

**CLEVELAND COUNTY
NORTH CAROLINA**



**ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED JUNE 30, 2009**

CLEVELAND COUNTY NORTH CAROLINA



ANNUAL FINANCIAL AND COMPLIANCE REPORT FOR THE YEAR ENDED JUNE 30, 2009

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

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Cleveland County, North Carolina
Annual and Financial Compliance Report
For the Year Ended June 30, 2009
I: PREFACE AND INTRODUCTION
A. Message from the County Manager

October 15, 2009

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

North Carolina General Statute (NCGS) 159-34(a) requires the County to contract with a certified public accountant to 1) have the financial records audited as soon as possible after the close of each year and 2) evaluate the County's performance with regard to compliance with all applicable federal and state regulations. The statute also requires that the auditor be permitted access to all records and other information upon request. In February 2009, the County entered a contract with Martin Starnes & Associates, CPAs, P.A. to conduct the audit for the fiscal year ended June 30, 2009. The auditor was permitted access to all requested information and no significant deficiencies have been noted. As of the date of this letter, the auditors' fieldwork is virtually completed.

More importantly, as the foundation of the County's financial planning and control, the annually adopted budget gives direction to County departments. The remaining text below is excerpted from a message concerning the budget for the fiscal year ending June 30, 2010.

General Fund Budget

The projected tax base for fiscal year 2009-10 is \$6,435,000,000. This is a projected increase of \$100,000,000 in value over the previous year, which translates into \$552,000 in new revenue at a 57 cents tax rate and a 97% collection rate. Sales tax revenues are projected to decrease by approximately \$2.5 million as spending decreases due to a lack of consumer confidence and an increase in unemployment. Overall, service-related fee collections are expected to see a reduction in all departments. As fees for services decline, departments will be asked to work harder to control associated departmental expenses. With minimal increases in the property tax base, our current allocated funding levels will be difficult to sustain over time unless growth in the tax base and sales taxes increases to match our mandated spending requirements.

Human Services

The overall appropriation of County funding for the *Department of Social Services* is \$4,222,345 for an increase in funding of 11.46% over the previous year. This increase is primarily the result of a rise in the County's share of State-mandated costs. The implementation of the Northwoods document imaging software this past year has been successful and resulted in increased staff productivity. Because of the reduction in paperwork, employees are able to maintain larger caseloads without an increase in staffing.

The *Health Department* budget reflects an overall decrease of 3.46% for a total County appropriation of \$3,636,527. The *Health Department* is proposing to add one new federally

funded Processing Assistant III to the Women/Infants/Children (WIC) department. This budget also reflects a reduction in force of four positions at the Health Department due to a decrease in grant funding or other budget constraints. These reductions include two Public Health Education Specialists (012.536.4221, 012.536.4218) and two Public Health Educator I positions (012.536.4220, 012.548.1272). It is noteworthy to mention that during this past year, the *Health Department* received recognition for achieving 100% compliance on all accreditation benchmarks and was awarded full accreditation status by the N.C. Accreditation Board.

Landfill (Enterprise Fund)

The construction of a new landfill has been in the planning process for the past several years. Now that it is complete, it will be fully operational in June 2009. The current fee schedule for the landfill will remain unchanged.

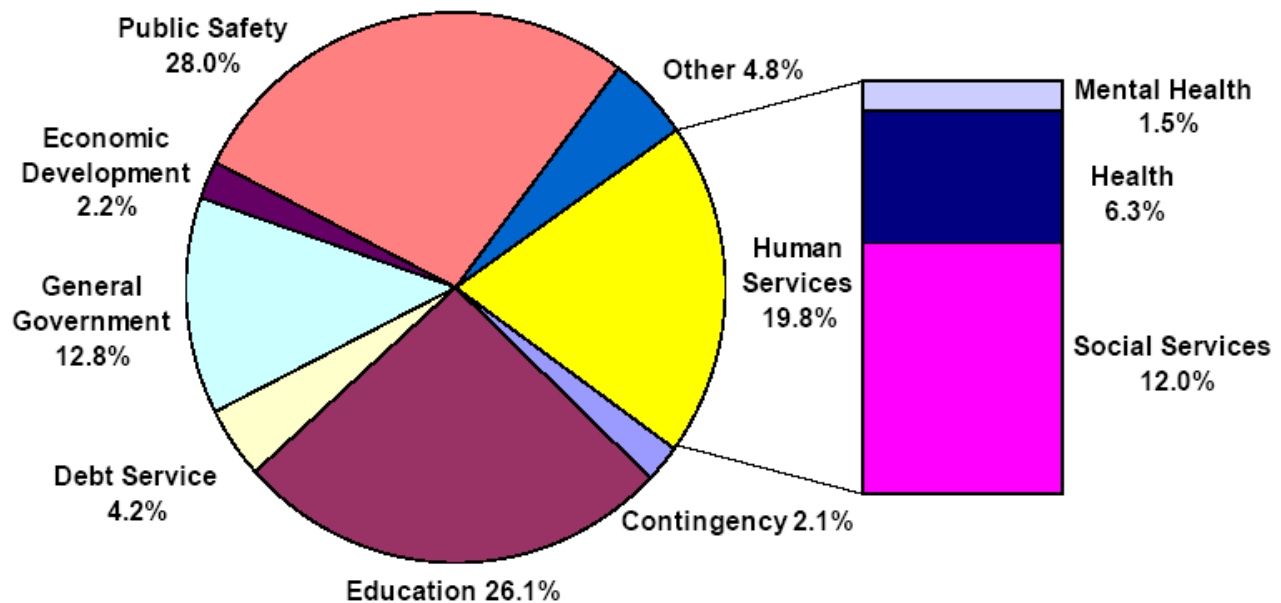
Public Safety

The *Emergency Medical Services* budget has allocated a total of \$5,333,565. Although this department budget reflects an increase of 5.14%, most of the funds are comprised of salaries, billing company fees, and minor equipment purchases. A new ambulance is also included in the budget.

The *Sheriff's Office* and the *Detention Center* appropriation total \$8,024,597 for an increase of 1.38%. This budget includes the addition of 10 new Sheriff's vehicles to replace current high mileage vehicles.

Cleveland County Expenditures

FY 2009-2010 Primary Fund By Function



Volunteer Fire Service Districts

All fire service district tax rates will remain unchanged from last fiscal year. Fire departments continue to place an emphasis on the recruitment and retention of their volunteer members. Commissioners agreed to support this effort by paying for the retirement for qualified members of the volunteer fire departments and rescue squads.

Tax Administration

This budget proposes no change in the current property tax rate of 57 cents per \$100 of valuation. The tax rates for the County-wide school district and the County fire district will also remain at 15 cents and 3 cents, respectively. The early payment discount for taxpayers who pay during the month of August will remain at the current discount rate of one-half of 1%.

A new Paralegal position was added to the *Tax Administration Department* last year to expedite the collection of delinquent property taxes. The addition of this position has been positive, resulting in increased collection rates.

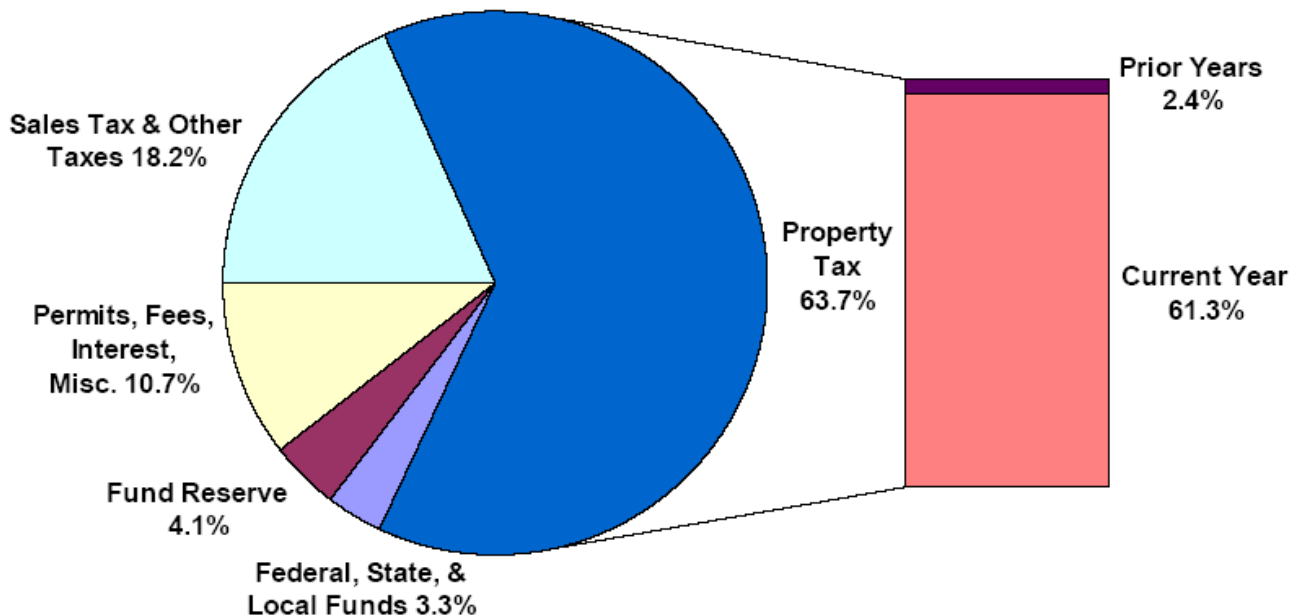
Fees

State law requires that all on-site wastewater pump systems be inspected every five years. The owner may also be required to have a certified on-site wastewater operator contract. Depending upon the size of pump system, the *Health Department* would be charging users \$125 to \$250 for the Environmental Health inspection fee. This fee would be comparable to fees charged by other counties for this service.

The *Health Department* is also proposing to increase the fee structure in the *Animal Control* sub-department. A copy of the various fee types is included in the budget.

Cleveland County Revenues

FY 2009-2010 Primary Fund By Source



Due to increases in the Medicare allowable rate, proposed fees for ambulance transports by *Emergency Medical Service (EMS)* will increase proportionately. The new rates will still fall below similar fees charged by many of our neighboring counties.

Human Resources

In order to maintain a balanced budget, employee salaries will be frozen at current levels as of June 30, 2009. The budget does not include any pay increases for employees, including cost of living, merit, or standard rate increases.

We will continue to offer employees' health insurance options with an opportunity to select either a Health Savings Account (HSA) or a traditional PPO. Our health insurance costs have stabilized due primarily to the savings of the HSA plan. For next year, the premiums paid by the County on behalf of the employees will rise by 9%.

The Wellness Program is a great benefit for employees that we began promoting several years ago. Employees are encouraged to make healthy choices which have a positive effect on their individual health as well as the overall stability of our health plan. In conjunction with our health plan, we have continued to promote our employee wellness clinic and pharmacy program as affordable options.

Our direct reimbursement dental plan has been operating effectively for many years. Our utilization has risen somewhat over this past year; therefore, there is a small increase of one dollar per month in the individual premium paid by the County on behalf of the employees.

