000	7,846,290		
Personal Property (prior rate)	82,395,322	0.58000	477,893		
Public Service Companies	236,754,791	0.58000	1,373,178		
Penalties	-		47,303		
Totals	\$ 6,111,760,841		\$ 35,495,516		

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)	\$ 9,180,062
County Fire Protection Service District (serves portion of County)	796,340
NCGS Chapter 69 Fire Protection Districts (separate rate for each district)	293,719
Totals	\$ 45,765,637

Cleveland County, North Carolina

5. Schedule of Ad Valorem Taxes Receivable - Public Schools Fund (20)

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Uncollected Balance 2007	Additions		Deductions		Uncollected Balance 2008
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2008	\$ -	\$ 8,829,226	\$ 410,422	\$ (8,730,746)	\$ (59,585)	\$ 449,317
2007	418,101		4,017	(298,837)	(8,808)	114,473
2006	119,895		1,237	(51,100)	(2,417)	67,616
2005	72,087		1,063	(22,166)	(1,922)	49,062
2004	57,985		221	(13,599)	(464)	44,141
2003	50,253		178	(9,932)	(257)	40,243
2002	44,523		119	(4,637)	(134)	39,870
2001	37,675		85	(4,148)	(165)	33,447
2000	21,732		16	(2,234)	(135)	19,379
1999	19,173		6	(1,985)	(37)	17,156
1998	15,841			(654)	(14,728)	459
1997	802			(502)	(221)	79
	858,066	\$ 8,829,226	\$ 417,363	\$ (9,140,540)	\$ (88,874)	\$ 875,242
	(352,093)					(349,400)
	<u>\$ 505,973</u>					<u>\$ 525,843</u>
		Less allowance for uncollectible ad valorem taxes receivable				
						<u>Ad valorem taxes receivable, net</u>
						<u>\$ 525,843</u>

Reconciliation with revenues:

Total reported ad valorem tax revenues	\$ 9,215,690
Discounts	25,948
Penalties, Interest, and advertising fees	(101,098)
Taxes collections of taxes (as above)	<u>\$ 9,140,540</u>

Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Uncollected Balance 2007	Additions		Deductions		Uncollected Balance 2008
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2008	\$ -	\$ 117,303	\$ 6,668	\$ (115,601)	\$ (710)	\$ 7,659
2007	7,050		93	(5,459)	(131)	1,553
2006	2,039		44	(881)	(56)	1,146
2005	1,411		41	(365)	(62)	1,025
2004	1,018		46	(278)	(52)	734
2003	831		39	(161)	(39)	670
2002	632			(97)		535
2001	642			(80)	(9)	553
2000	531			(55)	(10)	466
1999	349			(33)		316
1998	261			(14)	(247)	-
1997						
	\$ 14,764	\$ 117,303	\$ 6,931	\$ (123,024)	\$ (1,317)	\$ 14,658

Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Uncollected Balance 2007	Additions		Deductions		Uncollected Balance 2008
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2008	\$ -	\$ 52,645	\$ 2,999	\$ (52,009)	\$ (372)	\$ 3,263
2007	3,434		10	(2,341)	(41)	1,061
2006	695		2	(271)	(17)	410
2005	390		2	(134)	(2)	256
2004	223		4	(57)	(4)	166
2003	241		3	(61)	(3)	180
2002	161		3	(18)	(3)	143
2001	189			(22)	(3)	164
2000	126			(14)	(3)	109
1999	87			(8)		79
1998	129			(4)	(125)	-
1997						
	\$ 5,675	\$ 52,645	\$ 3,023	\$ (54,940)	\$ (573)	\$ 5,830

Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Uncollected Balance 2007	Additions		Deductions		Uncollected Balance 2008
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2008	\$ -	\$ 112,394	\$ 3,364	\$ (107,026)	\$ (572)	\$ 8,161
2007	6,865		22	(5,055)	(87)	1,745
2006	2,014		8	(876)	(21)	1,124
2005	1,084		2	(376)	(21)	689
2004	836		1	(184)	(18)	634
2003	602		2	(142)	(9)	453
2002	585		9	(135)	(10)	449
2001	463		9	(77)	(10)	385
2000	365			(25)		340
1999	218			(7)		211
1998	204				(203)	1
1997	3			(2)	(1)	1
	<u>\$ 13,239</u>	<u>\$ 112,394</u>	<u>\$ 3,416</u>	<u>\$ (113,906)</u>	<u>\$ (953)</u>	<u>\$ 14,191</u>

Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Uncollected Balance 2007	Additions		Deductions		Uncollected Balance 2008
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2008	\$ -	\$ 646,260	\$ 30,153	\$ (633,378)	\$ (6,150)	\$ 36,885
2007	35,079		548	(25,895)	(776)	8,956
2006	9,408		145	(4,385)	(244)	4,923
2005	5,670		120	(2,194)	(170)	3,427
2004	3,970		21	(1,283)	(41)	2,667
2003	3,098		17	(1,027)	(26)	2,062
2002	2,317		12	(394)	(13)	1,922
2001	2,016		9	(308)	(17)	1,700
2000	1,617		2	(188)	(13)	1,419
1999	1,344		1	(139)	(1)	1,204
1998	1,210			(37)	(1,114)	59
1997	28			(18)	(9)	1
	<u>\$ 65,757</u>	<u>\$ 646,260</u>	<u>\$ 31,028</u>	<u>\$ (669,248)</u>	<u>\$ (8,573)</u>	<u>\$ 65,225</u>

Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Uncollected Balance 2007	Additions		Deductions		Uncollected Balance 2008
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2008	\$ -	\$ 7,527,868	\$ 233,546	\$ (7,444,356)	\$ (49,901)	\$ 267,157
2007	243,691		2,976	(161,952)	(7,040)	77,675
2006	85,301		196	(33,424)	(1,382)	50,692
2005	48,867		320	(9,756)	(1,610)	37,821
2004	42,171		39	(4,018)	(203)	37,989
2003	43,564			(1,925)		41,639
2002	38,991			(1,997)		36,994
2001	38,943		26	(2,014)	(26)	36,929
2000	16,357			(1,105)	(63)	15,189
1999	18,567			(1,667)		16,900
1998	13,641			(946)	(12,350)	345
1997	1,213			(878)	(190)	145
	\$ 591,306	\$ 7,527,868	\$ 237,103	\$ (7,664,038)	\$ (72,765)	\$ 619,473

Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Uncollected Balance 2007	Additions		Deductions		Uncollected Balance 2008
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2008	\$ -	\$ 712,078	\$ 18,548	\$ (708,851)	\$ (3,895)	\$ 17,880
2007	17,079		110	(12,342)	(227)	4,620
2006	3,903			(1,050)	(17)	2,837
2005	2,639			(143)		2,496
2004	2,360			(414)		1,946
2003	1,963			(101)		1,862
2002	1,701			(111)		1,590
2001	1,614			(114)	(13)	1,487
2000	1,522			(20)	(15)	1,487
1999	641			(78)		563
1998	623				(623)	-
1997						
	\$ 34,045	\$ 712,078	\$ 18,658	\$ (723,224)	\$ (4,789)	\$ 36,768

Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Uncollected Balance 2007	Additions		Deductions		Uncollected Balance 2008
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2008	\$ -	\$ 118,788	\$ 10,584	\$ (121,729)	\$ (450)	\$ 7,193
2007	7,451			(6,333)		1,118
2006	837			(344)		493
2005	828			(56)		772
2004	341			(21)		320
2003	231			(6)		225
2002	357			(46)		311
2001	522			(23)		499
2000	279			(65)		214
1999	176			(15)		161
1998	141				(141)	-
1997						
	\$ 11,163	\$ 118,788	\$ 10,584	\$ (128,638)	\$ (591)	\$ 11,305

Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Uncollected Balance 2007	Additions		Deductions		Uncollected Balance 2008
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2008	\$ -	\$ 2,148,473	\$ 39,638	\$ (2,052,355)	\$ (15,483)	\$ 120,274
2007	97,576		531	(62,232)	(726)	35,149
2006	25,490		132	(6,889)	(125)	18,608
2005	16,673		17	(2,771)	(22)	13,898
2004	14,585			(1,313)	(17)	13,255
2003	13,173			(544)	(22)	12,607
2002	18,234			(334)	(24)	17,876
2001	8,189			(699)	(25)	7,465
2000	5,433			(577)	(29)	4,827
1999	5,133			(230)	(65)	4,837
1998	4,594			(44)	(4,538)	12
1997	100				(95)	5
	\$ 209,180	\$ 2,148,473	\$ 40,319	\$ (2,127,989)	\$ (21,171)	\$ 248,812

Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Uncollected Balance 2007	Additions		Deductions		Uncollected Balance 2008
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2008	\$ -	\$ 25,768	\$ 1,813	\$ (26,088)	\$ (626)	\$ 868
2007	742			(589)	(5)	149
2006	590			(274)		316
2005	164			(92)		72
2004	94			(18)		76
2003	82					82
2002	83					83
2001	112				(26)	86
2000	46			(2)	(29)	15
1999	44			(25)		19
1998	53			(28)	(24)	-
1997						
	\$ 2,011	\$ 25,768	\$ 1,813	\$ (27,116)	\$ (710)	\$ 1,767

Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Uncollected Balance 2007	Additions		Deductions		Uncollected Balance 2008
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2008	\$ -	\$ 73,567	\$ 3,415	\$ (59,218)	\$ (1,050)	\$ 16,714
2007	14,952		10	(11,173)	(42)	3,748
2006	3,681			(1,780)		1,901
2005	2,145			(247)		1,898
2004	1,224			(114)		1,111
2003	613			(129)		483
2002	595			(80)		516
2001	696			(16)		680
2000	462					462
1999	232			(1)		231
1998	178				(178)	-
1997						
	\$ 24,778	\$ 73,567	\$ 3,425	\$ (72,756)	\$ (1,269)	\$ 27,745

Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Uncollected Balance 2007	Additions		Deductions		Uncollected Balance 2008
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2008	\$ -	\$ 17,672	\$ 1,183	\$ (17,871)	\$ (88)	\$ 896
2007	752			(630)		122
2006	185			(39)		145
2005	79			(9)		70
2004	85			(8)		77
2003	66			(24)		42
2002	105			(22)		83
2001	139			(2)		137
2000	108			(1)		107
1999	22			(0)		21
1998	25				(25)	-
1997						
	\$ 1,565	\$ 17,672	\$ 1,183	\$ (18,607)	\$ (113)	\$ 1,700

Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Uncollected Balance 2007	Additions		Deductions		Uncollected Balance 2008
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2008	\$ -	\$ 15,435	\$ 1,015	\$ (15,022)	\$ (67)	\$ 1,361
2007	1,222		6	(1,042)	(43)	144
2006	288			(160)		128
2005	253			(126)		127
2004	398			(48)		350
2003	430			(66)		364
2002	206			(29)		177
2001	240			(25)		215
2000	79					79
1999	13					13
1998	35				(35)	-
1997						
	\$ 3,163	\$ 15,435	\$ 1,021	\$ (16,517)	\$ (144)	\$ 2,957

Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Uncollected Balance 2007	Additions		Deductions		Uncollected Balance 2008
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2008	\$ -	\$ 12,225	\$ 383	\$ (11,988)	\$ (43)	\$ 577
2007	564			(319)	(10)	236
2006	192			(40)		151
2005	163			(17)		146
2004	111			(14)		97
2003	66			(17)		50
2002	111			(12)		99
2001	24			(12)		12
2000	16					16
1999	10					10
1998	12				(12)	-
1997						
	\$ 1,269	\$ 12,225	\$ 383	\$ (12,419)	\$ (65)	\$ 1,393

Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Uncollected Balance 2007	Additions		Deductions		Uncollected Balance 2008
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2008	\$ -	\$ 49,726	\$ 2,863	\$ (46,949)	\$ (311)	\$ 5,329
2007	7,602		5	(6,115)	(35)	1,457
2006	1,260			(510)	(28)	722
2005	805			(235)	(11)	559
2004	492			(79)	(22)	391
2003	430			(61)	(11)	358
2002	299			(91)		208
2001	578			(163)		415
2000	207			(104)		102
1999	211			(12)		200
1998	101				(101)	-
1997						
	\$ 11,984	\$ 49,726	\$ 2,868	\$ (54,319)	\$ (519)	\$ 9,740

Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Uncollected Balance 2007	Additions		Deductions		Uncollected Balance 2008
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2008	\$ -	\$ 6,005	\$ 275	\$ (6,101)	\$ (21)	\$ 158
2007	247		4	(214)	(3)	35
2006	41			(14)		26
2005	16			(8)		8
2004	8			(1)		8
2003	8					8
2002	8					8
2001	8					8
2000	1					1
1999	11					11
1998	5				(5)	-
1997						
	\$ 353	\$ 6,005	\$ 279	\$ (6,338)	\$ (29)	\$ 270

Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Uncollected Balance 2007	Additions		Deductions		Uncollected Balance 2008
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2008	\$ -	\$ 14,475	\$ 1,199	\$ (14,103)	\$ (131)	\$ 1,439
2007	1,041		13	(656)	(34)	364
2006	507		4	(220)	(4)	287
2005	208		4	(105)	(4)	103
2004	103			(48)		55
2003	53					53
2002	35					35
2001	45					45
2000	6					6
1999	15					15
1998	12				(12)	-
1997						
	\$ 2,024	\$ 14,475	\$ 1,220	\$ (15,132)	\$ (185)	\$ 2,402

This page left blank intentionally.

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
III: STATISTICAL AND TREND INFORMATION**

	<u>Identifier</u>	<u>Page No.</u>
A. Report to Nationally Recognized Municipal Securities Information Repository	Subsection III.A	145
B. Revenue Capacity Schedules:	Subsection III.B	151
C. Debt Capacity Schedules:	Subsection III.C	151
D. Demographic, Economic, and Operating Schedules:	Subsection III.D	162
E. Financial Trends Schedules:	Subsection III.E	168

This section includes schedules that illustrate financial trends, fiscal capacity, and other important information of the County. The information has been extracted from current and prior years' financial and compliance reports and other relevant supplemental materials.

