

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

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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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

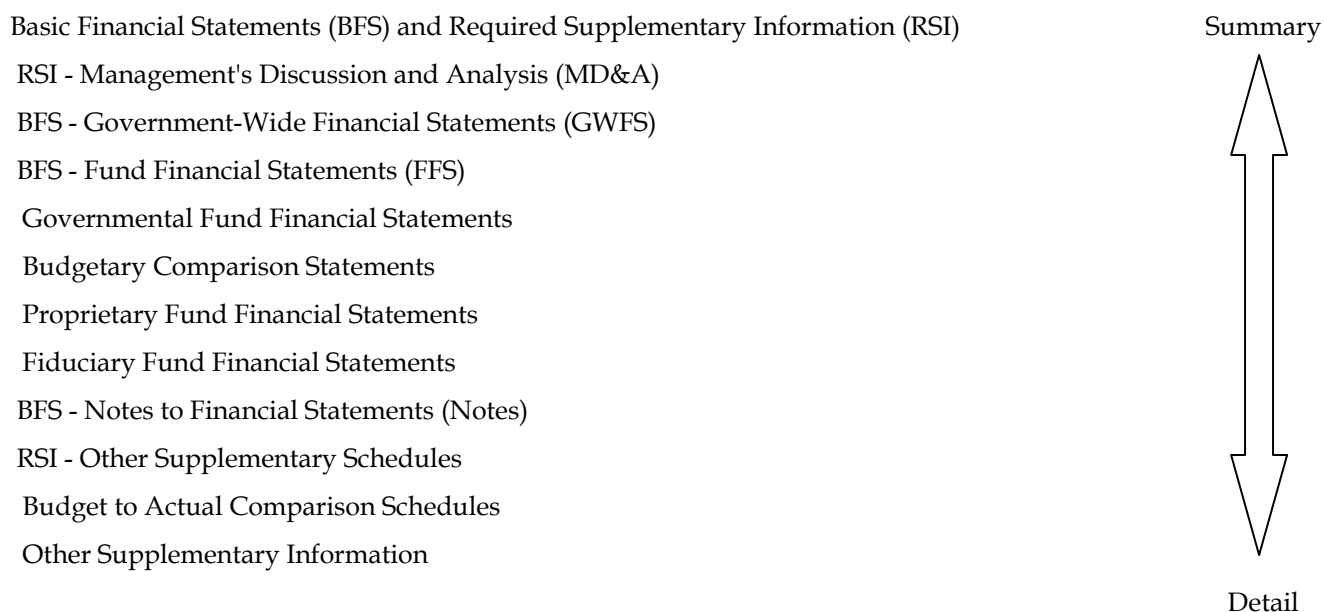


Figure 1. Level of Detail

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.ccnCGov/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

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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

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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 foci 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	<u>\$ 24,779,862</u>	<u>\$ 9,573,754</u>

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

Cleveland County, North Carolina

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

For the Year Ended June 30, 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	\$ 21,649,146	\$ 20,193,364
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	4,779,353	3,483,924
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	\$ 16,869,793	\$ 16,709,440

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

	Solid Waste Collection and Disposal	
	Totals	
	2008	2007
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	4,883,763	5,036,317
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	5,285,293	4,567,905
Operating income (loss)	(401,530)	468,412
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	803,128	920,833
Income before contributions and transfers	401,598	1,389,245
Transfer from(to) governmental funds (i.e. General Fund)	(241,245)	(175,347)
Change in net assets	160,353	1,213,898
Net assets, beginning	16,709,440	15,495,542
Net assets, ending	\$ 16,869,793	\$ 16,709,440

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	2,420,337	2,365,217
LIABILITIES		
Accounts payable and accrued expenses	269,206	269,344
Due to other taxing units	2,151,131	2,095,873
Total liabilities	\$ 2,420,337	\$ 2,365,217

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:

<u>FY</u>	<u>Hospital Facilities</u>	
	<u>Principal</u>	<u>Interest</u>
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.

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**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			\$ 3,222,681

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			\$ 981,492

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			\$ 981,492

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%		\$ 109,801

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>

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Cleveland County, North Carolina

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

For the Year Ended June 30, 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	7,760,274	9,497,364	1,737,090	8,380,985
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	427,770	1,010,381	582,611	630,573
Total revenues	79,296,640	80,754,665	1,458,025	78,154,793
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	3,024,801	2,144,952	(879,849)	2,484,671
Administration				
Salaries / benefits	408,501	406,949	(1,552)	400,035
Other expenses	30,067	28,721	(1,346)	24,098
Subtotal administration	438,568	435,670	(2,898)	424,133
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	581,232	567,893	(13,339)	533,936
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	1,253,370	1,226,179	(27,191)	1,203,081

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Cleveland County, North Carolina

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

For the Year Ended June 30, 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

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Cleveland County, North Carolina

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

For the Year Ended June 30, 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>

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Cleveland County, North Carolina

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

For the Year Ended June 30, 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

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Cleveland County, North Carolina

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

For the Year Ended June 30, 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>

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Cleveland County, North Carolina

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

For the Year Ended June 30, 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

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Cleveland County, North Carolina

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

For the Year Ended June 30, 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)

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Cleveland County, North Carolina

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

For the Year Ended June 30, 2008

With Comparative Totals as of June 30, 2007

	2008		Variance - Over (Under)	2007
	Budget	Actual		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>

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**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

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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

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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
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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
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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>

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

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

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	\$ -	\$ 772,974	\$ 28,958	\$ (754,428)	\$ (5,592)	\$ 41,912
2007	39,913		451	(29,503)	(966)	9,894
2006	11,123		187	(5,299)	(293)	5,718
2005	6,685		162	(2,693)	(207)	3,947
2004	4,806		12	(1,719)	(21)	3,078
2003	3,662		11	(1,358)	(17)	2,297
2002	2,711		9	(488)	(9)	2,224
2001	2,275		5	(401)	(8)	1,870
2000	1,325		2	(187)	(7)	1,133
1999	1,146		1	(157)	(1)	989
1998	947		-	(29)	(859)	59
1997	29			(17)	(10)	2
	<u>74,622</u>	<u>\$ 772,974</u>	<u>\$ 29,797</u>	<u>\$ (796,279)</u>	<u>\$ (7,991)</u>	<u>73,123</u>
	<u>(27,818)</u>	Less allowance for uncollectible ad valorem taxes receivable				<u>(27,014)</u>
	<u>\$ 46,804</u>	Ad valorem taxes receivable, net				<u>\$ 46,110</u>

Reconciliation with revenues:

Total reported ad valorem tax revenues	\$ 804,444
Discounts	2,301
Penalties, Interest, and advertising fees	(10,466)
Taxes collections of taxes (as above)	<u>\$ 796,279</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