CLEVELAND COUNTY						
SCHOOL FUNDING WORKSHEET (ACCRUAL BASIS)						
March 18, 2009						
FISCAL YEAR	2010 <i>projected</i>	2009 <i>estimate</i>	2008	2007	2006	2005
Current Expense	10,408,213	10,408,213	9,908,213	9,808,213	9,808,213	9,808,213
Capital Outlay	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Special Capital Projects	1,400,000	1,400,000	1,400,000	1,300,000	1,100,000	866,000
Supplemental Tax	9,875,000	9,805,000	9,215,690	9,091,504	8,972,776	8,743,152
Fines & Forfeitures	500,000	531,000	640,742	561,027	488,464	498,141
Sales Tax	3,079,000	3,519,000	4,022,266	4,035,765	3,828,164	3,634,624
Total Funding	27,262,213	27,663,213	27,186,911	26,796,509	26,197,617	25,550,130
Student Population	16,411	16,768	16,957	17,089	17,217	17,609
Per Pupil Funding	1,661.22	1,649.76	1,603.29	1,568.06	1,521.61	1,450.97
Annual Amount Change	11.45	46.48	35.23	46.44	70.64	13.74
Annual Percentage Change	0.69%	2.90%	2.25%	3.05%	4.87%	0.96%

Public Schools

The current expenditures for the Cleveland County School System will remain the same as in the previous year. The total appropriation of \$27,262,213 equates to over \$1,661 of local funding per pupil. The increase in per pupil funding is due to an increase in the property tax

base as well as a decrease in the number of students. Restricted capital projects funding will remain the same at a total of \$1.4 million.

Community College

The budget includes an allocation of \$1,340,129 in current expenditures for the Cleveland Community College. This appropriation includes increased funding for utilities and maintenance for the Bailey Allied Health Building. Funding for additional capital projects will remain unchanged.

Capital Projects

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

- Conference Center/Early College High School/Continuing Education facility – Collaborating with Cleveland County Schools and Cleveland Community College to construct a multi-purpose facility. An architect has been selected and we expect to break ground by the end of this year.
- Shelby Middle School – Working with the School Board to prepare for a new Shelby Middle School. After the selection of a location, the goal is to break ground in early 2010.
- Public Safety Communication System – This project has been in the planning stage over five years. With the efforts of the County Commissioners and staff, this state-of-the-art 800 MHz communication system will be used by our local public safety agencies to improve interoperability locally and with other federal and State agencies.
- Jail Annex Expansion – Construction is underway for this 152-bed expansion project with an estimated completion date of October 2010.
- EMS Base in south-central Cleveland County – Completed the final payment in April to purchase the existing Number Three Volunteer Fire Station. We are converting this facility into an EMS base station with plans to move in some time in May. The mobile unit on site will be transferred to Polkville. The EMS unit located in the Polkville Town Hall will move into the mobile unit during the summer of 2009.
- County Landfill – The new landfill will be operational in June 2009. In addition, we are working on a contractual agreement to convert methane gas into a new energy source by the end of 2009.
- Industrial Park West – Working in a joint venture with the City of Shelby to develop an industrial park west of the City. The land has been acquired by the City and is in the design phase. The City is working to make this site certified by the N.C. Department of Commerce. Efforts will also include the exploration of funding sources to construct a shell building in the Park.
- Fuel Facility – Working with the City of Shelby on a joint project to save taxpayers by constructing a fuel facility for public vehicles on Grover Street.

Medicaid

The County obligation for Medicaid will end effective June 30, 2009. The Article 44 half-cent sales tax currently collected on behalf of the counties will be fully accruable to the State as of October 1, 2009. Even after this date, counties will continue to be required to replace municipal

sales tax losses, including growth. In addition, counties will also continue to be responsible for Medicaid administration.

Economic Development/Tourism

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

We have continued our efforts emphasizing local travel and tourism within our community. Travel, like many other industries, is down but we need to be positioned to take advantage of the opportunity to promote our community once the economy begins to recover. This budget is allocating \$90,000 for travel and tourism with a majority of funding coming from the local occupancy tax.

Conclusion

With unemployment at a 25-year high, our economy is in a state of turmoil. Retail sales have continued to decline and local housing starts are currently only at around 5 per month. Despite declining revenues, this budget focuses on controlling public expenditures at current levels. We are exploring all avenues to manage costs while providing exceptional quality services. Based on your direction and leadership, we will continue to operate without any increase in property taxes in the near future.

We look forward to continuing our focus on the recruitment of new businesses and the retention of our current businesses. Creating and retaining jobs for our citizens will help stabilize our local economy as well as assist with maintaining a stable tax rate. Our County departments and staff will continue to work diligently to contain costs while providing exceptional public services. As long as we continue managing our resources wisely, we can weather this economic storm and remain financially strong.

Respectfully submitted,



David C. Dear
County Manager / Budget Officer

DESCRIPTION	FY 2009 BUDGET ORDINANCE	FY 2010 BUDGET ORDINANCE	AMOUNT CHANGE	% CHANGE
<u>GENERAL FUND CLASSIFICATION:</u>				
Primary Government Services	\$ 60,169,389	\$ 58,012,202	\$ (2,157,187)	-3.59%
Social Services and Public Assistance	27,661,586	22,870,944	(4,194,722)	-15.50%
Public Health	11,587,299	11,848,900	261,601	2.26%
Employee Wellness	797,574	726,350	(71,224)	-8.93%
Court Facilities	351,928	324,232	(27,696)	-7.87%
Workers' Compensation	380,000	400,000	20,000	5.26%
Health Insurance	<u>679,943</u>	<u>608,552</u>	<u>(71,391)</u>	<u>-10.50%</u>
TOTAL, INCLUDING TRANSFERS	101,031,799	94,791,180	(6,240,619)	-6.18%
LESS INTERFUND TRANSFERS:	<u>(17,510,210)</u>	<u>(13,363,347)</u>	<u>4,146,863</u>	<u>-23.68%</u>
TOTAL, EXCLUDING TRANSFERS	<u>83,521,589</u>	<u>81,427,833</u>	<u>(2,093,756)</u>	<u>-2.51%</u>
<u>SPECIAL REVENUE FUND CLASSIFICATION:</u>				
Public Schools District	9,217,425	9,362,925	145,500	1.58%
Schools Capital Reserve	2,947,585	2,836,514	(111,071)	-3.77%
Property Revaluation	11,000	25,800	14,800	134.55%
Emergency Telephone (E911)	306,510	330,901	24,391	7.96%
County Fire Service District	<u>1,291,878</u>	<u>1,383,877</u>	<u>91,999</u>	<u>7.12%</u>
TOTAL, INCLUDING TRANSFERS	13,774,398	13,940,017	165,619	1.20%
LESS INTERFUND TRANSFERS:	<u>(11,000)</u>	<u>(11,000)</u>	<u>-</u>	<u>0.00%</u>
TOTAL, EXCLUDING TRANSFERS	<u>13,763,398</u>	<u>13,929,017</u>	<u>165,619</u>	<u>1.20%</u>
<u>DEBT SERVICE FUND CLASSIFICATION:</u>				
TOTAL, INCLUDING TRANSFERS	3,334,178	3,825,526	491,348	14.74%
LESS INTERFUND TRANSFERS:	<u>(3,334,178)</u>	<u>(3,825,526)</u>	<u>(491,348)</u>	<u>14.74%</u>
TOTAL, EXCLUDING TRANSFERS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-100.00%</u>
<u>CAPITAL PROJECT FUND CLASSIFICATION:</u>				
Capital Projects	1,566,000	1,841,000	275,000	17.56%
Capital Reserve	<u>1,566,000</u>	<u>1,841,000</u>	<u>275,000</u>	<u>17.56%</u>
TOTAL, INCLUDING TRANSFERS	3,132,000	3,682,000	550,000	17.56%
LESS INTERFUND TRANSFERS:	<u>(2,710,000)</u>	<u>(3,291,000)</u>	<u>(581,000)</u>	<u>21.44%</u>
TOTAL, EXCLUDING TRANSFERS	<u>422,000</u>	<u>391,000</u>	<u>(31,000)</u>	<u>-7.35%</u>
<u>ENTERPRISE FUND CLASSIFICATION:</u>				
TOTAL, INCLUDING TRANSFERS:	<u>5,954,901</u>	<u>5,975,785</u>	<u>20,884</u>	<u>0.35%</u>
TOTAL, INCLUDING TRANSFERS	127,227,276	122,214,508	(5,012,768)	-3.94%
LESS INTERFUND TRANSFERS:	<u>(23,565,388)</u>	<u>(20,490,873)</u>	<u>3,074,515</u>	<u>13.05%</u>
TOTAL, EXCLUDING TRANSFERS	<u>\$ 103,661,888</u>	<u>\$ 101,723,635</u>	<u>\$ (1,938,253)</u>	<u>-1.87%</u>


**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009
I: PREFACE AND INTRODUCTION
B. List of Principal County Officials**

BOARD OF COUNTY COMMISSIONERS

<p>MARY ACCOR Commissioner Term Expires 2012</p>	<p>JO BOGGS Commission Chair Term Expires 2010</p>	<p>EDDIE HOLBROOK Commissioner Term Expires 2010</p>
<p>RONNIE HAWKINS Commissioner Term Expires 2012</p>	<p>JOHNNY HUTCHINS Commission Vice-Chair Term Expires 2012</p>	

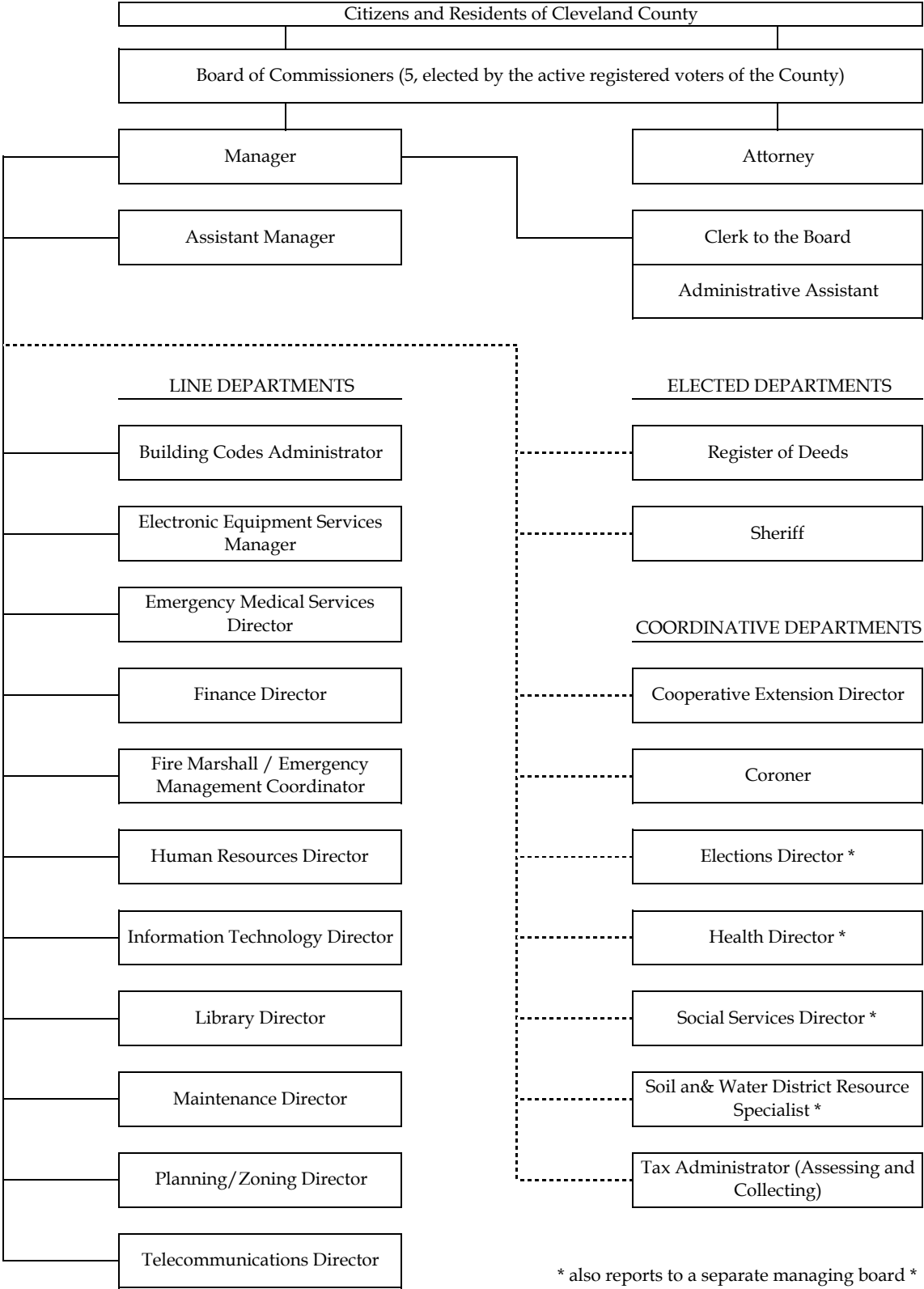


COUNTY OFFICIALS

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

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009
I: PREFACE AND INTRODUCTION
C. Organizational Chart**



* also reports to a separate managing board *

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009
I: PREFACE AND INTRODUCTION
D. Introduction from the County Finance Director

October 15, 2009

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

County management hereby respectfully submits, and is responsible for the contents of, the *Annual Financial and Compliance Report For the Year Ended June 30, 2009* to the Cleveland County Board of Commissioners, residents of Cleveland County, and other readers. With this *Annual Financial and Compliance Report* of Cleveland County, North Carolina, management portrays the basic financial condition of the County government.