Beginning with implementation of GASB Statement Number 34 with the fiscal year ended June 30, 2003, certain government-wide information is presented on the full accrual basis of accounting. Schedules that present government-wide information will not include information prior to that date.

This page left blank intentionally.

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008**

III: STATISTICAL AND TREND INFORMATION

A. Report to Nationally Recognized Municipal Securities Information Repository

The pages herein contain information required by Securities and Exchange Commission (SEC) Rule 15c2-12 for each Nationally Recognized Municipal Securities Information Repository (N.R.M.S.I.R.) and pertain to the following:

Issuer: Cleveland County, North Carolina
Contact Person: C. D. Crepps
Fiscal Year Ended: June 30, 2008
Reporting Period: July 1, 2008 to September 30, 2008
Six-Digit Cusip: 186036

Subject: Notice of Filing of Annual Information

As required by the undertaking, the "Issuer" certifies that the required annual financial information, as described in the susceptible final official statements, has herewith been provided in a timely manner to each N.R.M.S.I.R. (see Exhibit III.A.1 for the list of each addressee). I am duly authorized by the "Issuer" and have sufficient information available to make this certification regarding all subject obligations issued with the "Six-Digit Cusip."

Subject: Information Required by Securities and Exchange Commission Rule 15c2-12

The items in this subsection present certain information required by SEC Rule 15c2-12:	<u>Identifier</u>	<u>Page No.</u>
1. N.R.M.S.I.R. Distribution List	Exhibit III.A.1	144
2. Tax Information and Debt Information (including bonds issued)	Exhibit III.A.2	145
3. Budget Ordinance as of July 1, 2008 - Annually Budgeted Funds	Exhibit III.A.3	146
4. Budget Amended as of September 30, 2008 - Annually Budgeted Funds	Exhibit III.A.4	147
5. Budget Reconciliation as of September 30, 2008 - Annually Budgeted Funds	Exhibit III.A.5	148

Also, other pertinent information, such as the item listed below, can be found in this report.

List of Principal County Officials as of June 30, 2008	Subsection I.B	12
--	----------------	----

Subject: Certification of Material Events Notice

SEC Rule 15c2-12(b)(5)(iii) requires an "Issuer" or other obligated person to provide notice of any of the following eleven events, if material, with respect to the offered securities:

1. Principal and interest payment delinquencies
2. Non-payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the security
7. Modifications to rights of security holders
8. Bond calls
9. Defeasances
10. Release, substitution, or sale of property securing repayment of the securities
11. Rating changes

I hereby certify that there have been no occurrences of the events listed above that are of a material nature during the "Fiscal Year Ended" or subsequent thereto through the "Reporting Period." I am duly authorized by the "Issuer" and have sufficient information available to make this certification.

Respectfully yours,
C. D. Crepps
County Finance Director

Cleveland County, North Carolina
1. N.R.M.S.I.R. Distribution List

Exhibit III.A.1

For the Year Ended June 30, 2008

Information on addresses for each Nationally Recognized Municipal Securities Information Repository (N.R.M.S.I.R.) below was obtained in September 2008 from the U.S. Securities and Exchange Commission website monitored and updated at <http://www.sec.gov/info/municipal/nrmsir.htm>.

Bloomberg Municipal Repository
Attn: NRMSIR
100 Business Park Drive
Skillman, New Jersey 08558
Telephone: 609-279-3225
Facsimile: 609-279-5962
Email: munis@bloomberg.com
Web Address/Location/URL:
<http://www.bloomberg.com/markets>

DPC Data Inc.
Attn: NRMSIR
One Executive Drive
Fort Lee, New Jersey 07024
Telephone: 201-346-0701
Facsimile: 201-947-0107
Email: nrmsir@dpcdata.com
Web Address/Location/URL:
<http://www.munifilings.com>

Standard and Poor's Securities Evaluations, Inc.
Attn: NRMSIR
55 Water Street, 45th Floor
New York, New York 10041
Telephone: 212-438-4595
Facsimile: 212-438-3975
Email: nrmsir_repository@sandp.com
Web Address/Location/URL:
<http://www.disclosuredirectory.standardandpoors.com>

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Telephone: 212-771-6999 (800-689-8466)
Facsimile: 212-771-7390
Email: nrmsir@interactivedata.com
Web Address/Location/URL:
<http://www.interactivedata-prd.com>

Although no state information repository for municipal securities exists in North Carolina, the information submitted herein has been made available to the state via:

North Carolina Department of State Treasurer
Division of State and Local Government Finance
Attn: LGC - NRMSIR
325 North Salisbury Street
Raleigh, North Carolina 27603-1385
Telephone: 919-807-2394
Facsimile: 919-807-2352
Email: lgcsec-documents@nctreasurer.com
Web Address/Location/URL:
<http://www.nctreasurer.com/dsthome/StateAndLocalGov>

Cleveland County, North Carolina

2. Tax Information and Debt Information (including bonds issued)

Exhibit III.A.2

For the Year Ended June 30, 2008

Property Tax Information

PROPERTY TAX LEVIES AND COLLECTIONS,, PRINCIPAL TAXPAYERS, and OTHER INFORMATION

Please refer to the schedules and page numbers in the list below from this report (Cleveland County, North Carolina's Annual Financial and Compliance Report For the Year Ended June 30, 2008).

<u>Description</u>	<u>Identifier</u>	<u>Page No.</u>
"Analysis of Current Tax Levy - General Fund" for the year ended June 30, 2008	Exhibit II.E.03	128
"Schedule of Ad Valorem Taxes Receivable - General Fund" for the year ended June 30, 2008	Exhibit II.E.04	129
"Property Tax Levies by Taxing District" for twelve most recent fiscal years	Exhibit III.B.1	152
"Property Tax Levies and Collections" for twelve most recent fiscal years	Exhibit III.B.2	152
"Direct and Overlapping Property Tax Rates" for twelve most recent fiscal years	Exhibit III.B.3	154
"Principal Taxpayers" for the years ended June 30, 2008, 2005, 2002, and 1999	Exhibit III.B.4	156
"Assessed Value of Taxable Property and Tax Rates" for twelve most recent fiscal years	Exhibit III.B.5	158

Note: The latest revaluation of real property became effective with the tax levy for the fiscal year beginning July 1, 2004. With the tax levy for the fiscal year beginning July 1, 2008, another revaluation of real property will become effective. The next scheduled revaluation of real property will become effective with the tax levy for the fiscal year beginning July 1, 2012.

Debt Information

BONDS ISSUED AND SUBJECT TO SEC RULE 15c2-12

2002-03 \$29,920,000 Refunding Serial Bonds, Series 2003, 3.2 years/average maturity, 3.11% true interest cost
 1997-98 \$3,100,000 Community College Bonds, Series 1998, 11.74 years/average maturity, 4.66% true interest cost

GENERAL OBLIGATION (G.O.) BONDS AUTHORIZED AND UNISSUED

None

G.O. DEBT RATIOS and G.O. DEBT INFORMATION FOR UNDERLYING UNITS

Please refer to the report "Analysis of Debt of North Carolina Counties, Municipalities And Districts at June 30, 2008", filed with each Nationally Recognized Municipal Securities Information Repository (N.R.M.S.I.R.) by the Division of State and Local Government Finance of the North Carolina Department of State Treasurer.

G.O. DEBT, G.O. DEBT SERVICE REQUIREMENTS, LEGAL DEBT LIMIT, and OTHER LONG-TERM COMMITMENTS

Please refer to the schedules and page numbers in the list below from this report (Cleveland County, North Carolina's Annual Financial and Compliance Report For the Year Ended June 30, 2008).

<u>Description</u>	<u>Identifier</u>	<u>Page No.</u>
"Pension Plan Obligations"	Note b.B.2	68
"Closure and Post-closure Care Costs - Solid Waste Landfill Facility"	Note b.B.3	71
"Capital Leases"	Note b.B.7.a	73
"Total Indebtedness"	Note b.B.7.e	74
"Conduit Debt Obligations"	Note b.B.7.f	75
"Long-Term Obligation Activity"	Note b.B.7.h	77
"Computation of Legal Debt Margin" for twelve most recent fiscal years	Exhibit III.C.1	158
"Computation of Direct Debt - General Obligation Bonds"	Exhibit III.C.2	159
"Annual Requirements and Debt Limitations for General Obligation Bonds"	Exhibit III.C.3	159
"Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Government Expenditures" for twelve most recent fiscal years	Exhibit III.C.4	160
"Breakdown of Outstanding Debt" for twelve most recent fiscal years	Exhibit III.C.5	160
"Ratios of Outstanding Debt" for twelve most recent fiscal years	Exhibit III.C.6	161

Cleveland County, North Carolina

3. Budget Ordinance as of July 1, 2008 - Annually Budgeted Funds

Exhibit III.A.3

For the Year Ending June 30, 2009

Description	Governmental Funds			Proprietary Fund	Total
	General Fund	Special Revenue Funds	Debt Service Fund	Solid Waste Fund	
ESTIMATED REVENUES					
Ad valorem taxes	\$ 36,474,345	\$ 10,037,451	\$ -	\$ -	\$ 46,511,796
Other taxes / Assessments	11,629,000	2,954,095	-	1,529,928	16,113,023
Intergovernmental, unrestricted	107,000	-	-	-	107,000
Intergovernmental, restricted	20,062,593	600,000	-	60,000	20,722,593
Licenses, permits, and fees	1,068,515	-	-	-	1,068,515
Sales and services (dept fees)	7,748,308	-	-	3,312,000	11,060,308
Investment earnings	1,110,000	25,000	-	114,973	1,249,973
Miscellaneous	417,113	-	-	110,000	527,113
Total estimated revenues	78,616,874	13,616,546	-	5,126,901	97,360,321
APPROPRIATIONS					
General government	9,281,531	11,000	-	-	9,292,531
Public safety	16,253,944	1,532,244	-	-	17,786,188
Human services	39,135,554	-	-	-	39,135,554
Environmental	-	-	-	5,719,842	5,719,842
Education	11,698,342	9,217,425	-	-	20,915,767
Economic and physical develop.	1,341,880	-	-	-	1,341,880
Cultural and recreational	1,081,953	-	-	-	1,081,953
Schools capital outlay	3,400,000	-	-	-	3,400,000
Debt service, principal reduction	74,116	-	2,842,866	-	2,916,982
Debt service, interest	13,649	-	491,312	-	504,961
Total appropriations	82,280,969	10,760,669	3,334,178	5,719,842	102,095,658
Estimated revenues over (under) appropriations	(3,664,095)	2,855,877	(3,334,178)	(592,941)	(4,735,337)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds:					
General Fund	-	11,000	1,786,593	-	1,797,593
Special Revenue Funds	1,466,144	-	1,547,585	-	3,013,729
Solid Waste Fund	235,059	-	-	-	235,059
Transfers to other funds:					
General Fund	-	(1,466,144)	-	(235,059)	(1,701,203)
Special Revenue Funds	(11,000)	-	-	-	(11,000)
Debt Service Fund	(1,786,593)	(1,547,585)	-	-	(3,334,178)
Capital Reserve Fund	(1,144,000)	-	-	-	(1,144,000)
Appropriated fund balances	4,904,485	146,852	-	828,000	5,879,337
Total other financing sources (uses)	3,664,095	(2,855,877)	3,334,178	592,941	4,735,337
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	-

Cleveland County, North Carolina

4. Budget Amended as of September 30, 2008 - Annually Budgeted Funds

Exhibit III.A.4

For the Year Ending June 30, 2009

Description	Governmental Funds			Proprietary Fund	Total
	General Fund	Special Revenue Funds	Debt Service Fund	Solid Waste Fund	
ESTIMATED REVENUES					
Ad valorem taxes	\$ 36,474,345	\$ 10,037,451	\$ -	\$ -	\$ 46,511,796
Other taxes / Assessments	11,629,000	3,024,025	-	1,529,928	16,182,953
Intergovernmental, unrestricted	107,000	-	-	-	107,000
Intergovernmental, restricted	21,310,619	600,000	-	60,000	21,970,619
Licenses, permits, and fees	1,068,515	-	-	-	1,068,515
Sales and services (dept fees)	7,748,308	-	-	3,312,000	11,060,308
Investment earnings	1,110,000	25,000	-	114,973	1,249,973
Miscellaneous	418,568	-	-	110,000	528,568
Total estimated revenues	79,866,355	13,686,476	-	5,126,901	98,679,732
APPROPRIATIONS					
General government	9,276,301	11,000	-	-	9,287,301
Public safety	16,577,605	1,602,174	-	-	18,179,779
Human services	39,316,488	-	-	-	39,316,488
Environmental	-	-	-	7,796,903	7,796,903
Education	11,698,342	9,217,425	-	-	20,915,767
Economic and physical develop.	2,543,853	-	-	-	2,543,853
Cultural and recreational	1,095,262	-	-	-	1,095,262
Schools capital outlay	3,400,000	-	-	-	3,400,000
Debt service, principal reduction	46,135	-	2,842,866	-	2,889,001
Debt service, interest	8,585	-	491,312	-	499,897
Total appropriations	83,962,571	10,830,599	3,334,178	7,796,903	105,924,251
Estimated revenues over (under) appropriations	(4,096,216)	2,855,877	(3,334,178)	(2,670,002)	(7,244,519)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds:					
General Fund	-	11,000	1,786,593	-	1,797,593
Special Revenue Funds	1,466,144	-	1,547,585	-	3,013,729
Solid Waste Fund	235,059	-	-	-	235,059
Transfers to other funds:					
General Fund	-	(1,466,144)	-	(235,059)	(1,701,203)
Special Revenue Funds	(11,000)	-	-	-	(11,000)
Debt Service Fund	(1,786,593)	(1,547,585)	-	-	(3,334,178)
Capital Reserve Fund	(1,611,085)	-	-	-	(1,611,085)
Appropriated fund balances	5,803,691	146,852	-	2,905,061	8,855,604
Total other financing sources (uses)	4,096,216	(2,855,877)	3,334,178	2,670,002	7,244,519
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	-

Cleveland County, North Carolina

5. Budget Reconciliation as of September 30, 2008 - Annually Budgeted Funds

Exhibit III.A.5

For the Year Ending June 30, 2009

Description	Governmental Funds			Proprietary Fund	Total
	General Fund	Special Revenue Funds	Debt Service Fund	Solid Waste Fund	
APPROPRIATIONS AND TRANSFERS OUT PER BUDGET ORDINANCE					
General Fund:					
Primary Government Services	\$ 45,140,285				\$ 45,140,285
Social Services & Public Assistance	26,965,706				26,965,706
Public Health Services	11,587,299				11,587,299
Employee Wellness	797,574				797,574
Court Facilities	351,928				351,928
Workers' Compensation	380,000				380,000
Special Revenue Funds:					
Public School District		9,217,425			9,217,425
Schools Capital Reserve		2,947,585			2,947,585
Revaluation		11,000			11,000
Emergency Telephone		306,510			306,510
County Fire Service District		1,291,878			1,291,878
CDBG Housing Rehab		n/a			-
Debt Service Fund:			3,334,178		3,334,178
Solid Waste Fund:				5,954,901	5,954,901
Total appropriations and transfers out per budget ordinance	85,222,792	13,774,398	3,334,178	5,954,901	108,286,269
APPROPRIATIONS AND TRANSFERS OUT PER BUDGET AMENDMENTS					
July:	1,872,207	-	-	2,077,061	3,949,268
August:	235,763	69,930	-	-	305,693
September:	40,487	-	-	-	40,487
Total appropriations and transfers out per budget amendments	2,148,457	69,930	-	2,077,061	4,295,448
TOTAL BUDGET TO DATE	87,371,249	13,844,328	3,334,178	8,031,962	112,581,717
LESS: TRANSFERS OUT	(3,408,678)	(3,013,729)	-	(235,059)	(6,657,466)
TOTAL APPROPRIATIONS	\$ 83,962,571	\$ 10,830,599	\$ 3,334,178	\$ 7,796,903	\$ 105,924,251

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
III: STATISTICAL AND TREND INFORMATION
B. Revenue Capacity Schedules:**

	<u>Identifier</u>	<u>Page No.</u>
1. Property Tax Levies by Taxing District (twelve most recent fiscal years)	Exhibit III.B.1	152
2. Property Tax Levies and Collections (twelve most recent fiscal years)	Exhibit III.B.2	152
3. Direct and Overlapping Property Tax Rates (twelve most recent fiscal years)	Exhibit III.B.3	154
4. Principal Taxpayers - Current versus 3, 6, and 9 years ago	Exhibit III.B.4	156
5. Assessed Value of Taxable Property and Property Tax Rates (twelve most recent fiscal years)	Exhibit III.B.5	158

**III: STATISTICAL AND TREND INFORMATION
C. Debt Capacity Schedules:**

	<u>Identifier</u>	<u>Page No.</u>
1. Computation of Legal Debt Margin (twelve most recent fiscal years)	Exhibit III.C.1	158
2. Computation of Direct and Underlying Debt for General Obligation Bonds	Exhibit III.C.2	159
3. Annual Requirements and Debt Limitations for General Obligation Bonds	Exhibit III.C.3	159
4. Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures (twelve most recent fiscal years)	Exhibit III.C.4	160
5. Breakdown of Outstanding Debt (twelve most recent fiscal years)	Exhibit III.C.5	160
6. Ratios of Outstanding Debt (twelve most recent fiscal years)	Exhibit III.C.6	161

Cleveland County, North Carolina

1. Property Tax Levies by Taxing District (twelve most recent fiscal years)

(continued on next page)

Exhibit III.B.1

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	County General Fund	Special Revenue Funds		Agency Funds		
		Consolidated School System	County Fire	County Schools	Kings Mountain Schools	Shelby City Schools
2008	\$ 35,495,516	\$ 9,180,062	\$ 796,340	-	-	-
2007	34,992,445	9,041,235	778,464	-	-	-
2006	34,304,168	8,872,808	751,964	-	-	-
2005	33,654,906	8,702,570	731,336	-	-	-
2004	31,810,691	8,208,648	644,205	-	-	-
2003	31,082,261	8,023,050	659,290	-	-	-
2002	30,734,285	7,898,388	637,681	-	-	-
2001	29,818,887	6,967,370	607,130	224,992	274,742	165,205
2000	25,968,750	-	351,725	2,467,183	1,917,582	1,470,234
1999	25,436,201	-	355,177	2,408,891	1,872,166	1,457,245
1998	24,873,250	-	368,535	2,339,223	1,833,706	1,453,411
1997	\$ 23,794,108	\$ -	\$ 353,274	\$ 2,241,310	\$ 1,708,736	\$ 1,413,005

Note: Special levies for school district, fire districts, and sanitary district are included in these computations.

Cleveland County, North Carolina

2. Property Tax Levies and Collections (twelve most recent fiscal years)

(continued on next page)

Exhibit III.B.2

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Levy	First Year		Collections and Abatements after 1st Year
		Collections in First Year	Percent Collected	
2008	\$ 45,765,637	\$ 43,518,113	95.089%	-
2007	45,118,371	43,026,504	95.364%	1,520,558
2006	44,236,504	42,170,493	95.330%	1,728,581
2005	43,419,903	41,221,362	94.937%	1,954,039
2004	40,973,570	38,712,884	94.483%	2,041,261
2003	40,064,096	37,736,229	94.190%	2,128,131
2002	39,571,729	37,246,560	94.124%	2,128,948
2001	38,351,161	35,890,180	93.583%	2,293,166
2000	32,429,062	30,492,676	94.029%	1,834,582
1999	31,779,566	29,883,633	94.034%	1,807,762
1998	31,111,159	29,238,100	93.979%	1,870,206
1997	\$ 29,745,201	\$ 27,587,955	92.748%	\$ 2,156,894

Note: Special levies for school district, fire districts, and sanitary district are included in these computations.

(continued from previous page)

Agency Funds (cont.)			
Fallston Fire	Lattimore Fire	Rippy Fire	All Districts
\$ 123,261	\$ 55,272	\$ 115,186	\$ 45,765,637
118,199	74,086	113,942	45,118,371
119,269	76,048	112,247	44,236,504
139,441	79,069	112,581	43,419,903
140,364	69,961	99,701	40,973,570
126,435	68,761	104,299	40,064,096
135,081	70,737	95,557	39,571,729
132,345	70,839	89,651	38,351,161
108,957	64,332	80,299	32,429,062
105,551	61,736	82,599	31,779,566
103,672	59,230	80,132	31,111,159
\$ 77,211	\$ 97,660	\$ 59,897	\$ 29,745,201

(continued from previous page)

Total Collections To Date	Percent Collected	Balance Delinquent	Percent Delinquent
\$ 43,518,113	95.089%	\$ 2,247,524	4.911%
44,547,062	98.734%	571,309	1.266%
43,899,074	99.237%	337,430	0.763%
43,175,401	99.437%	244,502	0.563%
40,754,145	99.464%	219,425	0.536%
39,864,360	99.501%	199,736	0.499%
39,375,508	99.504%	196,221	0.496%
38,183,346	99.562%	167,815	0.438%
32,327,258	99.686%	101,804	0.314%
31,691,395	99.723%	88,171	0.277%
31,108,306	99.991%	2,853	0.009%
\$ 29,744,849	99.999%	\$ 352	0.001%

Cleveland County, North Carolina

3. Direct and Overlapping Property Tax Rates (twelve most recent fiscal years)

(continued on next page)

Exhibit III.B.3

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	County General Fund	Special Revenue Funds		Agency Funds		
		Consolidated School System	County Fire	County Schools	Kings Mountain Schools	Shelby City Schools
2008	0.005800	0.001500	0.000300	n/a	n/a	n/a
2007	0.005800	0.001500	0.000300	n/a	n/a	n/a
2006	0.005800	0.001500	0.000300	n/a	n/a	n/a
2005	0.005800	0.001500	0.000300	n/a	n/a	n/a
2004	0.006200	0.001600	0.000300	n/a	n/a	n/a
2003	0.006200	0.001600	0.000300	n/a	n/a	n/a
2002	0.006200	0.001600	0.000300	n/a	n/a	n/a
2001	0.006200	0.001600	0.000300	n/a	n/a	n/a
2000	0.006270	n/a	0.000200	0.001000	0.001900	0.002200
1999	0.006270	n/a	0.000200	0.001000	0.001900	0.002200
1998	0.006270	n/a	0.000200	0.001000	0.001900	0.002200
1997	0.006200	n/a	0.000200	0.001000	0.001800	0.002200

(continued below)

Note: The County-wide property tax rate includes only the County General Fund and the Consolidated School System Special Revenue Fund.

(continued on next page)

Fiscal Year Ended June 30	Agency Funds (cont.)					
	Town of Boiling Springs	Town of Grover	City of Kings Mountain	City of Kings Mountain MSD	Town of Lattimore	Town of Kingstown
(continued from above)						
2008	0.003000	0.003800	0.004000	0.002362	0.001800	0.003500
2007	0.003000	0.003800	0.004000	0.002362	0.001800	0.003500
2006	0.003000	0.003600	0.003600	0.002362	0.001800	0.003500
2005	0.003000	0.003600	0.003600	0.002362	0.001800	0.003500
2004	0.003300	0.002900	0.003600	n/a	0.002000	0.003500
2003	0.003000	0.002900	0.003600	n/a	0.002000	0.003500
2002	0.002800	0.002900	0.003600	n/a	0.002000	0.003500
2001	0.002800	0.002900	0.003600	n/a	0.002000	0.003500
2000	0.003000	0.002900	0.004000	n/a	0.002000	0.003500
1999	0.003000	0.002900	0.004000	n/a	0.001500	0.003500
1998	0.003000	0.002900	0.004000	n/a	0.001500	0.003500
1997	0.003000	0.002900	0.004000	n/a	0.001500	0.003500

Note: Three municipalities in the County do not levy property taxes within their jurisdiction. The three municipalities are the Town of Belwood, Town of Mooresboro, and Town of Patterson Springs.

(continued from previous page)

Agency Funds (cont.)					
Fallston Fire	Lattimore Fire	Rippy Fire	County Sanitary	City of Shelby	City of Shelby MSD
0.000500	0.000200	0.000300	0.000200	0.004350	0.002200
0.000500	0.000200	0.000300	0.000200	0.004200	0.002700
0.000500	0.000200	0.000300	0.000200	0.004200	0.002700
0.000600	0.000200	0.000300	0.000200	0.004200	0.002700
0.000700	0.000200	0.000300	0.000200	0.004200	0.002700
0.000700	0.000200	0.000300	0.000200	0.004200	0.002700
0.000700	0.000200	0.000300	0.000200	0.004200	0.002700
0.000700	0.000200	0.000300	0.000200	0.004200	0.002700
0.000700	0.000200	0.000300	0.000200	0.004700	0.003000
0.000700	0.000200	0.000300	0.000200	0.004700	0.003000
0.000700	0.000200	0.000300	0.000200	0.004700	0.003000
0.000700	0.000200	0.000300	0.000200	0.004700	0.003000

(continued below)

(continued from previous page)

Agency Funds (cont.)					
Town of Fallston	Town of Earl	Town of Polkville	Town of Lawndale	Town of Casar	Town of Waco
(continued from above)					
0.000500	0.001700	0.000500	0.002300	0.000500	0.001200
0.000500	0.001700	0.000500	0.002300	0.000500	0.001200
0.000500	0.001700	0.000500	0.002300	0.000500	0.001200
0.000500	0.001800	0.000500	0.002300	0.000500	0.001000
0.000500	0.001800	0.000500	0.002300	0.000500	0.001000
0.000500	0.001800	0.000500	0.002300	0.000500	0.001000
0.000500	0.001000	0.000500	0.002300	0.000500	0.001000
0.000500	0.001000	0.000500	0.002300	0.000500	0.000500
0.000500	0.001000	0.000500	0.002300	0.000500	0.000500
0.000500	0.001000	0.000500	0.002300	0.000500	0.000500
0.000500	0.001000	0.000500	0.002300	0.000500	0.000500
0.000500	0.001000	0.000500	0.002300	0.000500	n/a

Cleveland County, North Carolina

4. Principal Taxpayers - Current versus 3, 6, and 9 years ago

(continued on next page)

Exhibit III.B.4

For the Year Ended June 30, 2008

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy
1. PPG Industries, Inc.	Fiber Glass	97,942,650	1.603%	1,567,910
2. Wal-Mart	Warehouse/Retail Store	96,052,626	1.572%	1,119,013
3. Duke Energy	Electric Utility	135,020,288	2.209%	1,084,676
4. Eaton Corporation	Truck Transmissions	50,688,597	0.829%	395,371
5. Ticona Polymers	Polymers	46,942,814	0.768%	366,154
6. Bellsouth Telephone	Communications	36,223,845	0.593%	337,984
7. Copeland Corporation	Air Compressors	26,585,930	0.435%	308,107
8. Entertainment Distribution	Laser Discs	28,899,218	0.473%	225,464
9. Southeastern Container	Laser Discs	17,805,322	0.291%	201,200
10. Reliance Electric	Electric Motors	22,226,892	0.364%	173,420
11. Shelby Mall LLC	Real Estate	12,759,211	0.209%	148,645
12. Hanesbrands Direct	Apparel	18,320,332	0.300%	142,899
Totals		\$ 589,467,725	9.645%	\$ 6,070,842

4. Principal Taxpayers - Current versus 3, 6, and 9 years ago

Exhibit III.B.4

For the Year Ended June 30, 2005

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy
1. PPG Industries, Inc.	Fiber Glass	141,975,834	2.454%	1,098,203
2. Wal-Mart	Warehouse/Retail Store	87,205,874	1.507%	1,002,868
3. Duke Energy	Electric Utility	118,597,123	2.050%	945,859
4. Ticona Celanese	Polymers	65,749,526	1.137%	512,846
5. Copeland Corporation	Air Compressors	43,011,804	0.743%	494,636
6. Eaton Corporation	Truck Transmissions	47,439,698	0.820%	370,030
7. Bell South	Communications	38,835,729	0.671%	360,920
8. UMG/PMDC CBL	Laser Discs	39,273,871	0.679%	306,386
9. Reliance Electric	Electric Motors	38,011,930	0.657%	296,543
10. Arteva/Kosa	Polymers	29,757,586	0.514%	232,109
11. Honeywell/Fasco Controls	Electronics	16,695,415	0.289%	191,997
12. Curtiss Wright	Aircraft Parts	15,307,450	0.265%	176,036
Totals		\$ 681,861,840	11.786%	\$ 5,988,433