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

County's Responsibilities

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

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

designed both 1) to help protect the County's assets from loss, theft, or misuse, and 2) to compile sufficient reliable information presented in this report as the County's official financial statements and related schedules such that the presented information complies with U. S. generally accepted accounting principles. While County management conducts its continuing assessment, the County asserts reasonable assurance that its internal control over both 1) the effectiveness and efficiency of operations and 2) financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, as of June 30, 2009 was operating effectively.

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

Assertions

The financial statements herein are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government required by U. S. generally accepted accounting principles to be included in the financial reporting entity. The following statements are true:

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

Description of Cleveland County

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

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

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

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

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

The County has established a unified County-wide school district that is operated and administered by a separate non-partisan nine-member Board of Education whose members are elected by the citizens. Cleveland County Schools has about 16,000 students. The local Board of Education appoints a superintendent to direct the day-to-day management of the school system.

Further, high school sports in the County have a rich championship history. And, in recent years, three of the four high schools have had teams competing in State championship title matches in football, basketball, soccer, and softball.

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

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

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

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

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

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

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

Long-Term Financial Planning

To improve the County's financial position, the County annually evaluates and plans long-term operating and capital needs for all provided services and programs. The formal plan is

titled the "Capital Improvement Program" (CIP). The plan addresses both 1) the projected costs of additional operating and capital needs and 2) the strategy to provide financial resources from which to pay the costs in the foreseeable future. Major items in the plan include improving public school facilities and constructing a multi-purpose community complex. The first year of the plan reflects the items included in the County's capital budget for the year ending June 30, 2010.

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

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

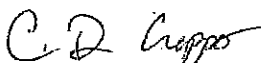
I express deep appreciation for the Board of Commissioners, County Manager, and other administrative staff for their interest and support in planning and conducting the financial affairs of the County.

Summary

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

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

Respectfully submitted,



C. D. Crepps
County Finance Director

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**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009**

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

	<u>Identifier</u>	<u>Page No.</u>
A. Report from the Independent Auditor	Subsection II.A	21
B. Management's Discussion and Analysis	Subsection II.B	23
C. Basic Financial Statements (includes Notes to Financial Statements)	Subsection II.C	35
D. Required Supplementary Information:	Subsection II.D	82
E. Other Supplementary Information	Subsection II.E.	124

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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, 2009, 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, 2009, 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 15, 2009, 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 Non-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 15, 2009

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2009
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, offers readers of this *Annual Financial and Compliance Report For the Fiscal Year Ended June 30, 2009* 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 \$139,947,751. This amount is also referred to as total net assets.
- On a government-wide basis, total net assets decreased by \$1,587,573 from last year, primarily due to continued spending near normal amounts during a downturn in the economy that resulted in much lower revenues while still accumulating resources to finance acquisitions of planned assets.
- The ending fund balances of all governmental funds combined equals \$44,861,129, a decrease of \$206 from prior year. Of the total fund balance, \$35,600,294, or approximately 79.4%, is available for spending at the government's discretion (though a portion must be spent on restricted purposes). 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 \$16,777,490, or 20.0% of total General Fund expenditures for the fiscal year.
- Total long-term liabilities increased by \$8,639,476 (42.3%) to \$29,058,034 during the current fiscal year due to 1) planning for the closure and post-closure care costs at the County's landfill facility, 2) issuing \$6,720,000 in new debt, and 3) newly estimated OPEB obligations, all of which was partially offset by making scheduled principal payments.

DESCRIPTION OF SECTION II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

This narrative, "Management's Discussion and Analysis," serves as an introduction to this section. Section II, 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 six components:

1. Law Enforcement Officers' Special Separation Allowance Financial Schedules,
2. Retirees' Healthcare Coverage Financial Schedules,
3. Major Governmental Funds Financial Statements,
4. Nonmajor Governmental Funds Financial Statements,
5. Major Enterprise Fund Financial Schedule, and
6. Fiduciary Funds Financial Statement

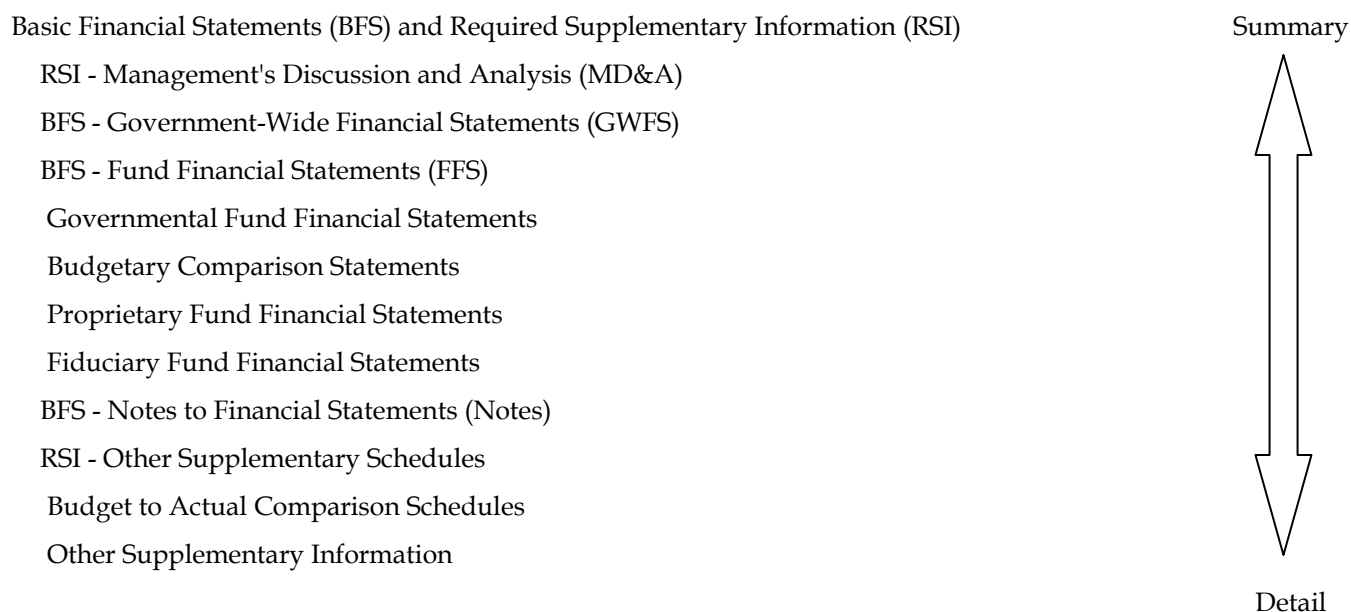


Figure 1. Level of Detail

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 nonmajor 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. Original budget as adopted by the board;
2. Final budget as amended by the board;
3. Actual resources, charges to appropriations, and ending balances; and
4. 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 obligation to provide post-employment benefits, and, second, more detailed results for each individual fund, both major and nonmajor funds. Additional supplementary schedules concerning 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, 2009, net assets decreased by \$1,587,573 to \$139,947,751. Therefore, the County’s overall financial condition has suffered mildly after many years of increases.

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	
	2009	2008	2009	2008	2009	2008
	(amounts depicted in thousands of dollars)					
Current and other assets	\$ 53,188	\$ 52,359	\$ 7,498	\$ 10,644	\$ 60,686	\$ 63,003
Capital assets	99,410	93,230	13,483	11,005	112,893	104,235
Total assets	152,598	145,589	20,981	21,649	173,579	167,238
Current and other liabilities	4,173	4,256	400	1,029	4,573	5,285
Long-term liabilities	22,053	16,668	7,005	3,750	29,058	20,418
Total liabilities	26,226	20,924	7,405	4,779	33,631	25,703
Invested in capital assets, net	86,286	85,742	13,483	11,005	99,769	96,747
Restricted	11,131	11,915	-	-	11,131	11,915
Unrestricted	28,955	27,008	93	5,865	29,048	32,873
Total net assets	\$ 126,372	\$ 124,665	\$ 13,576	\$ 16,870	\$ 139,948	\$ 141,535

Table 2. Condensed Statement of Activities

Category	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
	(amounts depicted in thousands of dollars)					
Revenues:						
Program revenues						
Charges for services	\$ 22,433	\$ 22,771	\$ 4,683	\$ 4,762	\$ 27,116	\$ 27,533
Program grants and contributions	29,797	46,669	360	308	30,157	46,977
General revenues						
Property and other taxes	48,661	48,740	-	-	48,661	48,740
General grants and contributions	-	2,200	-	-	-	2,200
Investment earnings	1,104	1,605	160	616	1,264	2,221
Total revenues	101,995	121,985	5,203	5,686	107,198	127,671
Program expenses:						
General government	9,134	8,681	-	-	9,134	8,681
Public safety	20,436	20,236	-	-	20,436	20,236
Human services	39,265	39,511	-	-	39,265	39,511
Education	26,671	24,944	-	-	26,671	24,944
Economic and physical development	3,043	2,118	-	-	3,043	2,118
Cultural	1,272	1,287	-	-	1,272	1,287
Solid waste	-	-	8,267	5,285	8,267	5,285
Interest on long-term liabilities	697	669	-	-	697	669
Total expenses	100,518	97,446	8,267	5,285	108,785	102,731
Excess (deficiency) before transfers	1,477	24,539	(3,064)	401	(1,587)	24,940
Transfers	229	241	(229)	(241)	-	-
Change in net assets	1,706	24,780	(3,293)	160	(1,587)	24,940
Net assets, beginning	124,666	99,886	16,869	16,709	141,535	116,595
Net assets, ending	<u>\$ 126,372</u>	<u>\$ 124,666</u>	<u>\$ 13,576</u>	<u>\$ 16,869</u>	<u>\$ 139,948</u>	<u>\$ 141,535</u>

Table 3. Condensed Statement of Activities (Percentages)

Category	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues						
Charges for services	21.99%	18.67%	90.01%	83.75%	25.30%	21.57%
Program grants and contributions	29.22%	38.26%	6.92%	5.42%	28.13%	36.79%
General revenues						
Property and other taxes	47.71%	39.95%	0.00%	0.00%	45.39%	38.18%
General grants and contributions	0.00%	1.80%	0.00%	0.00%	0.00%	1.72%
Investment earnings	1.08%	1.32%	3.07%	10.83%	1.18%	1.74%
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Program expenses:						
General government	9.09%	8.91%	0.00%	0.00%	8.40%	8.45%
Public safety	20.33%	20.76%	0.00%	0.00%	18.78%	19.70%
Human services	39.06%	40.55%	0.00%	0.00%	36.09%	38.46%
Education	26.53%	25.60%	0.00%	0.00%	24.52%	24.28%
Economic and physical development	3.03%	2.17%	0.00%	0.00%	2.80%	2.06%
Cultural	1.27%	1.32%	0.00%	0.00%	1.17%	1.25%
Solid waste	0.00%	0.00%	100.00%	100.00%	7.60%	5.15%
Interest on long-term liabilities	0.69%	0.69%	0.00%	0.00%	0.64%	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 Cleveland County Board of Education, 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 (\$1,461,887).

Of total revenues, about 45.39% stems from property and other taxes, 28.13% from program grants and contributions, and 25.30% from charges for services. Of total expenses, about 36.09% is spent toward human service programs, 24.52% toward education programs, and 18.78% on public safety programs. To summarize, the County's total revenues are about \$107.2 million and total expenses are about \$108.8 for the year ended June 30, 2009, subtracting about \$1.6 million from the total net assets of the County.

Governmental Activities

Governmental activities increased the County's net assets by \$1,705,914, thereby partially offsetting the decrease in total net assets of Cleveland County. See both Table 2 and Table 3 above. Key elements of this increase are as follows:

- Acquisition of capitalized assets, such as land, buildings, equipment, and building improvements, that were funded by grants, contributions, and other outside sources. For one, the County received a large donation of land from the State valued at \$1,024,267. This donated land is included as 'capital grants and contributions' for 'cultural and recreational' activities on the Government-Wide Statement of Activities and reported as additions to capital assets on the Government-Wide Statement of Net Assets. Total capital assets, before depreciation, increased by \$9,540,321 during the year. Part of this increase was offset by the increase of \$3,360,510 in accumulated depreciation.
- Accumulation of funds from the State for both future capital projects for education and future activities of the emergency telephone system.

Business-Type Activities

Business-type activities decreased the County's net assets by \$3,293,487, which was partially offset by the growth in net assets from governmental activities and resulted in the decrease of \$1,587,573 in total net assets of Cleveland County. See both Table 2 and Table 3 above. Key elements of this decrease are as follows:

- Setting aside \$3,150,208 of cash through an increase in expense and an increase in obligations for future closure and post-closure activities.
- Severe fall in investment earnings.
- Salaries and benefits for four additional full-time permanent employees, which brings the total number of full-time permanent employees to 36.

Due to the nature of the landfill business, we intend to return to building cash reserves following the closing of the older landfill site and opening of the newer landfill site. 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 sites. Since the older landfill site remained open longer than expected, the new site will begin accepting waste at the end of September 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, 2009*.

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. Across all governmental funds, the County has unreserved fund balance of about \$35.6 million. 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. For all governmental funds, unreserved fund balance amounts to 33.2% and total fund balance amounts to 41.8% of total expenditures.

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, 2009, the County reported \$44,861,129 as the combined fund balance of all governmental funds. The total decrease in the combined fund balance of all governmental funds of \$206 may be attributed to various causes. Primarily, the reason for this decrease results from 1) spending loan proceeds that were unspent last year offset by the unspent proceeds of a \$6,720,000 installment purchase this year, 2) continued accumulation of resources to fund future projects and to fund the purchase of planned assets, 3) larger than anticipated decreases in sales taxes and other revenues due to the sudden downturn in the economy, and 4) larger than anticipated increases in total expenditures in providing services to County citizens.

The General Fund is the chief operating fund of the County and a major fund. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$16,777,490, while total fund balance reached \$24,721,648. The total decrease in the fund balance of the General Fund of \$3,817,017 is primarily attributed to large transfers for current and future construction projects to the Capital Projects Fund and the County Capital Reserve Fund and larger than anticipated decreases in sales taxes and other revenues due to the sudden downturn in the economy. Unreserved fund balance represents 20.0% of total General Fund expenditures, while total fund balance represents 29.5% of that same amount, amounts much lower than the prior year.

Due to the continued accumulation of cash, both the Schools Capital Reserve Fund and the County Capital Reserve Fund remain to be major funds for the year ended June 30, 2009. The County plans to spend this cash to help finance future projects and the purchase of planned assets.

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 Fund at the end of the fiscal year amounted to \$93,057 and total net assets of this fund is \$13,576,306. Factors concerning the finances of this sole enterprise fund have already been addressed in the discussion of Cleveland County's business-type activities.

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, 2009 totals \$112,893,162 (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 (\$1,920,229 increase).
- Acquisition of capital assets other than equipment and vehicles through the purchase, major renovation, or received donation of land and buildings (\$11,687,240 increase)
- Increase in accumulated depreciation, including depreciation expense on equipment and vehicles of \$1,716,200 and on capital assets other than equipment and vehicles of \$3,066,687 (\$4,782,887 decrease to reported capital assets).
- Retirement and subsequent disposal of items sold, traded-in, made obsolete by newer equipment, or otherwise properly disposed (\$996,607 decrease for equipment and vehicles; \$101,177 decrease for capital assets other than equipment and vehicles; \$1,097,784 total decrease).

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

Category	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
	(amounts depicted in thousands of dollars)					
Land and land improvements	\$ 12,113	\$ 9,839	\$ 9,531	\$ 1,974	\$ 21,644	\$ 11,813
Construction in progress	7,922	1,626	30	5,804	7,952	7,430
Buildings and improvements	74,887	76,750	1,274	779	76,161	77,529
Equipment (including vehicles)	3,085	3,471	1,459	982	4,544	4,453
Leasehold improvements	264	278	10	11	274	289
Infrastructure	1,139	1,266	1,179	1,455	2,318	2,721
Total capital assets, net	<u>\$ 99,410</u>	<u>\$ 93,230</u>	<u>\$ 13,483</u>	<u>\$ 11,005</u>	<u>\$ 112,893</u>	<u>\$ 104,235</u>

The County's investments in capital assets increased over 7.67% 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, 2009, Cleveland County had total indebtedness outstanding of \$16,968,209, all of which is debt backed by the full faith and credit of the County. During the year ended June 30, 2009, the change in total outstanding indebtedness was \$3,831,019 (or 29.2%). During the year, the County met all normal debt service requirements of (\$2,888,981) and issued new debt of \$6,720,000.

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 long-term debt, the legal debt margin for Cleveland County is \$492,397,349. See Subsection III.C within Section III 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.

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 \$4,050,067, appropriations of fund balance by \$4,061,477, and incoming transfers from other funds by \$1,360,683. The primary reasons for these increases were: (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. Major types of budgetary increases were made to account for the following:

- Several outstanding incentive grants from the N.C. Department of Commerce for economic development activity (\$1,143,000),
- A Nurse Family Partnership Grant for public health activity (\$503,765),
- A withdrawal of proceeds from the State lottery for renovations made to classrooms at Kings Mountain High School (\$1,360,683),
- A transfer of funds to the County Capital Reserve Fund for use in the construction of a new education facility that includes the Early College High School (\$1,000,000),
- The purchase of two properties not included in the original budget (\$1,162,955 for land to attract new industry), and
- The transfer of funds to the County Capital Reserve Fund for use in the renovation and expansion of the County's Jail Annex facility (\$643,925).

Schools Capital Reserve Fund. The budget amendments to the Schools Capital Reserve Fund increased revenues and expenditures by \$1,360,683 to account for a withdrawal of proceeds from the State lottery for renovations made to classrooms at Kings Mountain High School and \$1,000,000 to transfer funds to the County Capital Reserve Fund for use in the construction of a new education facility that includes the Early College High School.

County Capital Reserve Fund. Budget amendments to the County Capital Reserve Fund increased revenues and expenditures by \$15,501,458 primarily to account for the proceeds from the installment purchase financing for the renovation and expansion of the County's Jail Annex facility, to accumulate resources for a new education facility that includes the Early College High School, to continue the installation of Public Safety 800 MHz Communications System equipment, and to continue other smaller projects initiated in prior years.

Solid Waste Fund. In the County's sole enterprise fund, total amendments to the Solid Waste Fund increased revenues and expenditures by \$2,768,582 primarily to account for incomplete projects and new projects. The

major amendments included the carry-forward budget for the continued construction of a new landfill site and accompanying offices (\$1,031,972), the purchase of two properties not included in the original budget (\$620,041), the purchase of equipment not included in the original budget (\$589,149), and allow for receipt and distribution of the State's \$2 add-on tax for each ton of collection which we had planned to receive and distribute through a liability account (\$277,184).

Nonmajor Funds. Total amendments to nonmajor funds include the carry-forward budget of incomplete special projects (including budget for items already spent to show total budget for the multi-year project), carry-forward budget of uncollected property taxes from prior years for the County-wide public schools district (\$955,243; collected taxes could not be distributed without sufficient budget), and budget for new special projects. Many of these projects are being reported in the Capital Projects Fund. See Exhibit II.D.4.i for a list of projects in the Capital Projects Fund where beginning budget was merely \$1,566,000.

In addition, the Community Development Fund is budgeted by project ordinance instead of the annual budget ordinance. The County budgeted \$600,000 in the Community Development Fund, which is reported as a special revenue fund. Since this fund is not included in the original adopted budget, all budgeted expenditures are shown as budget amendments.

Table 4. Schedule of Budget Amendment Amounts by Fund

Fund	Original Adopted Budget	Amendments to Budget	Final Amended Budget
General Fund	\$ 85,216,262	\$ 9,472,227	\$ 94,688,489
Schools Capital Reserve Fund	2,947,585	2,360,683	5,308,268
County Capital Reserve Fund	1,566,000	15,501,458	17,067,458
Enterprise Fund	5,954,901	2,768,582	8,723,483
Nonmajor Funds	15,726,991	26,915,052	42,642,043
Totals	\$ 111,411,739	\$ 57,018,002	\$ 168,429,741

Table 5. Schedule of Budget Amendment Percentages by Fund

Fund	Original Adopted Budget	Amendments to Budget	Final Amended Budget
General Fund	76.49%	16.61%	56.22%
Schools Capital Reserve Fund	2.65%	4.14%	3.15%
County Capital Reserve Fund	1.40%	27.19%	10.13%
Enterprise Fund	5.34%	4.86%	5.18%
Non-major Funds	14.12%	47.20%	25.32%
Totals	100.00%	100.00%	100.00%

ECONOMIC HIGHLIGHTS AND OTHER IMPORTANT FACTS

The area's unemployment rate has been higher than the state average for several years. In the past year, many industries have either reduced or relocated their workforce. Many others have closed operations. These actions have a significant impact on the County's revenues and expenditures since many of those formerly employed reduce personal spending and now seek services provided by the County.

With the sudden downturn in retail sales in late September 2008, sales tax revenues were significantly below original estimates. Also, major expenditure categories (education, public safety, and human services programs) continue to rise substantially. However, the collection of property taxes remained consistent compared to prior years. 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 for fiscal year 2010 decreased by 1.87% from the prior year. Although many smaller funds had increases, the General Fund decreased by \$2,093,756, or 2.51%. For a look at the County's adopted budget for fiscal year 2010, review Subsection I.A, Message from the County Manager, found earlier in Section I.

Governmental Activities: An increase in assessed property values should lead to increased property tax revenues. And, due to changes by the State legislature, the County's share of Medicaid health costs has ended, partially offset by a decrease in revenues from the local option sales taxes that the State will keep for itself. Other decreases in revenues are also projected, leading to an overall estimated decrease in revenues of 2.51% in the General Fund. Budgeted appropriations (excluding intergovernmental transfers) in the General Fund fell to \$79,451,111 primarily due to the absence of Medicaid health costs. The County experienced normal increases in employee compensation, including funding compensation and benefits adjustments, and other planned expenditures.