4. Principal Taxpayers - Current versus 3, 6, and 9 years ago

(continued from previous page)

Exhibit III.B.4

For the Year Ended June 30, 2002

Taxpayer Name	Industry	Tax Levy
1. PPG Industries, Inc.	Fiber Glass	1,082,105
2. Duke Energy	Electric Utility	1,068,340
3. Copeland Corporation	Air Compressors	583,819
4. Ticona Celanese	Polymers	562,043
5. Bell South	Communications	426,435
6. Eaton Corporation	Truck Transmissions	382,806
7. UMG/PMDC CBL	Laser Discs	372,428
8. Arteva/Kosa	Polymers	353,877
9. Honeywell/Fasco Controls	Electronics	263,958
10. Reliance Electric	Electric Motors	256,182
Totals		\$ 5,351,993

4. Principal Taxpayers - Current versus 3, 6, and 9 years ago

Exhibit III.B.4

For the Year Ended June 30, 1999

Taxpayer Name	Industry	Tax Levy
1. Duke Energy	Electric Utility	1,135,496
2. PPG Industries, Inc.	Fiber Glass	945,662
3. Hoechst Celanese (now Ticona Celanese)	Polymers	638,077
4. Southern Bell (now Bell South)	Communications	489,305
5. Polygram Mfg. (now UMG/PMDC CBL)	Laser Discs	435,687
6. Copeland Corporation	Air Compressors	412,806
7. Eaton Corporation	Truck Transmissions	368,085
8. Reliance Electric	Electric Motors	267,569
9. Metropolitan Life Insurance	Real Estate	183,263
10. Kemet, Inc.	Electronics	177,475
Totals		\$ 5,053,425

Cleveland County, North Carolina

5. Assessed Value of Taxable Property and Property Tax Rates (twelve most recent fiscal years)

Exhibit III.B.5

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Real Property	Personal Property	Corporate Excess	Total Assessed Value	County-wide Property Tax Rate
2008	\$ 4,439,802,142	\$ 1,435,203,908	\$ 236,754,791	\$ 6,111,760,841	0.007300
2007	4,360,134,267	1,423,645,599	236,954,915	6,020,734,781	0.007300
2006	4,235,213,856	1,442,246,979	229,147,077	5,906,607,912	0.007300
(a) 2005	4,159,817,633	1,423,203,225	202,217,191	5,785,238,049	0.007300
2004	3,539,044,771	1,375,973,251	203,430,042	5,118,448,064	0.007800
2003	3,434,891,384	1,364,495,344	207,752,627	5,007,139,355	0.007800
2002	3,357,768,932	1,306,813,709	227,312,824	4,891,895,465	0.007800
(a) 2001	3,291,473,275	1,279,383,519	230,209,657	4,801,066,451	0.007800
2000	2,669,722,134	1,245,387,619	201,472,193	4,116,581,946	0.006270
1999	2,599,997,216	1,221,729,467	227,924,902	4,049,651,585	0.006270
1998	2,549,672,264	1,188,906,523	225,014,119	3,963,592,906	0.006270
1997	\$ 2,486,495,563	\$ 1,148,029,586	\$ 219,732,808	\$ 3,854,257,957	0.006200

(a) assessed values of property for the fiscal year ending June 30, 2009. State statutes require adjustment of property's assessed values to 100% of market value at least every eight years. Due to mandated exemptions, deferrals, and other adjustments, the total assessed value is not likely to equal total actual market value. And, no reliable source can determine total actual market value.

Cleveland County, North Carolina

1. Computation of Legal Debt Margin (twelve most recent fiscal years)

Exhibit III.C.1

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Assessed Value Less Corporate Excess	Percentage Applied	Legal Debt Limit (A)	Total Long-Term Debt (B)	Legal Debt Margin	Ratio of (B) to (A)
2008	\$ 5,875,006,050	8.0%	\$ 470,000,484	\$ 12,934,111	\$ 457,066,373	2.752%
2007	5,783,779,866	8.0%	462,702,389	11,666,458	451,035,931	2.521%
2006	5,677,460,835	8.0%	454,196,867	16,558,287	437,638,580	3.646%
2005	5,583,020,858	8.0%	446,641,669	21,444,599	425,197,070	4.801%
2004	4,915,018,022	8.0%	393,201,442	25,690,000	367,511,442	6.534%
2003	4,799,386,728	8.0%	383,950,938	30,640,000	353,310,938	7.980%
2002	4,664,582,641	8.0%	373,166,611	37,325,000	335,841,611	10.002%
2001	4,570,856,794	8.0%	365,668,544	41,975,000	323,693,544	11.479%
2000	3,915,109,753	8.0%	313,208,780	46,560,000	266,648,780	14.865%
1999	3,821,726,683	8.0%	305,738,135	51,105,000	254,633,135	16.715%
1998	3,738,578,787	8.0%	299,086,303	55,560,000	243,526,303	18.577%
1997	\$ 3,634,525,149	8.0%	\$ 290,762,012	\$ 56,740,000	\$ 234,022,012	19.514%

Note: As defined in North Carolina General Statutes Chapter 159-55(c), the County's net debt is limited to eight percent (8%) of the assessed value of property subject to taxation, hence the term "legal debt limit."

Cleveland County, North Carolina

2. Computation of Direct and Underlying Debt for General Obligation Bonds

Exhibit III.C.2

For the Year Ended June 30, 2008

	Gross General Obligation Bonded Debt	Less Debt Payable from Other Entity (Hospital)	Net General Obligation Bonded Debt	Percent Applicable to County	Amount Applicable to County
Direct:					
Cleveland County	1,393,439	-	1,393,439	100.0%	1,393,439
Underlying:					
Hospital	-	-	-	100.0%	-
Public Schools	2,856,561	-	2,856,561	100.0%	2,856,561
Community College	2,100,000	-	2,100,000	100.0%	2,100,000
Totals:	6,350,000	-	6,350,000		6,350,000

Cleveland County, North Carolina

3. Annual Requirements and Debt Limitations for General Obligation Bonds

Exhibit III.C.3

For the Year Ended June 30, 2008

Fiscal Year Ending June 30	Hospital G.O. Debt		Net G.O. Debt		Gross G.O. Debt		G.O. Debt Balance	
	Principal	Principal and Interest	Principal	Principal and Interest	Principal	Principal and Interest	Outstanding Principal	Subject to Statutory Debt Limits
2009	-	-	2,425,000	2,650,450	\$ 2,425,000	\$ 2,650,450	\$ 6,350,000	\$ 6,350,000
2010	-	-	2,325,000	2,473,700	2,325,000	2,473,700	3,925,000	3,925,000
2011	-	-	250,000	324,950	250,000	324,950	1,600,000	1,600,000
2012	-	-	250,000	313,450	250,000	313,450	1,350,000	1,350,000
2013	-	-	250,000	301,700	250,000	301,700	1,100,000	1,100,000
2014	-	-	250,000	289,950	250,000	289,950	850,000	850,000
2015	-	-	250,000	278,200	250,000	278,200	600,000	600,000
2016	-	-	250,000	266,450	250,000	266,450	350,000	350,000
2017	-	-	100,000	104,700	100,000	104,700	100,000	100,000
Totals	\$ -	\$ -	\$ 6,350,000	\$ 7,003,550	\$ 6,350,000	\$ 7,003,550		

Cleveland County, North Carolina

4. Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures (twelve most recent fiscal years)

Exhibit III.C.4

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Expenditures for Principal Reductions	Expenditures for Interest on G.O. Debt	Total Debt Service Expenditures (A)	Total General Governmental Expenditures (B)	Ratio of (A) to (B)	Population Estimate (*)	Total Debt Service per Capita
2008	\$ 4,715,000	\$ 368,500	\$ 5,083,500	\$ 99,870,997	5.09%	97,121	52.34
2007	4,875,000	516,350	5,391,350	95,912,913	5.62%	97,144	55.50
2006	4,870,000	651,960	5,521,960	93,458,137	5.91%	96,454	57.25
2005	4,880,000	807,117	5,687,117	87,943,452	6.47%	96,618	58.86
2004	4,920,000	913,610	5,833,610	83,974,172	6.95%	97,078	60.09
2003	5,030,000	1,305,496	6,335,496	81,379,267	7.79%	97,257	65.14
2002	4,435,000	1,965,875	6,400,875	87,055,929	7.35%	96,995	65.99
2001	4,375,000	2,182,884	6,557,884	82,552,538	7.94%	96,732	67.79
2000	4,345,000	2,397,912	6,742,912	77,816,268	8.67%	96,408	69.94
1999	4,265,000	2,650,389	6,915,389	79,282,583	8.72%	95,604	72.33
1998	4,095,000	2,707,329	6,802,329	71,635,048	9.50%	94,679	71.85
1997	\$ 3,955,000	\$ 3,023,343	\$ 6,978,343	\$ 64,736,642	10.78%	93,243	74.84

population estimates and other demographic information are often revised and are provided courtesy of North Carolina's State Data Center (visit <http://sdc.state.nc.us/>), except that estimates for recent school enrollment figures are obtained from

* North Carolina's Department of Public Instruction and Department of Administration's Division of Non-Public Education

Cleveland County, North Carolina

5. Breakdown of Outstanding Debt (twelve most recent fiscal years)

Exhibit III.C.5

For the Year Ended June 30, 2008

Fiscal Year Ending June 30	Total Long-Term Direct Debt	Revenue Bonded Debt	Contractual Obligation Bonded Debt	Total Long-Term Debt	Capital Leases	Total Debt	Total Non Long-Term Direct Debt
2008	\$ 12,332,653	\$ -	\$ 601,458	\$ 12,934,111	\$ 228,192	\$ 13,162,303	\$ 829,650
2007	11,048,171	-	618,287	11,666,458	116,363	11,782,821	734,650
2006	15,923,688	-	634,599	16,558,287	178,826	16,737,113	813,425
2005	21,444,599	-	-	21,444,599	237,777	21,682,376	237,777
2004	23,260,000	2,430,000	-	25,690,000	123,626	25,813,626	2,553,626
2003	28,025,000	2,615,000	-	30,640,000	3,158	30,643,158	2,618,158
2002	34,530,000	2,795,000	-	37,325,000	42,885	37,367,885	2,837,885
2001	39,010,000	2,965,000	-	41,975,000	77,069	42,052,069	3,042,069
2000	43,435,000	3,125,000	-	46,560,000	109,037	46,669,037	3,234,037
1999	47,825,000	3,280,000	-	51,105,000	138,933	51,243,933	3,418,933
1998	52,135,000	3,425,000	-	55,560,000	3,983	55,563,983	3,428,983
1997	\$ 53,175,000	\$ 3,565,000	\$ -	\$ 56,740,000	\$ 44,692	\$ 56,784,692	\$ 3,609,692

Cleveland County, North Carolina
6. Ratios of Outstanding Debt (twelve most recent fiscal years)

Exhibit III.C.6

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Total Long-Term Direct Debt	Less Debt Payable from Other Entity (Hospital)	Net Total Long-Term Direct Debt (A)	Assessed Value (thousands) (B)	Ratio of (A) to (B)	Population Estimate (*)	Net Total Long-Term Direct Debt per Capita
2008	\$ 12,332,653	\$ -	\$ 12,332,653	\$ 6,111,761	0.20%	97,121	126.98
2007	11,048,171	(2,200,000)	8,848,171	6,020,735	0.15%	97,144	91.08
2006	15,923,688	(4,470,000)	11,453,688	5,906,608	0.19%	96,454	118.75
2005	21,444,599	(6,675,000)	14,769,599	5,785,238	0.26%	96,618	152.87
2004	23,260,000	(8,820,000)	14,440,000	5,118,448	0.28%	97,078	148.75
2003	28,025,000	(10,915,000)	17,110,000	5,007,139	0.34%	97,257	175.93
2002	34,530,000	(12,685,000)	21,845,000	4,891,895	0.45%	96,995	225.22
2001	39,010,000	(14,460,000)	24,550,000	4,801,066	0.51%	96,732	253.79
2000	43,435,000	(16,120,000)	27,315,000	4,116,582	0.66%	96,408	283.33
1999	47,825,000	(17,695,000)	30,130,000	4,049,652	0.74%	95,604	315.15
1998	52,135,000	(19,180,000)	32,955,000	3,963,593	0.83%	94,679	348.07
1997	\$ 53,175,000	\$ (20,590,000)	\$ 32,585,000	\$ 3,854,258	0.85%	93,243	349.46

(continued below)

6. Ratios of Outstanding Debt (twelve most recent fiscal years)

Exhibit III.C.6

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Net Total Long-Term Direct Debt (from above)	Total Other Long-Term Debt (Exhibit III. C.5)	Total Long-Term Debt (A)	Assessed Value (thousands) (B)	Ratio of (A) to (B)	Population Estimate (*)	Total Long-Term Debt per Capita
(continued from above)							
2008	\$ 12,332,653	\$ 601,458	\$ 12,934,111	\$ 6,111,761	0.21%	97,121	133.18
2007	8,848,171	618,287	9,466,458	6,020,735	0.16%	97,144	97.45
2006	11,453,688	634,599	12,088,287	5,906,608	0.20%	96,454	125.33
2005	14,769,599	-	14,769,599	5,785,238	0.26%	96,618	152.87
2004	14,440,000	2,430,000	16,870,000	5,118,448	0.33%	97,078	173.78
2003	17,110,000	2,615,000	19,725,000	5,007,139	0.39%	97,257	202.81
2002	21,845,000	2,795,000	24,640,000	4,891,895	0.50%	96,995	254.03
2001	24,550,000	2,965,000	27,515,000	4,801,066	0.57%	96,732	284.45
2000	27,315,000	3,125,000	30,440,000	4,116,582	0.74%	96,408	315.74
1999	30,130,000	3,280,000	33,410,000	4,049,652	0.83%	95,604	349.46
1998	32,955,000	3,425,000	36,380,000	3,963,593	0.92%	94,679	384.25
1997	\$ 32,585,000	\$ 3,565,000	\$ 36,150,000	\$ 3,854,258	0.94%	93,243	387.70

This page left blank intentionally.