Other governmental funds experienced relatively small increases or decreases in their total budget.

Business-Type Activities: The budget for landfill activities in fiscal year 2010 increased by 0.35% when compared to the prior year. This budget includes a new program to collect and dispose of abandoned mobile homes and the expansion of anti-littering campaigns, as well as normal increases in operations. When compared to fiscal year 2009, the budget for capital equipment is much less in fiscal year 2010.

In addition, due to reserves required by the State, the County will need to consider an increase to its annual household trash fee and other fees collected for landfill activities. To meet State requirements, the County must set aside nearly \$1,000,000 of cash in fiscal year 2010 for future expenses related to the closure and post-closure costs of the landfill.

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 our website (<http://www.cncgov/FinanceD/index.html>), contact us by telephone (704-484-4807), submit your request via fax (704-484-4796), or address your request to:

County Finance Director
 Finance & Purchasing Department
 Cleveland County, 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, 2009**

**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	36
2. Fund Financial Statements	Part II.C.2	40
3. Notes to Financial Statements	Part II.C.3	52

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, 2009
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	37
b. Government-Wide Statement of Activities	Exhibit II.C.1.b	38

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, 2009

With Comparative Totals as of June 30, 2008

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2009	2008
ASSETS				
Cash and cash equivalents	\$ 34,646,123	\$ 341,616	\$ 34,987,739	\$ 47,056,250
Taxes receivable, net	3,007,755	-	3,007,755	2,939,849
Accounts receivable, net	8,651,450	363,573	9,015,023	8,702,742
Inventories	100,954	-	100,954	114,832
Prepaid items	196,854	200	197,054	98,327
Restricted cash	6,317,640	6,792,940	13,110,580	3,642,732
Deferred charges - issuance costs	10,168	-	10,168	21,214
Deferred charges - refunding	144,694	-	144,694	301,877
Loan receivable	112,000	-	112,000	126,000
Capital assets				
Land and construction in progress	20,035,101	9,561,193	29,596,294	19,243,718
Other capital assets, net of accumulated depreciation	79,374,812	3,922,056	83,296,868	84,991,074
Total capital assets	99,409,913	13,483,249	112,893,162	104,234,792
Total Assets	152,597,551	20,981,578	173,579,129	167,238,615
LIABILITIES				
Accounts payable and accrued expenses	2,727,654	397,456	3,125,110	3,497,378
Unearned revenues	1,044,457	2,455	1,046,912	1,439,411
Accrued interest payable	178,220	-	178,220	151,606
Due to other taxing units	219,230	-	219,230	189,512
Premium on bond issuance	3,872	-	3,872	6,826
Long-term liabilities				
Current portion of long-term liabilities	4,728,046	43,229	4,771,275	4,264,845
Non-current portion of long-term liabilities	17,324,627	6,962,132	24,286,759	16,153,713
Total long-term liabilities	22,052,673	7,005,361	29,058,034	20,418,558
Total Liabilities	26,226,106	7,405,272	33,631,378	25,703,291
NET ASSETS				
Invested in capital assets, net of related debt	86,285,668	13,483,249	99,768,917	96,746,444
Restricted net assets:				
Education	5,985,262	-	5,985,262	5,978,415
Human Services	1,611,948	-	1,611,948	2,866,227
Public Safety	3,381,263	-	3,381,263	2,868,598
Other purposes	152,089	-	152,089	202,219
Total restricted net assets	11,130,562	-	11,130,562	11,915,459
Unrestricted net assets	28,955,215	93,057	29,048,272	32,873,421
Total Net Assets	\$ 126,371,445	\$ 13,576,306	\$ 139,947,751	\$ 141,535,324

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

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

For the Year Ended June 30, 2009
With Comparative Totals as of June 30, 2008

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	\$ (9,133,792)	\$ 2,298,111	\$ 1,193,492	\$ 62,691	\$ (5,579,498)
Public safety	(20,436,483)	5,097,275	1,993,543	123,190	(13,222,475)
Human services	(39,264,800)	4,845,865	18,102,895	364,626	(15,951,414)
Education	(26,670,648)	10,099,061	49,187	5,235,930	(11,286,470)
Economic and physical development	(3,042,821)	43,401	1,421,994	-	(1,577,426)
Cultural and recreational	(1,272,016)	49,164	225,228	1,024,268	26,644
Interest on long-term liabilities	(697,162)	-	-	-	(697,162)
Subtotal governmental activities	(100,517,722)	22,432,877	22,986,339	6,810,705	(48,287,801)
Business-type activities					
Solid Waste Collection and Disposal	(8,267,583)	4,682,719	360,124	-	(3,224,740)
Total primary government	\$ (108,785,305)	\$ 27,115,596	\$ 23,346,463	\$ 6,810,705	\$ (51,512,541)

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

(continued on next page)

PRIMARY GOVERNMENT FUNCTIONS / PROGRAMS	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2009	2008
NET PROGRAM REVENUES (EXPENSES)--FROM PRIOR PAGE				
Governmental activities:				
General government	\$ (5,579,498)	\$ -	\$ (5,579,498)	\$ (4,376,738)
Public safety	(13,222,475)	-	(13,222,475)	(11,504,701)
Human services	(15,951,414)	-	(15,951,414)	1,418,643
Education	(11,286,470)	-	(11,286,470)	(10,434,985)
Economic and physical development	(1,577,426)	-	(1,577,426)	(1,610,854)
Cultural and recreational	26,644	-	26,644	(893,951)
Interest on long-term liabilities	(697,162)	-	(697,162)	(603,490)
Subtotal governmental activities	(48,287,801)	-	(48,287,801)	(28,006,076)
Business-type activities				
Solid Waste Collection and Disposal	-	(3,224,740)	(3,224,740)	(214,576)
Total primary government	(48,287,801)	(3,224,740)	(51,512,541)	(28,220,652)
GENERAL REVENUES AND TRANSFERS:				
Property taxes	38,618,389	-	38,618,389	35,815,553
Local option sales taxes	9,694,631	-	9,694,631	12,002,826
Other taxes and licenses	348,147	-	348,147	921,337
Grants and contributions, general	-	-	-	2,200,000
Investment earnings, general	1,103,612	160,189	1,263,801	2,221,151
Miscellaneous revenues, general	-	-	-	-
Transfers:	228,936	(228,936)	-	-
Total general revenues and transfers	49,993,715	(68,747)	49,924,968	53,160,867
CHANGE IN NET ASSETS	1,705,914	(3,293,487)	(1,587,573)	24,940,215
Net assets -- beginning	124,665,531	16,869,793	141,535,324	116,595,109
Net assets -- ending	\$ 126,371,445	\$ 13,576,306	\$ 139,947,751	\$ 141,535,324

(continued from previous page)

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009
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	41
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b. Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.C.2.b	43
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	44
c. General Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.c	45
d. Schools Capital Reserve Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.d	46
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f. Enterprise Fund: Statement of Fund Net Assets	Exhibit II.C.2.f	48
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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

June 30, 2009

With Comparative Totals as of June 30, 2008

	Governmental Funds					
	General	Schools Capital Reserve	County Capital Reserve	Other Non-major Funds	Totals	
					2009	2008
ASSETS						
Cash and cash equivalents	\$ 20,474,796	\$ 5,985,262	\$ 5,506,394	\$ 2,679,671	\$ 34,646,123	\$ 40,463,830
Taxes receivable, net	2,151,263	-	-	614,525	2,765,788	2,604,417
Accounts receivable, net	7,073,504	800,449	349,099	428,398	8,651,450	8,293,613
Due from other governmental funds	1,071,310	-	-	19,835	1,091,145	783,414
Inventories	100,954	-	-	-	100,954	114,832
Prepaid items	196,854	-	-	-	196,854	98,152
Restricted cash	-	-	6,317,640	-	6,317,640	-
Total assets	\$ 31,068,681	\$ 6,785,711	\$ 12,173,133	\$ 3,742,429	\$ 53,769,954	\$ 52,358,258
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenses	\$ 2,261,738	\$ -	\$ 2	\$ 428,017	\$ 2,689,757	\$ 2,466,418
Contract retainage	-	-	29,868	8,029	37,897	4,474
Unearned revenues	989,222	-	-	55,235	1,044,457	1,436,931
Deferred revenues	2,857,008	-	-	969,331	3,826,339	2,616,174
Due to other governmental funds	19,835	-	1,060,319	10,991	1,091,145	783,414
Due to other taxing units	219,230	-	-	-	219,230	189,512
Total liabilities	6,347,033	-	1,090,189	1,471,603	8,908,825	7,496,923
Fund balances						
Reserved fund balance:						
Encumbrances	231,622	-	-	77,824	309,446	189,073
Inventories	100,954	-	-	-	100,954	114,832
Prepaid items	196,854	-	-	-	196,854	98,152
Register of Deeds	(24,341)	-	-	-	(24,341)	(4,218)
State Statute	7,439,069	800,449	349,099	89,305	8,677,922	8,399,871
Unreserved designated fund balance:						
For future insurance claims	1,150,866	-	-	-	1,150,866	1,591,412
For subsequent year's expenditures	4,583,510	-	391,000	250,730	5,225,240	5,473,337
Unreserved undesignated fund balance:	11,043,114	-	-	-	11,043,114	20,379,258
Non-major Special Revenue funds	-	5,985,262	-	1,967,706	7,952,968	1,936,506
Non-major Capital Projects funds	-	-	10,342,845	(114,739)	10,228,106	6,683,112
Total fund balances	24,721,648	6,785,711	11,082,944	2,270,826	44,861,129	44,861,335
Total liabilities and fund balances	\$ 31,068,681	\$ 6,785,711	\$ 12,173,133	\$ 3,742,429	\$ 53,769,954	\$ 52,358,258

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.

(continued on next page)

Cleveland County, North Carolina

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

June 30, 2009

With Comparative Totals as of June 30, 2008

	Totals	
	2009	2008
Total fund balances of governmental funds	\$ 44,861,129	\$ 44,861,335
<p>The amount reported as total net assets of governmental activities in the Government-Wide Statement of Net Assets (Exhibit II.C.1.a) differs from the amount reported as total fund balances of governmental funds on the Governmental Funds: Balance Sheet (Exhibit II.C.2.a) due to the use of different measurement focii and bases of accounting, specifically relating to the following</p>		
1. Interest and penalties on overdue receivables are recognized as revenues when payment is received in the governmental funds, whereas an accrued receivable (asset), net of an allowance for uncollectible interest and penalties, is recognized on the Statement of Net Assets. The accrued receivable (asset) balance is:	241,967	335,432
2. Since the County refinanced existing debt in March 2003, the difference between the old and new debt on the Statement of Net Assets will be amortized over the remaining life of the new debt (or, if shorter, the remaining life of the old debt). The unamortized balance is:	150,990	316,265
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 are:	112,000	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 are:	137,634,149	128,093,828
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:	(38,224,236)	(34,863,726)
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:	3,826,339	2,616,174
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:	(178,220)	(151,606)
8. Long-term liabilities, which are not due and payable at the entire amount 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.	(22,052,673)	(16,668,171)
Total net assets of governmental activities	\$ 126,371,445	\$ 124,665,531

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

(continued from previous page)

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

With Comparative Totals as of June 30, 2008

	Governmental Funds					
	General	Schools	County	Other	Totals	
		Capital Reserve	Capital Reserve	Non-major Funds	2009	2008
REVENUES						
Ad valorem taxes	\$ 38,538,186	\$ -	\$ -	\$ 10,967,595	\$ 49,505,781	\$ 45,717,409
Other taxes	10,052,560	3,142,521	-	900,272	14,095,353	16,754,476
Unrestricted intergovernmental revenues	515,271	-	-	-	515,271	501,827
Restricted intergovernmental revenues	20,303,856	1,804,076	-	243,987	22,351,919	22,779,490
Licenses, fees, and permits	906,097	-	-	-	906,097	1,086,477
Sales and services	9,529,871	-	-	-	9,529,871	9,497,364
Investment earnings	1,104,096	289,332	136,641	65,705	1,595,774	2,265,167
Miscellaneous	1,877,515	-	14,000	7,007	1,898,522	1,024,394
Total revenues	82,827,452	5,235,929	150,641	12,184,566	100,398,588	99,626,604
EXPENDITURES						
General government	9,150,592	-	-	131,334	9,281,926	8,356,870
Public safety	17,170,553	-	-	7,800,078	24,970,631	19,140,235
Human services	36,598,540	-	-	108,912	36,707,452	38,639,930
Education	11,782,529	-	-	10,099,060	21,881,589	20,264,032
Economic and physical development	2,150,755	-	-	1,665,163	3,815,918	2,111,084
Cultural and recreational	2,158,747	-	-	260,000	2,418,747	1,335,151
Schools capital outlay	4,760,683	-	-	122,439	4,883,122	4,738,167
Debt service, principal reduction	46,115	-	-	2,842,866	2,888,981	4,876,307
Debt service, interest and fees	8,602	-	-	490,762	499,364	409,221
Total expenditures	83,827,116	-	-	23,520,614	107,347,730	99,870,997
Excess (deficiency) of revenues over expenditures	(999,664)	5,235,929	150,641	(11,336,048)	(6,949,142)	(244,393)
OTHER FINANCING SOURCES (USES)						
Transfers in	3,061,886	-	3,394,000	11,357,509	17,813,395	9,636,979
Transfers out	(5,879,239)	(5,308,267)	(6,330,809)	(66,144)	(17,584,459)	(9,395,734)
Capital lease financing issued	-	-	-	-	-	230,676
Installment financing issued	-	-	6,720,000	-	6,720,000	6,000,000
Proceeds from sales of capital assets	-	-	-	-	-	94,165
Total other financing sources (uses)	(2,817,353)	(5,308,267)	3,783,191	11,291,365	6,948,936	6,566,086
Net change in fund balances	(3,817,017)	(72,338)	3,933,832	(44,683)	(206)	6,321,693
FUND BALANCES						
Beginning fund balances	28,538,665	6,858,049	7,149,112	2,315,509	44,861,335	38,539,642
Ending fund balances	\$ 24,721,648	\$ 6,785,711	\$ 11,082,944	\$ 2,270,826	\$ 44,861,129	\$ 44,861,335

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.

(continued on next page)

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'

For the Year Ended June 30, 2009

With Comparative Totals as of June 30, 2008

	Totals	
	2009	2008
Net change in fund balances of governmental funds	\$ (206)	\$ 6,321,693
<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 focii 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:	(137,958)	19,191,086
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 expenditures are:	10,443,302	4,686,206
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:	(4,133,628)	(3,533,401)
4. Accrued payables for compensated absences and retirement benefits 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.	(1,553,483)	(386,144)
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.	1,116,704	115,060
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:	2,888,981	4,876,307
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.	(197,798)	(260,269)
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:	(6,720,000)	(6,230,676)
Total net change in net assets of governmental activities	\$ 1,705,914	\$ 24,779,862

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

(continued from previous page)

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, 2009

	General Fund			Variance - Over (Under)
	Original Budget	Final Budget	Actual	
REVENUES				
Ad valorem taxes	\$ 36,468,045	\$ 36,423,505	\$ 38,538,186	\$ 2,114,681
Other taxes	11,324,000	11,324,000	10,052,560	(1,271,440)
Unrestricted intergovernmental revenues	412,000	412,000	515,271	103,271
Restricted intergovernmental revenues	20,145,306	24,021,471	20,303,856	(3,717,615)
Licenses, fees, and permits	1,068,515	1,068,515	906,097	(162,418)
Sales and services	7,748,308	7,897,115	9,529,871	1,632,756
Investment earnings	1,110,000	1,110,000	1,104,096	(5,904)
Miscellaneous	334,400	404,035	1,877,515	1,473,480
Total revenues	78,610,574	82,660,641	82,827,452	166,811
EXPENDITURES				
General government	9,275,231	9,955,970	9,150,592	(805,378)
Public safety	16,253,944	17,691,976	17,170,553	(521,423)
Human services	39,135,554	40,106,499	36,598,540	(3,507,959)
Education	11,698,342	11,783,342	11,782,529	(813)
Economic and physical development	1,341,880	2,929,331	2,150,755	(778,576)
Cultural and recreational	1,081,953	1,199,087	2,158,747	959,660
Schools capital outlay	3,400,000	4,760,683	4,760,683	-
Debt service, principal reduction	74,116	46,385	46,115	(270)
Debt service, interest and fees	13,649	8,735	8,602	(133)
Total expenditures	82,274,669	88,482,008	83,827,116	(4,654,892)
Excess of revenues over (under) expenditures	(3,664,095)	(5,821,367)	(999,664)	4,821,703
OTHER FINANCING SOURCES (USES)				
Transfers in	1,701,203	3,061,886	3,061,886	-
Transfers out	(2,941,593)	(6,206,481)	(5,879,239)	327,242
Fund balance appropriated	4,904,485	8,965,962	-	(8,965,962)
Total other financing sources (uses)	3,664,095	5,821,367	(2,817,353)	(8,638,720)
Net change in fund balance	\$ -	\$ -	(3,817,017)	\$ (3,817,017)
FUND BALANCES				
Beginning fund balances			28,538,665	
Ending fund balances			<u>\$ 24,721,648</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, 2009

	Schools Capital Reserve Fund			
	Original Budget	Final Budget	Actual	Variance - Over (Under)
REVENUES				
Other taxes	\$ 2,347,585	\$ 2,371,833	\$ 3,142,521	\$ 770,688
Restricted intergovernmental revenues	600,000	1,936,435	1,804,076	(132,359)
Investment earnings	-	-	289,332	289,332
Total revenues	2,947,585	4,308,268	5,235,929	927,661
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,947,585)	(5,308,268)	(5,308,267)	1
Fund balance appropriated		1,000,000	-	(1,000,000)
Total other financing sources (uses)	(2,947,585)	(4,308,268)	(5,308,267)	(999,999)
Net change in fund balance	\$ -	\$ -	(72,338)	\$ (72,338)
FUND BALANCES				
Beginning fund balances			6,858,049	
Ending fund balances			<u>\$ 6,785,711</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, 2009

	County Capital Reserve Fund			Variance - Over (Under)
	Original Budget	Final Budget	Actual	
REVENUES				
Investment earnings	\$ -	\$ -	\$ 136,641	\$ 136,641
Miscellaneous	-	-	14,000	14,000
Total revenues	-	-	150,641	150,641
OTHER FINANCING SOURCES (USES)				
Transfers in	1,144,000	3,394,000	3,394,000	-
Transfers out	(1,566,000)	(17,067,458)	(6,330,809)	10,736,649
Installment financing issued	-	6,720,000	6,720,000	-
Fund balance appropriated	422,000	6,953,458	-	(6,953,458)
Total other financing sources (uses)	-	-	3,783,191	3,783,191
Net change in fund balance	\$ -	\$ -	3,933,832	\$ 3,933,832
FUND BALANCES				
Beginning fund balances			7,149,112	
Ending fund balances			<u>\$ 11,082,944</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, 2009

With Comparative Totals as of June 30, 2008

	Solid Waste Collection and Disposal	
	Totals	
	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 341,616	\$ 6,592,420
Accounts receivable, net	363,573	409,129
Prepaid items	200	175
Total current assets:	<u>705,389</u>	<u>7,001,724</u>
Non-current assets:		
Restricted cash	6,792,940	3,642,732
Capital assets		
Land, land improvements, and construction in progress	9,561,193	7,778,607
Other capital assets, net of accumulated depreciation	3,922,056	3,226,083
Total capital assets	<u>13,483,249</u>	<u>11,004,690</u>
Total non-current assets	<u>20,276,189</u>	<u>14,647,422</u>
Total assets	<u>20,981,578</u>	<u>21,649,146</u>
LIABILITIES		
Current liabilities:		
Accounts payable	397,456	842,458
Contract retainages	-	184,028
Unearned revenues/customer deposits	2,455	2,480
Compensated absences	43,229	41,444
Total current liabilities	<u>443,140</u>	<u>1,070,410</u>
Non-current liabilities:		
Accrued landfill closure and post-closure care costs	6,792,940	3,642,732
Net OPEB obligation for retirees' healthcare coverage	93,582	-
Compensated absences	75,610	66,211
Total non-current liabilities	<u>6,962,132</u>	<u>3,708,943</u>
Total liabilities	<u>7,405,272</u>	<u>4,779,353</u>
NET ASSETS		
Invested in capital assets	13,483,249	11,004,690
Unrestricted net assets	93,057	5,865,103
Total net assets	<u>\$ 13,576,306</u>	<u>\$ 16,869,793</u>

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

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

With Comparative Totals as of June 30, 2008

	Solid Waste Collection and Disposal	
	Totals	
	2009	2008
OPERATING REVENUES		
Household user fees	\$ 1,418,467	\$ 1,428,068
Departmental fees	3,264,252	3,334,177
Other operating revenue	239,908	121,518
Total operating revenues	4,922,627	4,883,763
OPERATING EXPENSES		
Salaries/benefits	1,860,463	1,590,149
Other expenses	2,607,652	2,701,408
Depreciation	649,260	620,217
Landfill closure and post-closure care	3,150,208	373,519
Total operating expenses	8,267,583	5,285,293
Operating income (loss)	(3,344,956)	(401,530)
NON-OPERATING REVENUES AND EXPENSES		
Share of state's white goods and scrap tire taxes	188,407	159,506
Intergovernmental revenues, restricted	(35,581)	82,776
Investment earnings	160,189	616,174
Loss on disposal of capital assets	(32,610)	(55,328)
Total non-operating revenues and expenses	280,405	803,128
Income before contributions and transfers	(3,064,551)	401,598
Transfer from (to) governmental funds (i.e. General Fund)	(228,936)	(241,245)
Change in net assets	(3,293,487)	160,353
Net assets, beginning	16,869,793	16,709,440
Net assets, ending	\$ 13,576,306	\$ 16,869,793

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, 2009

With Comparative Totals as of June 30, 2008

	Solid Waste Collection and Disposal	
	Totals	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from household user fees	\$ 1,418,467	\$ 1,428,068
Cash received from customers	3,307,404	3,320,613
Cash received from sale of waste and recyclable materials	239,851	121,243
Cash received from other operations	57	275
Cash paid to employees for services	(1,755,697)	(1,582,073)
Cash paid for goods and services	(3,431,800)	(1,780,171)
Net cash flows from operating activities	(221,718)	1,507,955
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Government grants	(35,581)	82,776
Transfer to governmental funds (General Fund)	(228,936)	(241,245)
Net cash flows from non-capital financing activities	(264,517)	(158,469)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(2,962,957)	(6,104,817)
Share of state's white goods and scrap tire taxes	188,407	159,506
Net cash flows from capital and related financing activities	(2,774,550)	(5,945,311)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	160,189	616,174
Net cash flows from investing activities	160,189	616,174
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,100,596)	(3,979,651)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: beginning balance	10,235,152	14,214,803
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: ending balance	\$ 7,134,556	\$ 10,235,152
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET		
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ (3,344,956)	\$ (401,530)
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	45,556	(7,909)
2. Decrease (increase) in prepayments	(25)	1,747
3. Increase (decrease) in accounts payable and contract retainages	(826,502)	914,037
4. Increase (decrease) in customer deposits	(25)	(202)
5. Increase (decrease) in accrued compensatory leave and retirement benefits	104,766	8,076
6. Increase (decrease) in accrued landfill closure and postclosure care costs	3,150,208	373,519
7. Depreciation expense (not a cash expenditure, no effect on cash flow)	649,260	620,217
Net cash flows from operating activities	\$ (221,718)	\$ 1,507,955

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, 2009

With Comparative Totals as of June 30, 2008

	Agency Funds	
	Totals	
	2009	2008
ASSETS		
Cash and cash equivalents	\$ 153,467	\$ 141,400
Taxes receivable, net	41,795	34,680
Accounts receivable, net	1,960,745	2,054,745
Intergovernmental receivable	219,230	189,512
Total assets	\$ 2,375,237	\$ 2,420,337
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued expenses	\$ 320,363	\$ 269,206
Due to other taxing units	2,054,874	2,151,131
Total liabilities	\$ 2,375,237	\$ 2,420,337

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, 2009**

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>
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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, 2009
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, 2009, the County newly reported actuarial studies on certain post-employment benefits in accordance with Governmental Accounting Standards Board (GASB) Statements No. 43 ("Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans") and No. 45 ("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

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 tax 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 seven nonmajor governmental funds: the Public Schools 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 nonmajor 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 landfill facilities 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 water authority, and twelve municipalities within the County (three other municipalities do not levy property taxes).