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
III: STATISTICAL AND TREND INFORMATION
D. Demographic, Economic, and Operating Schedules:

	<u>Identifier</u>	<u>Page No.</u>
1. Miscellaneous Information	Exhibit III.D.1	163
2. Economic Trends Schedule (twelve most recent fiscal years)	Exhibit III.D.2	164
3. County Employment by Function (twelve most recent fiscal years)	Exhibit III.D.3	164
4. Principal Industry Sectors - Current versus 3, 6, and 9 years ago	Exhibit III.D.4	165

Cleveland County, North Carolina
1. Miscellaneous Information

Exhibit III.D.1

For the Year Ended June 30, 2008

Date of establishment	1841
Area/Size/Square Mileage	464.629
Form of government	5 (five) Commissioners and County Manager

Transportation:

Major Highways

Through the county I-85 and U.S. Highway 74

Nearby counties North/South = I-85, I-26, and I-77; East/West = I-40

Air Travel:

Shelby/Cleveland Regional Airport has a runway length of 5,000 feet

Charlotte/Douglas International Airport is located 37 miles east of Shelby

Greenville-Spartanburg International Airport is located 62 miles south of Shelby

Asheville Airport is located 74 miles west of Shelby

Hickory Airport is located 39 miles north of Shelby

Rail Service:

CSX has an East-West main line in the county and has an intermodal facility in Charlotte

Norfolk Southern has a main line and a branch line in the county and has an intermodal facility in Charlotte

Port Access:

Charleston, South Carolina (located 222 miles east-southeast of Shelby)

Wilmington, North Carolina (located 238 miles east of Shelby)

Savannah, Georgia (located 254 miles southeast of Shelby)

Morehead City, North Carolina (located 310 miles east of Shelby)

Norfolk/Virginia Beach, Virginia (located 342 miles east-northeast of Shelby)

Other Important Information for Businesses:

North Carolina is a right-to-work state.

The corporate community of the county has no union representation at present.

The county offers Local Industrial Incentive Grants and Tax credits to qualified companies.

Labor force within a 35-mile radius exceeds 600,000.

Electric utility rates, supplied by Duke Power, are among the lowest in the nation.

Cleveland County, North Carolina
2. Economic Trends Schedule (twelve most recent fiscal years)

Exhibit III.D.2

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Population	Median Age	June 30 Labor Force	June 30 Unemployment Rate	Personal Income (thousands)	Per Capita Income	School Enrollment
2008	97,121	38.25	51,007	7.9205%	no data	no data	17,689
2007	97,144	38.05	48,367	7.0606%	no data	no data	17,755
2006	96,454	37.88	47,985	6.5896%	2,645,022	27,423	17,814
2005	96,618	37.66	46,504	7.3456%	2,558,176	26,477	17,971
2004	97,078	37.45	42,524	9.5781%	2,435,861	25,092	18,195
2003	97,257	37.23	43,183	11.1456%	2,318,554	23,839	17,963
2002	96,995	37.03	44,957	13.2415%	2,250,644	23,204	17,799
2001	96,732	36.81	47,191	12.2926%	2,229,016	23,043	17,598
2000	96,408	36.58	45,669	5.0012%	2,210,718	22,931	17,411
1999	95,604	36.32	45,615	4.9260%	2,094,452	21,908	17,109
1998	94,679	36.07	44,897	5.4681%	2,034,274	21,486	16,771
1997	93,243	35.89	47,214	6.0215%	1,912,692	20,513	16,442

* population estimates and other demographic information are often revised and are provided courtesy of North Carolina's State Data Center (visit <http://sdc.state.nc.us/>), except that estimates for recent school enrollment figures are obtained from North Carolina's Department of Public Instruction and Department of Administration's Division of Non-Public Education

Cleveland County, North Carolina
3. County Employment by Function (twelve most recent fiscal years)

Exhibit III.D.3

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	General Government	Public Safety	Human Services (a)	Environmental	Economic & Physical Development	Cultural and Recreational (b)	Total
2008	82	236	367	32	14	16	747
2007	82	236	361	32	14	16	741
2006	82	236	352	31	14	16	731
2005	82	236	348	30	13	n/a	709
2004	80	234	342	30	13	n/a	699
2003	78	231	334	27	14	n/a	684
2002	78	223	345	22	14	n/a	682
2001	74	221	336	22	20	n/a	673
2000	74	217	324	21	20	n/a	656
1999	71	202	407	21	20	n/a	721
1998	73	196	457	20	19	n/a	765
1997	73	191	455	20	19	n/a	758

Note a: Between July 1, 1998 and June 30, 2000, the County eliminated 140 positions in the "Human Services" functional area when the County's Department of Mental Health ceased operating as a County department. 7 other positions were added in this same functional area during this span.

Note b: On July 1, 2005, the County added 16 positions in the "Cultural and Recreational" functional area when Cleveland County Memorial Library and Spangler Library began operating as a department of the County.

Cleveland County, North Carolina

4. Principal Industry Sectors - Current versus 3, 6, and 9 years ago

Exhibit III.D.4

For the Year Ended December 31, 2007

Industry NAICS Sector *	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 304,572,775	6,798	13.328%
2. Health Care and Social Assistance	190,065,516	5,551	10.883%
3. Educational Services	121,374,235	4,031	7.903%
4. Retail Trade	96,067,851	3,943	7.730%
5. Public Administration	66,120,023	1,950	3.823%
6. Transportation and Warehousing	52,844,980	1,686	3.305%
7. Construction	49,659,812	1,524	2.988%
8. Wholesale Trade	46,003,532	1,355	2.656%
9. Administrative and Waste Services	38,898,852	1,701	3.335%
10. Accommodation and Food Services	27,995,768	2,465	4.833%
11. Finance and Insurance	26,123,622	683	1.339%
12. Professional and Technical Services	23,249,645	655	1.284%
Totals	\$ 1,042,976,611	\$ 32,342	63.407%

* all data in this exhibit was obtained from the Employment Security Commission of North Carolina

Cleveland County, North Carolina

4. Principal Industry Sectors - Current versus 3, 6, and 9 years ago

Exhibit III.D.4

For the Year Ended December 31, 2004

Industry NAICS Sector	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 330,814,246	7,990	17.181%
2. Health Care and Social Assistance	160,870,795	5,033	10.823%
3. Educational Services	105,415,040	3,951	8.496%
4. Retail Trade	90,356,937	4,116	8.851%
5. Public Administration	59,040,937	1,933	4.157%
6. Wholesale Trade	39,961,507	1,227	2.638%
7. Construction	39,821,309	1,430	3.075%
8. Transportation and Warehousing	30,639,924	977	2.101%
9. Administrative and Waste Services	24,566,577	1,222	2.628%
10. Accommodation and Food Services	23,301,043	2,153	4.630%
11. Finance and Insurance	22,670,631	659	1.417%
12. Professional and Technical Services	15,824,711	473	1.017%
Totals	\$ 943,283,657	\$ 31,164	67.014%

(continued on next page)

Cleveland County, North Carolina

4. Principal Industry Sectors - Current versus 3, 6, and 9 years ago

(continued from previous page)

Exhibit III.D.4

For the Year Ended December 31, 2001

Industry NAICS Sector	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 366,022,039	10,613	23.607%
2. Health Care and Social Assistance	125,593,584	4,437	9.869%
3. Educational Services	97,811,329	3,667	8.157%
4. Retail Trade	72,978,550	4,080	9.075%
5. Public Administration	54,266,294	1,890	4.204%
6. Wholesale Trade	46,823,567	1,571	3.494%
7. Construction	41,901,613	1,578	3.510%
8. Professional and Technical Services	27,213,421	784	1.744%
9. Transportation and Warehousing	26,594,179	876	1.949%
10. Administrative and Waste Services	23,446,764	1,370	3.047%
11. Accommodation and Food Services	21,726,705	2,111	4.696%
12. Finance and Insurance	17,218,944	533	1.186%
Totals	\$ 921,596,989	\$ 33,510	74.538%

Cleveland County, North Carolina

4. Principal Industry Sectors - Current versus 3, 6, and 9 years ago

Exhibit III.D.4

For the Year Ended December 31, 1998

Industry NAICS Sector	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 421,896,059	13,233	29.010%
2. Health Care and Social Assistance	96,286,338	3,724	8.164%
3. Educational Services	79,718,857	3,410	7.476%
4. Retail Trade	67,435,234	4,207	9.223%
5. Public Administration	50,157,046	1,918	4.205%
6. Wholesale Trade	44,647,328	1,602	3.512%
7. Construction	42,046,840	1,678	3.679%
8. Administrative and Waste Services	30,442,214	2,130	4.670%
9. Transportation and Warehousing	23,941,213	842	1.846%
10. Professional and Technical Services	22,499,799	670	1.469%
11. Finance and Insurance	18,429,279	608	1.333%
12. Accommodation and Food Services	17,914,002	1,974	4.328%
Totals	\$ 915,414,209	\$ 35,996	78.913%

This page left blank intentionally.

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008
III: STATISTICAL AND TREND INFORMATION
E. Financial Trends Schedules:

	<u>Identifier</u>	<u>Page No.</u>
1. Government-Wide Changes in Net Assets (six most recent fiscal years)	Exhibit III.E.1	169
2. All Funds Combined: Changes in Fund Balances (twelve most recent fiscal years)	Exhibit III.E.2	171
3. Government-Wide Net Assets by Component (six most recent fiscal years)	Exhibit III.E.3	175
4. All Funds Combined: Fund Balances by Category (twelve most recent fiscal years)	Exhibit III.E.4	175
5. Retirement Contributions Schedule	Exhibit III.E.5	177

Cleveland County, North Carolina

1. Government-Wide Changes in Net Assets (six most recent fiscal years)

Exhibit III.E.1

For the Year Ended June 30, 2008

Description	2008	2007	2006	2005	2004	2003
Program revenues: Charges for services:						
Governmental activities:						
General government	\$ 2,453,453	\$ 2,429,620	\$ 2,527,083	\$ 2,355,606	\$ 2,209,485	\$ 2,164,737
Public safety	6,124,163	4,413,692	3,818,583	4,332,493	3,141,950	2,927,502
Human services	4,800,258	4,407,313	4,036,087	4,033,832	3,193,175	3,149,820
Education (property taxes)	9,215,690	9,091,504	8,972,777	8,742,826	8,216,640	8,050,849
Economic and physical dev.	58,980	81,421	61,724	54,046	51,992	59,169
Cultural and recreational	118,385	29,949	37,810	6,360	31,592	4,032
Total governmental activities:	22,770,929	20,453,499	19,454,064	19,525,163	16,844,834	16,356,109
Business-type activities:						
Solid waste coll. and disp.	4,762,245	4,927,433	5,049,367	5,234,744	5,173,466	4,903,705
Total primary government	27,533,174	25,380,932	24,503,431	24,759,907	22,018,300	21,259,814
Program revenues: Operating grants and contributions:						
Governmental activities:						
General government	\$ 1,131,279	\$ 827,817	\$ 772,508	\$ 795,598	\$ 905,013	\$ 879,382
Public safety	2,515,297	2,035,114	2,002,420	2,466,598	1,636,234	1,568,579
Human services	16,200,691	16,411,564	15,239,907	14,046,319	13,970,155	13,260,602
Education	13,630	24,458	19,485	67,913	12,605	2,971,105
Economic and physical dev.	461,092	302,598	469,506	195,220	650,582	926,439
Cultural and recreational	283,022	251,214	550,313	277	11,123	31,176
Interest on L/T liabilities	66,000	134,100	189,225	242,850	284,750	36,637
Total governmental activities:	20,671,011	19,986,865	19,243,364	17,814,775	17,470,462	19,673,920
Business-type activities:						
Solid waste coll. and disp.	308,472	326,760	335,768	430,911	488,594	631,809
Total primary government	20,979,483	20,313,625	19,579,132	18,245,686	17,959,056	20,305,729
Program revenues: Capital grants and contributions:						
Governmental activities:						
General government	719,895	50,373	459,853	14,776	14,420	-
Public safety	91,643	88,538	379,797	47,089	60,396	321
Human services	19,928,365	5,153,258	8,295,526	423,860	4,742,383	14,789,296
Education	5,279,537	5,359,018	4,235,498	3,630,898	3,554,389	-
Economic and physical dev.	(12,671)	4,226	956,067	-	-	280,522
Cultural and recreational	(8,440)	-	2,480,692	155,479	-	65,588
Total governmental activities:	25,998,329	10,655,413	16,807,433	4,272,102	8,371,588	15,135,727
Business-type activities:						
Solid waste coll. and disp.	-	-	-	-	81,655	-
Total primary government	25,998,329	10,655,413	16,807,433	4,272,102	8,453,243	15,135,727

(continued on next page)