C. 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 2008 through February 2009 apply to the fiscal year ended June 30, 2009. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. The taxes for vehicles registered from March 2009 and afterward and due on or after July 1, 2009 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.

D. 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 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 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 annually budgeted 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 total estimated revenues or total appropriations.

During the year, the governing board approved to issue \$6,720,000 of installment-purchase debt. Several other less significant amendments to the original budget were necessary.

E. 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. 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

The unexpended debt proceeds of an installment-purchase loan issued by the County are classified as restricted assets in the County Capital Reserve Fund since their use is completely restricted to the purpose for which the loan was originally issued.

Federal and State 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 Solid Waste Fund. An equal amount is also reported as liabilities of the Solid Waste 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, Public Schools Fund, and County Fire Service District 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 usually estimated by analyzing the percentage of receivables that were written off in prior years. However, in the Solid Waste Fund, the allowance amount is determined by adding all amounts over 90 days old.

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, meaning that such items are recorded as expenses in the period in which they are 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, \$5,000; and land and buildings at \$0. The cost of normal maintenance and repairs that 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 Solid Waste 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, underwriter fees, and other 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 Sources (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 ‘Note b. Detail Notes on All Funds’ that begins 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 remaining fund balance (after calculating unreserved fund balance designated for subsequent year’s expenditures) 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.

F. 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 shown in 'Government-Wide Statement of Net Assets' and total fund balances shown in 'Governmental Funds: Balance Sheet'; and 2) between the change in net assets of governmental activities shown in the 'Government-Wide Statement of Activities' and the net change in fund balance shown in 'Governmental Funds: 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 undercollateralization, 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 credit worthiness 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 and, thus, partially relies on DST to enforce

standards of minimum capitalization for all institutions using the pooling method and to monitor these institutions for compliance.

At June 30, 2009, the County's deposits had a carrying amount of \$43,870,401 and a bank balance of \$43,929,243. Of the bank balance, \$263,633 was covered by federal depository insurance, \$37,214,649 in certificates of deposit was covered by collateral held under the dedicated method, and the remaining \$6,655,752 in interest-bearing deposits was covered by collateral held under the pooling method. Also at June 30, 2009, Cleveland County had \$15,059 cash on hand.

The County had a carrying amount of \$37,214,649 in certificates of deposit. Of this balance, \$4,212,525 was scheduled to mature within 3 months, \$28,976,602 was scheduled to mature within 3 to 12 months, and \$4,025,522 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, 2009, the County's investment balances and maturities were as follows:

Investment type	Fair Market Value	Due to Mature Within:		
		up to 1 year	1 to 2 years	2 to 3 years
Federal government agencies	\$ -	\$ -	\$ -	\$ -
NCCMT -- Cash Portfolio	4,366,326	n/a	n/a	n/a
Total investments	\$ 4,366,326	\$ -	\$ -	\$ -

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, 2009, the County's investments in the North Carolina Capital Management Trust (NCCMT) Cash Portfolio carried a credit rating of AAAM by Standard & Poor's. 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, 2009, all investments sold were held to maturity with no recognized (realized or unrealized) gains or losses. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. The calculation of the net increase in the fair value of investments takes into account all changes in fair value (including purchases and sales) that occurred during the year. The net increase in the fair value of investments and the unrealized loss on investments held at year-end for the year ended June 30, 2009 was \$-0- and (\$79,675), 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, 2009, the County held 9.95% of its deposits and investments with the North Carolina Capital Management Trust, 84.83% in certificates of deposits at various financial institutions, 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 purposes of the annual property tax assessment. When property loses its eligibility for present-use value taxation, the property tax bill is recomputed at market value for the current year and the three preceding 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 is not recorded in the financial statements. The following chart displays the amount of property taxes that would become due if all qualified properties in the County had lost eligibility for present-use value taxation on June 30, 2009:

<u>Tax Year Levied</u>	<u>Additional Tax</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,492,831	\$ -	\$ 1,492,831
2008	1,487,187	85,513	1,572,700
2007	1,198,545	176,785	1,375,330
2006	1,198,849	284,727	1,483,576
Total	\$ 5,377,411	\$ 547,025	\$ 5,924,436

4. Receivables

Receivables reported on the Government-Wide Financial Statements and Fund Financial Statements at June 30, 2009 are reported net of an allowance for uncollectible accounts as follows:

	<u>Accounts</u>	<u>Taxes and Other Assessments</u>	<u>Total</u>
Governmental activities:			
General Fund	\$ 10,428,743	\$ 3,311,767	\$ 13,740,510
Schools Capital Reserve Fund	800,449	-	800,449
County Capital Reserve Fund	349,099	-	349,099
Nonmajor governmental funds	428,398	939,462	1,367,860
Accrued interest (government-wide reporting)	-	658,138	658,138
Total receivables	12,006,689	4,909,367	16,916,056
General Fund	(3,355,239)	(1,160,504)	(4,515,743)
Nonmajor governmental funds	-	(324,937)	(324,937)
Accrued interest (government-wide reporting)	-	(416,171)	(416,171)
Total allowances for uncollectible accounts	(3,355,239)	(1,901,612)	(5,256,851)
Total governmental activities	\$ 8,651,450	\$ 3,007,755	\$ 11,659,205
Business-type activities:			
Solid Waste Fund	\$ 383,837	\$ 258,680	\$ 642,517
Allowances for uncollectible accounts	(20,264)	(258,680)	(278,944)
Total business-type activities	\$ 363,573	\$ -	\$ 363,573

5. Capital Assets

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

	Beginning				Ending
	Balance	Additions	Retirements	Transfers	Balance
GOVERNMENTAL ACTIVITIES					
General government	\$ 7,276,365	\$ 721,544	\$ (167,151)	\$ (101,710)	\$ 7,729,048
Public safety	20,572,487	6,965,798	(672,945)	42,814	26,908,154
Human services	92,899,877	542,202	(48,215)	(1,248)	93,392,616
Education	-	94,063	-	58,357	152,420
Economic and physical dev.	2,298,375	637,717	(16,621)	-	2,919,471
Cultural and recreational	5,046,724	1,485,716	-	-	6,532,440
Total capital assets	128,093,828	10,447,040	(904,932)	(1,787)	137,634,149
Less accumulated depreciation:					
General government	(2,049,408)	(268,189)	94,419	24,385	(2,198,793)
Public safety	(10,767,930)	(1,321,993)	595,294	(14,661)	(11,509,290)
Human services	(20,955,280)	(2,395,273)	45,925	11,134	(23,293,494)
Education	-	(34)	-	-	(34)
Economic and physical dev.	(53,346)	(16,809)	16,621	-	(53,534)
Cultural and recreational	(1,037,762)	(131,329)	-	-	(1,169,091)
Total accumulated deprec.	(34,863,726)	(4,133,627)	752,259	20,858	(38,224,236)
Total capital assets, net	\$ 92,230,102	\$ 6,313,413	\$ (152,673)	\$ 19,071	\$ 99,409,913

Capital asset activity, by asset class, for the year ended June 30, 2009 was as follows for governmental activities:

	Beginning				Ending
	Balance	Additions	Retirements	Transfers	Balance
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated:					
Land and land improvements	\$ 9,839,204	\$ 2,280,924	\$ (24,219)	\$ 17,339	\$12,113,248
Construction in progress	1,625,907	6,507,107	-	(211,161)	7,921,853
Subtotal	11,465,111	8,788,031	(24,219)	(193,822)	20,035,101
Capital assets being depreciated:					
Buildings and improvements	103,888,766	625,950	-	136,204	104,650,920
Equipment (including vehicles)	10,816,852	1,033,059	(803,755)	55,831	11,101,987
Leasehold improvements	425,178	-	-	-	425,178
Infrastructure	1,497,921	-	(76,958)	-	1,420,963
Subtotal	116,628,717	1,659,009	(880,713)	192,035	117,599,048
Total capital assets	128,093,828	10,447,040	(904,932)	(1,787)	137,634,149
Less accumulated depreciation:					
Buildings and improvements	(27,138,972)	(2,645,305)	-	20,988	(29,763,289)
Equipment (including vehicles)	(7,345,420)	(1,375,146)	703,386	(130)	(8,017,310)
Leasehold improvements	(147,401)	(14,173)	-	-	(161,574)
Infrastructure	(231,933)	(99,003)	48,873	-	(282,063)
Total accumulated deprec.	(34,863,726)	(4,133,627)	752,259	20,858	(38,224,236)
Total capital assets, net	\$ 93,230,102	\$ 6,313,413	\$ (152,673)	\$ 19,071	\$ 99,409,913

All business-type activities relate to the environmental protection expenditure function. Capital asset activity, by asset class, for the year ended June 30, 2009 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	\$ 1,974,374	\$ 2,234,858	\$ -	\$ 5,322,166	\$ 9,531,398
Construction in progress	5,804,233	29,795	-	(5,804,233)	29,795
Subtotal	7,778,607	2,264,653	-	(482,067)	9,561,193
Capital assets being depreciated:					
Buildings and building improvements	867,224	8,606	-	539,685	1,415,515
Equipment (including vehicles)	4,067,433	887,170	(192,852)	(55,831)	4,705,920
Leasehold improvements	16,518	-	-	-	16,518
Infrastructure	4,130,636	-	-	-	4,130,636
Subtotal	9,081,811	895,776	(192,852)	(483,854)	10,268,589
Total capital assets	16,860,418	3,160,429	(192,852)	1,787	19,829,782
Less accumulated depreciation on:					
Buildings and building improvements	(87,881)	(32,280)	-	(20,988)	(141,149)
Equipment (including vehicles)	(3,085,840)	(341,054)	179,313	130	(3,247,451)
Leasehold improvements	(5,726)	(551)	-	-	(6,277)
Infrastructure	(2,676,281)	(275,375)	-	-	(2,951,656)
Total accumulated depreciation	(5,855,728)	(649,260)	179,313	(20,858)	(6,346,533)
Total capital assets, net	\$ 11,004,690	\$ 2,511,169	\$ (13,539)	\$ (19,071)	\$ 13,483,249

6. Construction Commitments

The County is involved with the following incomplete construction/renovation projects as of June 30, 2009:

Project Name	Spent-to-Date	Remaining Commitments
Public Safety Communication System (800 MHz)	\$ 5,511,831	\$ 285,492
Jail Annex Expansion/Renovation	489,440	6,139,060
Kings Mountain Gateway Trails Projects	78,053	250,062
Incomplete Housing Rehab Projects	36,608	4,067
County Office Building Renovations	9,367	155,533
Total	\$ 6,125,299	\$ 6,834,214

B. Liabilities

1. Payables

Payables at the Government-Wide and Fund level at June 30, 2009 were as shown in the following table.