Cleveland County, North Carolina

1. Government-Wide Changes in Net Assets (six most recent fiscal years)

Exhibit III.E.1

For the Year Ended June 30, 2008

Description	2008	2007	2006	2005	2004	2003
(continued from previous page)						
Expenses:						
Governmental activities:						
General government	\$ 8,681,365	\$ 8,102,560	\$ 7,685,135	\$ 7,408,231	\$ 6,733,381	\$ 6,100,269
Public safety	20,235,804	18,572,762	18,634,535	16,959,262	14,592,422	13,597,513
Human services	39,510,671	38,398,880	36,663,358	34,168,346	31,558,753	30,430,820
Education	24,943,842	23,309,846	23,633,490	22,534,208	23,194,640	21,219,309
Economic and physical dev.	2,118,255	3,527,997	1,635,055	1,844,628	1,880,008	6,339,654
Cultural and recreational	1,286,918	1,101,380	1,079,245	683,964	734,460	876,231
Interest on L/T liabilities	669,490	662,667	690,823	828,077	908,176	1,182,993
Total governmental activities:	97,446,345	93,676,092	90,021,641	84,426,716	79,601,840	79,746,789
Business-type activities:						
Solid waste coll. and disp.	5,285,293	4,567,905	4,469,516	4,294,878	4,103,114	3,713,218
Total primary government	102,731,638	98,243,997	94,491,157	88,721,594	83,704,954	83,460,007
Net Revenue (Expense):						
Governmental activities:	(28,006,076)	(42,580,315)	(34,516,780)	(42,814,676)	(36,914,956)	(28,581,033)
Business-type activities:	(214,576)	686,288	915,619	1,370,777	1,640,601	1,822,296
Total primary government	(28,220,652)	(41,894,027)	(33,601,161)	(41,443,899)	(35,274,355)	(26,758,737)
General revenues:						
Governmental activities:						
Ad valorem property taxes	35,815,553	35,297,651	34,646,125	33,889,146	32,565,809	31,286,514
Local option sales taxes	12,002,826	12,037,091	11,372,496	11,220,896	11,044,070	9,263,392
Other taxes and licenses	921,337	844,704	793,545	758,366	664,613	655,701
Contributions	2,200,000	2,270,000	2,205,000	2,145,000	2,125,000	4,945,566
Investment earnings, general	1,604,977	1,529,276	1,106,547	742,029	565,477	774,312
Transfers	241,245	175,347	142,784	148,661	131,654	79,102
Total governmental activities:	52,785,938	52,154,069	50,266,497	48,904,098	47,096,623	47,004,587
Business-type activities:						
Investment earnings, general	616,174	702,957	470,625	193,024	72,486	78,704
Transfers	(241,245)	(175,347)	(142,784)	(148,661)	(131,654)	(79,102)
Total business-type activities:	374,929	527,610	327,841	44,363	(59,168)	(398)
Total primary government	53,160,867	52,681,679	50,594,338	48,948,461	47,037,455	47,004,189
Change in net assets:						
Governmental activities:	24,779,862	9,573,754	15,749,717	6,089,422	10,181,667	18,423,554
Business-type activities:	160,353	1,213,898	1,243,460	1,415,140	1,581,433	1,821,898
Total primary government	24,940,215	10,787,652	16,993,177	7,504,562	11,763,100	20,245,452
Ending net assets:						
Governmental activities:	124,665,531	99,885,669	90,311,915	74,562,198	68,472,776	58,291,109
Business-type activities:	16,869,793	16,709,440	15,495,542	14,252,082	12,836,942	11,255,509
Total primary government	141,535,324	116,595,109	105,807,457	88,814,280	81,309,718	69,546,618

Cleveland County, North Carolina

2. All Funds Combined: Changes in Fund Balances (twelve most recent fiscal years)

(continued on next page)

Exhibit III.E.2

For the Year Ended June 30, 2008

Description	2008	2007	2006	2005	2004
Revenues:					
Governmental funds:					
Ad valorem property taxes	\$ 45,717,409	\$ 45,093,388	\$ 44,483,730	\$ 43,355,393	\$ 40,749,630
Local option sales taxes	15,898,611	15,845,539	14,895,552	14,345,733	14,049,144
Other taxes	1,251,770	1,250,797	1,227,608	1,063,837	663,789
Intergovernmental revenues	22,885,412	22,815,367	20,712,669	16,770,486	17,109,288
Licenses, permits, and fees	1,086,477	1,139,917	1,174,717	1,154,658	1,465,398
Sales and services	9,497,364	8,351,036	8,351,003	10,653,350	8,679,352
Investment earnings	2,265,167	2,000,774	1,366,276	894,590	662,210
Miscellaneous	1,024,394	642,769	1,021,584	500,510	832,929
Total governmental funds:	99,626,604	97,139,587	93,233,139	88,738,557	84,211,740
Enterprise fund:					
Operating revenues	4,878,108	5,035,968	5,218,497	5,284,036	5,291,178
Non-operating revenues	858,456	920,833	718,244	460,202	480,554
Total enterprise fund:	5,736,564	5,956,801	5,936,741	5,744,238	5,771,732
Total primary government	105,363,168	103,096,388	99,169,880	94,482,795	89,983,472
Expenditures, non-capital:					
Governmental funds:					
General government	\$ 7,730,600	\$ 7,814,607	\$ 7,277,083	\$ 6,988,232	\$ 6,353,009
Public safety	16,690,549	16,419,086	15,379,062	14,562,315	13,511,461
Human services	37,307,822	36,472,481	34,866,255	32,565,757	30,198,443
Education	20,264,032	19,959,846	19,841,118	19,580,241	18,828,640
Economic and physical dev.	1,733,675	3,389,623	1,235,881	1,787,955	1,497,583
Cultural and recreational	1,085,151	968,115	1,051,486	577,489	657,260
Debt service, principal reducti	4,876,307	4,954,194	4,945,263	4,923,684	4,945,906
Debt service, interest	409,221	551,238	690,823	819,310	923,942
Total governmental funds:	90,097,357	90,529,190	85,286,971	81,804,983	76,916,244
Enterprise fund					
Environmental	4,277,825	3,625,443	3,568,759	3,405,980	3,214,739
Debt service, principal reducti	-	-	-	-	-
Debt service, interest	-	-	-	-	-
Total enterprise fund:	4,277,825	3,625,443	3,568,759	3,405,980	3,214,739
Total primary government	94,375,182	94,154,633	88,855,730	85,210,963	80,130,983
Expenditures, capital:					
Governmental funds:					
General government	\$ 626,270	\$ 205,000	\$ 575,126	\$ 217,591	\$ 765,622
Public safety	2,449,686	1,099,487	2,734,682	1,387,946	956,864
Human services	1,332,108	523,313	384,199	1,072,937	167,050
Education	4,738,167	3,350,000	3,792,372	2,953,967	4,448,424
Economic and physical dev.	377,409	202,573	440,870	318,103	687,346
Cultural and recreational	250,000	3,350	243,917	187,925	115,046
Total governmental funds:	9,773,640	5,383,723	8,171,166	6,138,469	7,140,352
Enterprise fund - Environmental	6,104,817	899,304	306,391	325,597	354,690
Total primary government	15,878,457	6,283,027	8,477,557	6,464,066	7,495,042

(continued from page 1)

(continued from previous page)

	2003	2002	2001	2000	1999	1998	1997
\$	39,942,314	\$ 39,596,061	\$ 37,753,838	\$ 26,429,531	\$ 26,068,410	\$ 25,831,413	\$ 23,670,116
	13,099,757	11,130,488	11,143,286	11,143,187	10,500,516	10,327,099	9,892,003
	655,554	677,631	940,957	1,062,324	861,404	826,938	429,938
	16,237,754	24,303,484	25,355,039	29,465,386	29,092,848	26,034,173	22,351,007
	1,443,654	1,109,378	680,712	778,811	726,322	689,482	636,520
	8,667,146	6,079,747	5,241,099	5,444,003	8,952,960	8,183,207	6,748,505
	913,046	1,296,836	2,183,993	1,853,649	1,642,574	1,709,681	1,420,088
	395,274	1,321,179	2,038,122	1,183,681	1,031,960	1,095,963	924,726
	81,354,499	85,514,804	85,337,046	77,360,572	78,876,994	74,697,956	66,072,903
	4,965,954	3,502,600	3,867,401	3,377,907	3,340,047	3,290,263	3,107,645
	616,589	570,557	699,826	530,711	425,422	599,330	394,949
	5,582,543	4,073,157	4,567,227	3,908,618	3,765,469	3,889,593	3,502,594
	86,937,042	89,587,961	89,904,273	81,269,190	82,642,463	78,587,549	69,575,497
\$	5,670,251	\$ 5,956,692	\$ 5,579,483	\$ 5,362,402	\$ 5,407,969	\$ 5,249,122	\$ 5,107,503
	12,974,638	12,441,356	11,656,933	10,574,073	9,635,967	8,892,705	8,124,813
	29,560,351	29,470,009	28,712,958	27,067,444	34,148,034	33,134,583	30,998,533
	18,631,028	18,528,486	20,090,830	9,989,054	9,690,439	9,339,756	9,217,849
	3,014,269	758,003	870,945	1,017,201	1,152,995	885,223	906,546
	720,820	712,924	720,576	654,561	617,469	617,879	574,341
	5,066,552	4,469,183	4,406,968	4,374,896	4,293,896	4,123,709	3,983,555
	1,307,265	1,970,013	2,189,236	2,406,336	2,660,387	2,701,927	3,026,369
	76,945,174	74,306,666	74,227,929	61,445,967	67,607,156	64,944,904	61,939,509
	2,885,124	2,978,066	2,489,259	2,374,445	2,446,544	2,865,974	2,008,998
	-	-	-	-	7,416	95,537	132,468
	-	-	-	-	28	2,485	7,669
	2,885,124	2,978,066	2,489,259	2,374,445	2,453,988	2,963,996	2,149,135
	79,830,298	77,284,732	76,717,188	63,820,412	70,061,144	67,908,900	64,088,644
\$	257,572	\$ 103,573	\$ 463,877	\$ 95,311	\$ 357,021	\$ 346,415	\$ 265,570
	684,542	761,753	874,028	952,301	1,142,791	691,008	693,530
	487,764	1,086,209	203,780	383,968	343,846	424,155	319,450
	2,588,282	7,913,614	4,376,187	10,063,129	9,522,922	3,781,320	1,182,180
	97,232	2,884,114	2,322,371	2,501,147	276,277	1,368,813	14,244
	81,185	-	84,366	-	32,570	78,433	322,159
	4,196,577	12,749,263	8,324,609	13,995,856	11,675,427	6,690,144	2,797,133
	904,488	428,452	549,126	809,824	1,924,019	2,453,177	152,425
	5,101,065	13,177,715	8,873,735	14,805,680	13,599,446	9,143,321	2,949,558

(continued from page 2)

Cleveland County, North Carolina

2. All Funds Combined: Changes in Fund Balances (twelve most recent fiscal years)

(continued on next page)

Exhibit III.E.2

For the Year Ended June 30, 2008

Description	2008	2007	2006	2005	2004
Excess of revenues over (under) expenditures:					
Governmental funds:	(244,393)	1,226,674	(224,998)	795,105	155,144
Enterprise fund:	(4,646,078)	1,432,054	2,061,591	2,012,661	2,202,303
Total primary government	(4,890,471)	2,658,728	1,836,593	2,807,766	2,357,447
Other financing sources (uses):					
Governmental funds:					
Issuance of debt financing	6,230,676	-	-	797,368	146,374
Extinguishment of debt	94,165	-	-	-	-
Transfers	241,245	175,347	142,784	148,661	131,654
Total governmental funds:	6,566,086	175,347	142,784	946,029	278,028
Enterprise fund : Transfers	(241,245)	(175,347)	(142,784)	(148,661)	(131,654)
Total primary government	6,324,841	-	-	797,368	146,374
Net change in fund balances:					
Governmental funds:	6,321,693	1,402,021	(82,214)	1,741,134	433,172
Enterprise fund:	(4,887,323)	1,256,707	1,918,807	1,864,000	2,070,649
Total primary government	1,434,370	2,658,728	1,836,593	3,605,134	2,503,821
Ending fund balances:					
Governmental funds:	44,861,335	38,539,642	37,137,621	37,219,835	35,478,701
Enterprise fund:	9,615,491	14,502,814	13,246,107	11,327,300	9,463,300
Total primary government	54,476,826	53,042,456	50,383,728	48,547,135	44,942,001
Debt service expenditures as a percentage of noncapital expenditures:					
Governmental funds:	5.866%	6.081%	6.608%	7.020%	7.631%
Enterprise fund:	0.000%	0.000%	0.000%	0.000%	0.000%
Total primary government	5.601%	5.847%	6.343%	6.740%	7.325%

(continued from previous page)

2003	2002	2001	2000	1999	1998	1997
212,748	(1,541,125)	2,784,508	1,918,749	(405,589)	3,062,908	1,336,261
1,792,931	666,639	1,528,842	724,349	(612,538)	(1,527,580)	1,201,034
2,005,679	(874,486)	4,313,350	2,643,098	(1,018,127)	1,535,328	2,537,295
30,456,674	-	-	-	-	3,100,000	6,093,130
(30,323,141)	-	-	-	-	-	(6,072,414)
79,102	65,659	70,213	69,097	-	-	-
212,635	65,659	70,213	69,097	-	3,100,000	20,716
(79,102)	(65,659)	(70,213)	(69,097)	-	-	-
133,533	-	-	-	-	3,100,000	20,716
425,383	(1,475,466)	2,854,721	1,987,846	(405,589)	6,162,908	1,356,977
1,713,829	600,980	1,458,629	655,252	(612,538)	(1,527,580)	1,201,034
2,139,212	(874,486)	4,313,350	2,643,098	(1,018,127)	4,635,328	2,558,011
35,045,529	34,620,146	36,095,612	33,240,891	31,253,045	31,658,634	25,495,726
7,392,651	5,678,822	5,077,842	3,619,213	2,963,961	3,576,499	5,104,079
42,438,180	40,298,968	41,173,454	36,860,104	34,217,006	35,235,133	30,599,805
8.284%	8.666%	8.886%	11.036%	10.286%	10.510%	11.317%
0.000%	0.000%	0.000%	0.000%	0.303%	3.307%	6.521%
7.984%	8.332%	8.598%	10.625%	9.926%	10.051%	10.938%

Cleveland County, North Carolina

3. Government-Wide Net Assets by Component (six most recent fiscal years)

(continued on next page)

Exhibit III.E.3

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	Governmental activities				Business-type activities	
	Invested in capital assets, net	Restricted Net Assets	Unrestricted Net Assets	Subtotal	Invested in capital assets, net	Unrestricted Net Assets
2008	\$ 85,741,754	\$ 11,915,459	\$ 27,008,318	\$ 124,665,531	\$ 11,004,690	\$ 5,865,103
2007	68,762,375	10,298,262	20,825,032	99,885,669	5,575,418	11,134,022
2006	62,126,673	8,019,763	20,165,479	90,311,915	5,298,264	10,197,278
2005	47,613,359	7,624,049	19,324,790	74,562,198	5,688,961	8,563,121
2004	44,361,220	7,633,009	16,478,547	68,472,776	5,858,493	6,978,449
2003	\$ 36,526,958	\$ 7,067,819	\$ 14,696,332	\$ 58,291,109	\$ 6,042,171	\$ 5,213,338

* The County began reporting the County's government-wide financial position and financial activities on the full accrual basis for fiscal year ended June 30, 2003 when the County implemented G.A.S.B. Statement Number 34.

Cleveland County, North Carolina

4. All Funds Combined: Fund Balances by Category (twelve most recent fiscal years)

(continued on next page)

Exhibit III.E.4

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	General Fund			All Other	All Special Revenue Funds	All Capital Project Funds
	Reserved Fund Balance	Unreserved Fund Balance	Subtotal	Reserved Fund Balance	Unreserved Fund Balance	Unreserved Fund Balance
2008	\$ 7,586,673	\$ 20,951,992	\$ 28,538,665	\$ 1,211,037	\$ 8,061,773	\$ 7,049,860
2007	7,837,903	21,182,508	29,020,411	1,193,929	7,150,302	1,175,000
2006	6,823,079	22,696,486	29,519,565	1,138,877	4,833,645	1,645,534
2005	8,873,046	20,965,676	29,838,722	1,397,706	4,583,760	1,399,647
2004	9,329,203	18,987,476	28,316,679	893,964	3,798,288	2,469,770
2003	8,019,928	19,610,320	27,630,248	912,463	4,920,230	1,582,588
2002	7,161,052	19,040,899	26,201,951	1,739,988	4,800,358	1,877,849
2001	6,812,379	17,746,997	24,559,376	1,305,851	7,632,061	2,598,324
2000	5,746,163	16,601,151	22,347,314	1,140,522	6,371,072	3,381,983
1999	7,012,155	14,819,577	21,831,732	995,120	4,644,606	3,781,587
1998	6,669,083	15,433,729	22,102,812	1,085,076	5,556,905	2,913,841
1997	\$ 5,342,528	\$ 14,315,327	\$ 19,657,855	\$ 1,068,564	\$ 1,798,005	\$ 2,971,302

(continued from previous page)

Business-type activities (cont.)	Primary government			
	Invested in capital assets, net	Restricted Net Assets	Unrestricted Net Assets	Total
Subtotal				
\$ 16,869,793	\$ 96,746,444	\$ 11,915,459	\$ 32,873,421	\$ 141,535,324
16,709,440	74,337,793	10,298,262	31,959,054	116,595,109
15,495,542	67,424,937	8,019,763	30,362,757	105,807,457
14,252,082	53,302,320	7,624,049	27,887,911	88,814,280
12,836,942	50,219,713	7,633,009	23,456,996	81,309,718
\$ 11,255,509	\$ 42,569,129	\$ 7,067,819	\$ 19,909,670	\$ 69,546,618

(continued from previous page)

All Other	Total Governmental Funds		
	Reserved Fund Balance	Unreserved Fund Balance	Total
Subtotal			
\$ 16,322,670	\$ 8,797,710	\$ 36,063,625	\$ 44,861,335
9,519,231	9,031,832	29,507,810	38,539,642
7,618,056	7,961,956	29,175,665	37,137,621
7,381,113	10,270,752	26,949,083	37,219,835
7,162,022	10,223,167	25,255,534	35,478,701
7,415,281	8,932,391	26,113,138	35,045,529
8,418,195	8,901,040	25,719,106	34,620,146
11,536,236	8,118,230	27,977,382	36,095,612
10,893,577	6,886,685	26,354,206	33,240,891
9,421,313	8,007,275	23,245,770	31,253,045
9,555,822	7,754,159	23,904,475	31,658,634
\$ 5,837,871	\$ 6,411,092	\$ 19,084,634	\$ 25,495,726

Cleveland County, North Carolina
5. Retirement Contributions Schedule

Exhibit III.E.5

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	LGERS Employer's Normal Benefit	LGERS Employer's Death Benefit	LEOSSA Employer's Contrib.	SRIP-LEO Employer's Contrib.	SRIP-LEO Employee's Contrib.
2008	\$ 1,247,558	\$ 22,708	\$ 96,599	\$ 164,582	\$ 65,740
2007	1,163,090	23,382	105,507	153,610	39,680
2006	1,124,382	20,561	114,758	150,053	37,025
2005	1,055,424	19,344	117,577	139,613	43,705
2004	1,009,461	18,482	97,473	138,125	27,710
2003	985,415	18,039	100,384	129,300	29,791
2002	973,470	19,212	67,976	124,145	27,511
2001	917,075	18,525	59,529	119,301	23,788
2000	847,728	17,128	134,964	109,043	20,203
1999	918,066	27,333	49,761	107,218	18,428
1998	910,790	27,058	33,014	102,592	15,919
1997	\$ 845,280	\$ 24,986	\$ 31,026	\$ 91,867	\$ 12,270

(continued below)

5. Retirement Contributions Schedule

Exhibit III.E.5

For the Year Ended June 30, 2008

Fiscal Year Ended June 30	401(k) Employer's Contrib.	401(k) Employee's Contrib.	RODSPF Employee's Contrib.	Post-Retirement Health Premiums	No. of Retirees Receiving Paid Health Premiums
2008	\$ 1,133,931	\$ 424,774	\$ 6,922	\$ 206,160	50
2007	1,061,542	360,115	22,426	174,720	43
2006	982,566	370,542	22,417	156,744	45
2005	971,149	336,204	22,448	133,901	41
2004	894,965	277,312	24,546	106,038	36
2003	880,088	284,088	25,375	97,112	31
2002	850,672	266,178	20,729	95,706	35
2001	945,172	283,259	16,391	72,648	27
2000	874,145	245,029	15,132	55,930	27
1999	960,471	256,201	16,027	35,856	18
1998	950,649	223,321	15,393	33,516	20
1997	\$ 869,059	\$ 201,829	\$ 13,201	\$ 19,180	20

(continued from above)

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008**

IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS

	<u>Identifier</u>	<u>Page No.</u>
A. Reports from the Independent Auditor	Subsection IV.A.	180
B. Schedule of Results, Findings, and Questioned Costs	Subsection IV.B.	186
D. Schedule of Prior Year Audit Findings and Corrective Action Plan	Subsection IV.D.	188
E. Schedule of Expenditures of Federal and State Awards	Subsection IV.E.	189
1. Notes to Schedule of Expenditures of Federal and State Awards	Exhibit IV.E.1	195

This section contains schedules and auditor reports required by U.S. OMB (Office of Management and Budget) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act of North Carolina. The required schedules reflect federal, state, and local participation in various projects and programs of the County for which the federal and/or state government contributed.

This page left blank intentionally.



Martin Starnes & Associates, CPAs, P.A.

A Professional Association of Certified Public Accountants and Management Consultants

**Report On Internal Control Over Financial Reporting And On Compliance And Other
Matters Based On An Audit of Financial Statements Performed In Accordance
With Government Auditing Standards**

To the Board of 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, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cleveland County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cleveland County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the board of commissioners, management, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.

October 25, 2008



Martin Starnes & Associates, CPAs, P.A.

A Professional Association of Certified Public Accountants and Management Consultants

Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act

To the Board of Commissioners
Cleveland County, North Carolina

Compliance

We have audited the compliance of Cleveland County, North Carolina, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that are applicable to each of its major federal programs for the year ended June 30, 2008. Cleveland County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Cleveland County's management. Our responsibility is to express an opinion on Cleveland County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cleveland County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cleveland County's compliance with those requirements.

In our opinion, Cleveland County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Cleveland County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Cleveland County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in a County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to administer a federal program such that is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 25, 2008



Martin Starnes & Associates, CPAs, P.A.

A Professional Association of Certified Public Accountants and Management Consultants

**Report On Compliance With Requirements Applicable To Each Major State Program And
Internal Control Over Compliance In Accordance With Applicable Sections Of
OMB Circular A-133 And The State Single Audit Implementation Act**

To the Board of Commissioners
Cleveland County, North Carolina

Compliance

We have audited the compliance of Cleveland County, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that are applicable to each of its major state programs for the year ended June 30, 2008. Cleveland County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of Cleveland County's management. Our responsibility is to express an opinion on Cleveland County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, *OMB Circular A-133*, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Cleveland County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cleveland County's compliance with those requirements.

In our opinion, Cleveland County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Cleveland County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Cleveland County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in a County's internal control over compliance exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a State program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a State program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a State program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of commissioners, management, and federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 25, 2008

CLEVELAND COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

1. Summary of Auditors' Results

- A. An unqualified opinion was issued on the financial statements of Cleveland County, North Carolina.
- B. Our audit of the basic financial statements disclosed no significant deficiencies or material weaknesses in internal controls.
- C. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements.
- D. Our audit of compliance with the types of compliance requirements applicable to the County's major programs disclosed no significant deficiencies or material weaknesses in internal controls over major programs.
- E. An unqualified opinion was issued on Cleveland County, North Carolina's compliance with the types of compliance requirements applicable to its major federal programs.
- F. An unqualified opinion was issued on Cleveland County, North Carolina's compliance with the types of compliance requirements applicable to its major State programs.
- G. Our audit disclosed no audit findings which related to federal and State awards.
- H. Major federal programs for the Cleveland County, North Carolina for the fiscal year ended June 30, 2008 are:

Program Name	CFDA#
Medical Assistance	93.778
Temporary Assistance For Needy Families	93.558
Subsidized Childcare Cluster	93.558, 93.575, 93.596, 93.667
Food Stamp Cluster:	
Food Stamp Program	10.551
State Administrative Matching Grants for Food Stamps	10.561
Special Supplemental Nutrition Program For Women, Infants and Children	10.557
IV-E Foster Care and Adoption Cluster	93.658/93.659
Crisis Intervention/Energy Assistance	93.568

CLEVELAND COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Major State programs for Cleveland County, North Carolina for the fiscal year ended June 30, 2008 are:

Program Name	CFDA#
Medical Assistance	93.778
Subsidized Childcare Cluster	93.558, 93.575, 93.596, 93.667
IV-E Foster Care and Adoption Cluster	93.658/93.659
Public School Building Capital Fund	N/A
State/County Special Assistance	N/A

The threshold for determining Type A programs for Cleveland County, North Carolina is \$3,000,000.

Cleveland County, North Carolina did not qualify as a low risk auditee under Section .530 of Circular No. A-133.

Findings Related to the Audit of the Basic Financial Statements

None

Findings and Questioned Costs Related to the Audit of Federal Awards

None

Findings and Questioned Costs Related to the Audit of State Awards

None

CLEVELAND COUNTY, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

None.

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008

IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
E. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-through Grantor/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
Federal Awards:					
<u>U.S. Dept. of Agriculture</u>					
<u>Passed-through N.C. Dept. of Agriculture:</u>					
Emergency Food Program (Administration)	10.568	-	\$ 20,885	\$ -	\$ -
Emergency Food Program (Commodities)	10.569	-	138,472	-	-
<u>Division of Public Health</u>					
Special Supplemental Nutrition Program for Women, Infants, and Children - direct benefit payments	10.557	-	2,003,951	-	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5403, -4, -5, -9	372,204	-	-
<u>Division of Social Services:</u>					
<u>Food Stamp Cluster:</u>					
Food Stamps - direct benefit payments	10.551	-	17,368,762	-	-
Food Stamps Claims Collect	10.551	454	(9,414)	-	-
Food Stamps Incentive Retention	10.551	455	11,804	-	-
Food Stamps Administration	10.561	404, 417	702,112	-	702,112
Food Stamps Employment & Training	10.561	458	6,925	-	6,925
Food Stamps Fraud	10.561	405	28,021	-	28,021
<u>Total Food Stamp Cluster</u>			<u>18,108,211</u>	<u>-</u>	<u>737,058</u>
<u>Total U.S. Dept. of Agriculture</u>			<u>20,643,722</u>	<u>-</u>	<u>737,058</u>
<u>U.S. Dept. of Health & 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>					
<u>Aging Cluster:</u>					
III-B Grants for Supportive Services and Senior Centers - In Home Services	93.044	-	124,825	7,342	-
Social Services Block Grant - In Home Services	93.667	022, 396	17,689	-	2,527
<u>Total Aging Cluster</u>			<u>142,514</u>	<u>7,342</u>	<u>2,527</u>
<u>Division of Child Development:</u>					
<u>Subsidized Child Care Cluster:</u>					
<u>Child Care Development Fund Cluster:</u>					
Child Care and Development Fund -- Discretionary	93.575	D*23, TB23	1,659,323	-	-
Child Care and Development Fund -- Admin.	93.596	364	174,387	-	-
Child Care and Development Fund -- Mandatory	93.596	M*23	613,885	-	-
Child Care and Development Fund -- Match	93.596	V*23	749,478	418,549	-
<u>Total Child Care Development Fund Cluster:</u>			<u>3,197,073</u>	<u>418,549</u>	<u>-</u>
Temporary Assistance for Needy Families - Child Care	93.558	T223	384,277	-	-
Social Services Block Grant - Child Care	93.667	Q423, 467	19,030	-	156,537
Smart Start	-	4023, 347, 438	-	151,727	128
State & Local Appropriations	-	0023	-	127,357	-
TANF-MOE	-	T623	-	841,749	-
<u>Total Subsidized Child Care Cluster:</u>			<u>3,600,380</u>	<u>1,539,382</u>	<u>156,665</u>
<u>Passed-through the Univ. of NC-Chapel Hill:</u>					
Quality Enhancement Project - Infants	93.994	-	24,067	-	-

continued on next page

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008**

**IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
E. Schedule of Expenditures of Federal and State Awards**

Grantor/Pass-through Grantor/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
Federal Awards: (continued from previous page)					
<u>Division of Medical Assistance:</u>					
<u>Medicaid Assistance Cluster:</u>					
Medicaid Assistance Program - direct benefit payments	93.778	-	\$ 91,346,992	\$ 47,471,112	\$ 6,331,696
Adult Care Home CM	93.778	211	14,888	7,444	7,444
At-Risk CM	93.778	286	16,133	-	-
At-Risk CM Settlement	93.778	-	8,121	-	-
Medical Assistance Administration	93.778	412	1,015,212	-	1,015,212
Medical Assistance Expansion	93.778	477	21,530	21,530	-
Medical Transportation Administration	93.778	375	39,018	-	39,018
Medical Transportation Services	93.778	377	512,454	284,384	4,600
Special Adult Home	93.778	128, 131	51,775	31,480	20,294
<u>Total Medicaid Assistance Cluster:</u>			93,026,123	47,815,951	7,418,264
<u>Division of Public Health</u>					
Family Planning	93.217	592C	25,323	-	-
Immunization Program/ Aid to County Funding	93.268	6025, 631D	22,455	-	-
Bioterrorism Grant	93.283	2681	115,270	15,495	-
TANF - Public Health	93.558	5151	14,132	-	-
Ryan White / HIV Care Formula Grant	93.917	5596	103,538	-	-
Breast and Cervical Cancer Early Detection	93.919	310D, 360C	17,150	-	-
HIV Prevention Activities	93.940	433B	20,673	-	-
Preventive Health and Health Services Block Grant - Statewide Health Promotion Program	93.991	5503	18,498	12,048	-
Maternal and Child Health Services Block Grant	93.994	57XX, 601X, 53XX	51,678	173,176	-
<u>Division of Social Services:</u>					
<u>Foster Care and Adoption Assistance Cluster:</u>					
TEA & TEA Max	93.558	280, 281	30,649	-	-
IV-E Admin	93.658	-	2,811	-	2,811
IV-E Child Protective Services	93.658	072, 074	332,365	91,153	195,977
IV-E Foster Care, Optional Fund	93.658	97, 132, 302, 407	373,371	-	372,861
IV-E Foster Care	93.658	-	259,477	72,550	72,550
IV-E Max	93.658	-	52,878	-	29,559
IV-E, IV-B, and State Vendor	93.658	-	6,050	16,315	-
IV-E Adoption Subsidy - direct benefit payments	93.659	-	370,792	105,464	105,464
Special Needs Adoption	-	-	-	23,091	-
Child Welfare Services Adoption Subsidy - direct benefit payments	-	-	-	325,183	93,211
Foster Care At-Risk Max	-	-	-	24,196	13,542
State Foster Home	-	-	-	118,265	118,265
<u>Total Foster Care and Adoption Assistance Cluster:</u>			1,428,393	776,216	1,004,239
TANF Payments and Penalties - direct benefit payments	93.558	-	\$ 1,427,958	\$ 58	\$ 58
TANF Administration	93.558	226, 341	185,353	-	-
TANF Services / Emergency Assistance	93.558	205, 207, 227, 238	1,692,721	-	-
TANF / Domestic Violence Services	93.558	278	13,479	-	-
TANF CPS & FC / Adoption Services	93.558	358	121,631	-	-
Work First Demo	93.558	137, 143-332	85,735	-	5,708
TANF Incentives	-	268	-	1,817	-

continued on next page

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008**

**IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
E. Schedule of Expenditures of Federal and State Awards**

Grantor/Pass-through Grantor/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
Federal Awards: (continued from previous page)					
AFDC Payments and Penalties - direct benefit payments (reimbursements)	93.560	-	(344)	(94)	(94)
AFDC Unemployed Parents - direct benefit payments (reimbursements)	93.560	-	(146)	-	-
<u>Child Support Enforcement Funds:</u>					
AFDC Share / Return	93.563	-	85,472	-	-
Incentive Regular	93.563	-	237,642	-	-
Intercept Fees / Federal Offset / Blood Test	93.563	-	2,312	-	-
IV-E Share / Return	-	-	-	7,837	-
SFHF Share / Return	-	-	-	21,081	-
<u>Total Child Support Enforcement Funds:</u>			325,427	28,918	-
AFDC Withhold	93.563	266	(110)	-	-
IV-D AFDC / Non-AFDC	93.563	430	934,757	-	480,301
IV-D Blood Test	93.563	432	322	-	166
IV-D Cooperative Agreement	93.563	449,450	22,937	-	11,816
IV-D Cost Recovery	93.563	436	(2,806)	-	(1,446)
IV-D Government Service Contract	93.563	423	58	-	30
IV-D Non-AFDC	93.563	435	(1,521)	-	(784)
IV-D Offset Fees Federal - non-direct benefits	93.563	443	(3,643)	-	-
IV-D Offset Fees ESC - non-direct benefits	93.563	437	(745)	-	-
AFDC Incentives / Program Integrity	-	267	-	56	-
Crisis Intervention Planning Services	93.568	372,053	366,043	-	-
Energy Assistance - direct benefit payments	93.568	-	298,424	-	-
Energy Assistance Services	93.568	406	33,586	-	-
Permanency Planning - Regular	93.645	392	25,214	8,405	-
Permanency Planning - Special	93.645	368,464,465	8,686	-	2,895
Social Services Block Grant	93.667	394,395	\$ 360,989	\$ -	\$ 120,330
SSBG Special ADC	93.667	036,038	11,445	9,030	2,925
SSBG State Services Support	93.667	482	-	6,485	2,162
Social Services Block Grant - TANF	93.667	050	65,035	-	21,678
LINKS	93.674	290,291	23,837	5,959	-
Independent Living LINKS - direct benefit payments	93.674	-	1,488	372	-
LINKS Transitional Funds - direct benefit payments	93.674	-	2,082	-	-
TOP Incentives	93.674	270	6,756	-	-
DOR Incentives	93.674	269	848	-	-
N. C. Health Choice	93.767	440,441,483	62,240	93	14,931
<u>Total U.S. Dept. of Health and Human Services</u>			107,875,001	50,819,257	9,242,369
<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	97,057	-	-
<u>U.S. Dept. of the Interior</u>					
<u>Direct program:</u>					
2007 Historic Preservation	15.904		10,000	-	-

continued on next page

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008**

**IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
E. Schedule of Expenditures of Federal and State Awards**

Grantor/Pass-through Grantor/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
Federal Awards: (continued from previous page)					
<u>U.S. Dept. of Justice</u>					
<u>Direct Program:</u>					
State Criminal Alien Assistance Program	16.606	2006-AP-BX-0338	3,227	-	-
Bulletproof Vests	16.607	-	3,200	-	3,200
JAG Grant	16.738	-	30,062	-	-
<u>Total U.S. Dept. of Justice</u>			<u>36,489</u>	<u>-</u>	<u>3,200</u>
<u>U.S. Dept. of the Treasury</u>					
<u>Direct program:</u>					
U.S. Immigration and Customs Enforcement	16.578	NC0230000	232,890	-	36,861
<u>Total U.S. Dept. of the Treasury</u>			<u>232,890</u>	<u>-</u>	<u>36,861</u>
<u>U.S. Election Assistance Commission</u>					
<u>Passed-through State Board of Election</u>					
HAVA Grant - Voting System	90.401	-	-	48,878	-
<u>U.S. Federal Emergency Management Agency</u>					
<u>Passed through NC Dept. of Crime Control and Public Safety:</u>					
Emergency Management Program	83.552	EMPG-2005-37045	22,069	-	-
<u>Passed through Hyde County, North Carolina</u>					
Disaster Response			14,133	-	-
<u>Total U.S. Federal Emergency Management Agency</u>			<u>36,202</u>	<u>-</u>	<u>-</u>
<u>Total Federal Awards</u>			<u>128,931,361</u>	<u>50,868,135</u>	<u>10,019,489</u>
State Awards:					
<u>N.C. Dept. of Administration</u>					
Veteran Services		-	-	2,000	50,033
<u>N.C. Dept. of Commerce</u>					
NC One grant		O-2006-0058/0433	-	133,000	-
<u>N.C. Dept. of Corrections</u>					
Criminal Justice Partnership Program		-	-	101,381	-
<u>N.C. Dept. of Crime Control & Public Safety</u>					
Swiftwater Grant		-	-	5,792	-
<u>N.C. Dept. of Cultural Resources</u>					
Library State Aid Grant		-	-	161,645	816,406
<u>N.C. Dept. of Environment and Natural Resources:</u>					
Environmental Health		4751	-	4,500	-
Food and Lodging		4752	-	15,216	-
Summer Food		4753	-	56,424	-
Child Lead Poisoning		4760	-	2,000	-
Funds for Soil and Water Conservation District		-	-	27,648	50,067
Scrap Tire Disposal		-	-	26,279	-
White Goods Management		-	-	60,568	-
<u>Total N.C. Dept. of Environment and Natural Resources:</u>			<u>-</u>	<u>192,634</u>	<u>50,067</u>

continued on next page

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008

IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
E. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-through Grantor/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
State Awards: (continued from previous page)					
<u>N.C. Dept. of Health and Human Services</u>					
<u>Division of Child Development:</u>					
Smart Start Day Care		398	-	112,854	-
<u>Division of Public Health</u>					
General		4110	-	104,087	-
Child Lead Poisoning		3001	-	2,000	-
Tuberculosis		4551	-	14,021	-
Women's Preventive Health		4106	-	1,354	-
TB Medical Service		4554	-	1,529	-
Co-Location Mental Health Project		-	-	25,000	-
<u>Division of Social Services:</u>					
Blind Aid		-	-	108	-
State Adult Protective Services		098, 099	-	73,299	-
State Appropriation		447	-	81,102	-
State-County / Special Assistance Domiciliary Care - direct benefit payments		-	-	1,367,563	1,367,563
<u>Office of Emergency Medical Services</u>					
HRSA Project 2		-	-	1,319	-
Support Trailers Project 5		-	-	14,929	-
SMAT III Sustainment Project 11		-	-	6,622	-
SMAT III Pharmaceuticals Project 12		-	-	3,242	-
Pandemic Flu SMAT		-	-	9,220	-
<u>Passed through the Cleveland County Partnership for Children:</u>					
Smart Start Services		-	-	148,533	-
<u>Total N. C. Dept. of Health and Human Services</u>			-	1,966,783	1,367,563
<u>N.C. Dept. of Transportation</u>					
<u>Rural Operating Assistance Program Cluster:</u>					
Elderly and Disabled Transportation Assistance		-	\$ -	\$ 67,867	\$ -
Rural General		-	-	61,245	-
Workfirst Transportation		-	-	16,954	-
<u>Total Rural Operating Assistance Program Cluster:</u>			-	146,066	-
<u>Total N.C. Dept. of Transportation</u>			-	146,066	-
<u>N.C. Office of Juvenile Justice</u>					
Juvenile Crime Prevention Council		-	-	278,269	-
<u>N.C. Office of State Budget:</u>					
Public School Building Capital Fund - ADM			-	773,066	984,526
Public School Building Capital Fund - Lottery			-	725,000	-
<u>Total N.C. Office of State Budget:</u>			-	1,498,066	984,526
<u>N.C. Office of State Controller:</u>					
Controlled Substances Tax		-	-	44,898	4,885
<u>N.C. Rural Economic Development Center</u>					
Double Shoals Cotton Mill Rehabilitation		2007-109-60501-107	-	17,500	2,813
PEG Channel Capital Equipment		2008-107-80315-102	-	24,998	25,000
<u>Total N.C. Rural Economic Development Center</u>			-	42,498	27,813

continued on next page

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008

IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
E. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-through Grantor/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
State Awards: (continued from previous page)					
<u>N.C. State University</u>					
Seasonal Tailgate Market		-	-	2,500	2,500
<u>Total State Awards</u>			-	4,854,599	3,303,793
<u>Total Federal and State Awards</u>			\$128,931,361	\$ 55,722,734	\$ 13,323,282

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008

IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
E. Schedule of Expenditures of Federal and State Awards
1. Notes to Schedule of Expenditures of Federal and State Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements. For example, direct benefit payments are paid directly to recipients and are only included in the County's general purpose financial statements as part of Note 2. See "Benefit payments (reimbursements) issued by (to) the State" under Note 2, Summary of Significant Accounting Policies. Due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.

2. Subrecipients

Of the federal and State expenditures presented in the schedule, the County provided federal and state awards to subrecipients as follows:

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
Emergency Food Program (Commodities)					
Shelby Lions Club	10.569	-	\$ 138,472	\$ -	\$ -
Juvenile Crime Prevention Council					
Cleveland County Schools - Early Interventions			\$ -	\$ 78,857	\$ -
Communities in Schools - Teen Court			-	15,332	-
Alexander Youth Network - Multisystemic Therapy			-	15,000	-
Mediation Center - Juvenile Mediation			-	16,221	-
Total Juvenile Crime Prevention Council			\$ -	\$ 125,410	\$ -
Rural Operating Assistance Program					
Transportation Assistance of Cleveland County			\$ -	\$ 129,112	\$ -

3. Pass-thru Grant Awards from Jointly Governed Organization (Isothermal Planning and Development Commission)

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
<u>U.S. Dept. of Health & 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	-	\$ 124,825	\$ 7,342	\$ -
<u>U.S. Dept. of Housing and Urban Development</u>					
<u>Passed-through N.C. Dept of Commerce, thru Isothermal Planning and Development</u>					
Community Development Block Grant	14.228	04-C-1288	97,057	-	-
Total pass-thru grants awards from IPDC			\$ 221,882	\$ 7,342	\$ -

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2008**

IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS

E. Schedule of Expenditures of Federal and State Awards

1. Notes to Schedule of Expenditures of Federal and State Awards

4. Benefit payments (reimbursements) issued by (to) the State

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	-	\$ 2,003,951	\$ -	\$ -
Food Stamps	10.551	-	17,368,762	-	-
Medical Assistance	93.778	-	91,346,992	47,471,112	6,331,696
Participation in Budgeted County Expenditures					
Independent Living Links	93.674		1,488	372	-
Links Transitional Funds	93.674		2,082	-	-
IV-E Adoption Subsidy	93.659	-	370,792	105,464	105,464
Energy Assistance Payments	93.568	-	298,424	-	-
AFDC Payments and Penalties	93.560	-	(344)	(94)	(94)
AFDC Transitional Child Care Payments	93.560	-	(146)	-	-
TANF Payments and Penalties	93.558	-	1,427,958	58	58
TANF Unemployed Parents Assistance	93.558	-			
Child Welfare Services Adoption			-	325,183	93,211
State-County / Special Assistance Domiciliary Care Payments			-	1,367,563	1,367,563
Total participation in budgeted county expenditures			<u>2,100,254</u>	<u>1,798,545</u>	<u>1,566,201</u>
Total direct benefit payments			<u>\$112,819,959</u>	<u>\$ 49,269,657</u>	<u>\$ 7,897,897</u>

This page left blank intentionally.