	Vendors	Employee Benefits	Cash Held in Trust	Insurance Claims *	Total
Governmental activities:					
General Fund	\$ 1,478,688	\$ 114,288	\$ -	\$ 668,762	\$ 2,261,738
County Capital Reserve Fund	29,870	-	-	-	29,870
Nonmajor governmental funds	436,046	-	-	-	436,046
Total governmental activities	\$ 1,944,604	\$ 114,288	\$ -	\$ 668,762	\$ 2,727,654
Business-type activities:					
Solid Waste Fund	\$ 397,456	\$ -	\$ -	\$ -	\$ 397,456
Fiduciary activities:					
Agency Funds	\$ 166,896	\$ -	\$ 153,467	\$ -	\$ 320,363

* The estimated liability for outstanding losses from health insurance coverage, dental plan, and workers' compensation coverage includes \$668,762 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, 2009 is \$1,350,086. The contributions made by the County equaled the required contributions for each year. For trend information, see Exhibit III.E.5 in Subsection E of Section III of this report.

Death Benefit. The County has elected to provide death benefits (also known as term life insurance) to employees through the Death Benefit Plan for members of the LGERS, a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in LGERS, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the LGERS at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, subject to a minimum of \$25,000 and a maximum of \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.09%

and 0.14% of covered payroll, respectively. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2009, the County made contributions to the State for death benefits of \$24,107. 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, 2009, the LEOSSA's membership consisted of:

<u>Member Category</u>	<u>No.</u>
Retirees currently receiving benefits	6
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members:	
Vested	57
Non-vested	27
Total members	<u>90</u>

Summary of Significant Accounting Policies. 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.

Funded Status and Funding Progress. As of the most recent actuarial valuation date (December 31, 2007) and through June 30, 2009, the County had no assets to pay future liabilities. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,058,407. The annual payroll of active employees covered under this plan (covered payroll) was \$3,296,447, and the ratio of the UAAL to the covered payroll was 32.108%. For multi-year 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*.

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, 2009 is \$90,237. For multi-year 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, 2007 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 post-employment 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, 2007 was 23 years. For multi-year trend information, see Exhibit II.D.1.b (Schedule of Employer Contributions) and Exhibit II.D.1.c (Notes to Financial Schedules) 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 LEOSSA for the current year ended June 30, 2009 are \$112,549 and \$317,772, 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*.

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, 2009 were \$240,745, which consisted of \$172,568 from the County and \$68,177 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. Prudential Financial, Inc. 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, 2009 were \$1,644,498, which consisted of \$1,208,323 from the County and \$436,175 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 non-contributory, 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, 2009, the County's required and actual contributions were \$5,601. For trend information, see Exhibit III.E.5 in Subsection E of Section III of this report.

f. Other Post-Employment Benefits -- Retirees Healthcare Coverage (OPEB-RHC)

Plan Description. As a single-employer defined benefit plan, Cleveland County provides healthcare coverage 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. At June 30, fifty-five retirees were receiving post-employment healthcare benefits. Since no assets have been set aside to provide for future benefit payments, the OPEB-RHC is not reported as a pension trust fund in the County's annual financial report. The County has contracted with a private insurer to administer the payment of claims and the County reimburses the insurer each week. A separate report has not been issued for this benefit plan. See details in Part II.D.2 of this annual financial report. Since this report includes results from the first actuarial study of the plan, comparative information from prior years is not yet available. At December 31, 2008 (which is the date of the latest actuarial valuation), the OPEB-RHC's membership consisted of:

Member Category	LEO No.	Other No.
Retirees currently receiving benefits	8	47
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members:		
Vested	8	106
Non-vested and eligible for LGERS benefits	51	262
Non-vested and non-eligible for LGERS benefits	23	242
Total members	92	657

Summary of Significant Accounting Policies. 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 in a trust fund to pay benefits and administration costs; instead, these expenditures are paid as they come due.

Funding Policy. The County pays the entire cost of coverage for healthcare benefits for eligible retirees. Although all employees can purchase coverage for their dependents at the County's group rates, retirees can only purchase coverage under C.O.B.R.A. guidelines for a specific number of months following retirement. The Board of County Commissioners may amend the benefit provisions. For multi-year trend information, see Exhibit III.E.5 in Subsection E of Section III of this report.

Funded Status and Funding Progress. As of the most recent actuarial valuation date (December 31, 2008), the County had no assets to pay future liabilities. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$15,565,951. The annual payroll of active employees covered under this plan (covered payroll) was \$27,113,877, and the ratio of the UAAL to the covered payroll was 57.410%. For multiyear trend information concerning the actuarial value of assets, liabilities, and covered payroll, see Exhibit II.D.2.a (Schedule of Funding Progress) presented as required supplementary information in Subsection D that follows these *Notes to Financial Statements*.

Contributions. Cleveland County funds the RHC 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 County Board of Commissioners. For the fiscal year ended June 30, 2009, the County made payments for post-employment healthcare coverage premiums of \$249,280 and retirees made payments for such premiums of \$13,560. For multi-year trend information, see Exhibit

II.D.2.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, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included projected rate increases to medical costs of 5.0% to 10.5% per year, including an inflation component of 3.75%. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The current rate is 5.0809% of annual covered payroll. The remaining amortization period at December 31, 2008 was 30 years. For multi-year trend information, see Exhibit II.D.2.b (Schedule of Employer Contributions) and Exhibit II.D.2.c (Notes to Financial Schedules) presented as required supplementary information in Subsection D that follows these *Notes to Financial Statements*.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost and net OPEB obligation to OPEB-RHC for the current year ended June 30, 2009 are \$1,640,468 and \$1,377,628, respectively. The calculation of annual OPEB cost is based on the County's annual required contributions (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For more information, see Exhibit II.D.2.b (Schedule of Employer Contributions) and Exhibit II.D.2.c (Notes to Financial Schedules) presented as required supplementary information in Subsection D that follows these *Notes to Financial Statements*.

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 of its landfill facility. This reserve fund is reported as part of the Solid Waste Fund, which is the County's sole enterprise-type fund. During the fiscal year ended June 30, 2009, the County added \$3,150,208 to the reserve fund. The County has met the requirements of a local government financial test that is one option under federal and State laws and regulations that help determine if a unit is financially able to meet closure and post-closure care requirements.

Federal and State 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 \$6,792,940 reported as landfill closure and post-closure care liability at June 30, 2009 represents a cumulative amount reported to-date. The County is required to contribute to the reserve at least \$369,018 annually hereafter until the total balance accumulated reaches \$9,132,871. 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 2009, and the fact that the County expects to close the current municipal solid waste facility in the fall of 2009 and the current construction and demolition facility in 2018. Actual costs may be higher due to inflation, changes in scheduled closing dates, 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	\$ 65,716	\$ -
Other accounts, net	734,671	705,745
Taxes receivable, net	188,835	2,151,263
Subtotal	989,222	2,857,008
Public Schools Fund, taxes receivable, net	49,565	563,455
Fire District Fund, taxes receivable, net	5,670	51,070
Community Development Fund, grant receivables	-	180,067
Capital Projects Fund, grant receivables	-	174,739
Total governmental activities	\$ 1,044,457	\$ 3,826,339
Solid Waste Collection and Disposal Fund:		
Prepaid fees not yet earned	\$ 2,455	\$ -
Total business-type activities	\$ 2,455	\$ -

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 \$125.5 million, with other sub-limits for other coverages. The County also purchased general, automobile, 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, and \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, automobile physical damage, and crime coverage.

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 \$537,813 for incurred and unpaid claims as of June 30, 2009. 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, 2009. 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, 2009 is \$300,000 per occurrence. The estimated liability for outstanding

losses includes \$100,000 for incurred and unpaid claims as of June 30, 2009. 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, 2009
General Fund:		
Health insurance coverage	\$ 534,114	\$ 537,813
Dental plan	30,949	30,949
Workers' compensation coverage	42,551	100,000
Total	\$ 607,614	\$ 668,762

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 five 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, 2009, 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 required 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. 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, 2009, 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	\$ (27,733)	\$ 47,342
Imaging equipment (Register of Deeds)	155,602	(45,980)	109,622
Computer equipment (Info. Technology)	146,374	(146,374)	-
Total	<u>\$ 377,051</u>	<u>\$ (220,087)</u>	<u>\$ 156,964</u>

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 a 800 MHz Public Safety 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 Obligations

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

In addition to the County's own needs, the County issues debt 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, 2009, \$1,394,674 of the \$2,075,000 remaining balance relates to financing the construction of public school facilities.

At June 30, 2009, Cleveland County had an amount of bonds authorized but unissued of \$-0- and a legal debt margin of \$492,397,349.

The County's general obligation, installment purchase loans, and contractual obligations payable at June 30, 2009 are comprised of the following individual issues:

General Obligation Bonds	Outstanding at June 30, 2009
\$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%	\$ 1,850,000
\$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%	2,075,000
Subtotal	3,925,000
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%	5,600,000
\$6,720,000 - Jail Annex Expansion Project, Series 2009; due in semi-annual installments of \$224,000 through April 2024; interest at 3.57%	6,720,000
Subtotal	12,320,000
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%	566,245
Total	\$ 16,811,245

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

	<i>General Obligation Bonds:</i>		<i>Other Long-Term Debt:</i>		<i>Capitalized Leases:</i>		<i>Total Debt Service:</i>	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	866,642	481,154	45,552	6,379	3,237,194	636,232
2011	250,000	74,950	867,677	448,508	47,769	4,162	1,165,446	527,620
2012	250,000	63,450	868,196	416,178	49,467	1,830	1,167,663	481,459
2013	250,000	51,700	868,972	383,809	14,177	141	1,133,149	435,650
2014	250,000	39,950	869,749	351,387	-	-	1,119,749	391,337
Sum 5 yrs.	3,325,000	378,750	4,341,236	2,081,036	156,964	2,512	7,823,200	2,472,298
Next 5 yrs. (2015 to 2019)	600,000	49,350	4,361,172	1,268,434	-	-	4,961,172	1,317,784
Next 5 yrs. (2020 to 2024)	-	-	3,991,723	445,050	-	-	3,991,723	445,050
Next 5 yrs. (2025 to 2029)	-	-	192,114	27,458	-	-	192,114	27,458
Sum	\$3,925,000	\$428,100	\$12,886,245	\$3,821,978	\$156,964	\$12,512	16,968,209	4,262,590
					Less capitalized leases		156,964	12,512
					Total long-term debt		\$16,811,245	\$4,250,078

f. 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, 2009, there were seven series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$34,665,000. 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.

g. Compensated Absences (Accrued Leave)

All business-type activities relate to the environmental protection expenditure function. Accrued leave activity, by type of leave, for the year ended June 30, 2009, was as follows for business-type activities.

Business-type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Difference (or Expense)
Vacation Leave (accrued)	\$ 77,896	\$ 68,589	\$ (57,532)	\$ 88,953	\$ 11,057
Holiday Leave (accrued)	15,930	49,491	(48,941)	16,480	550
Compensatory Leave (accrued)	13,829	14,281	(14,703)	13,407	(422)
Subtotal (accrued)	107,655	132,361	(121,177)	118,839	11,184
Compensatory Leave (unaccrued)	1,978	3,186	(632)	4,532	2,554
Sick Leave (unaccrued)	94,500	53,990	(51,513)	96,977	2,477
Subtotal (unaccrued)	96,478	57,176	(52,145)	101,509	5,031
Grand Totals	\$ 204,133	\$ 189,537	\$ (173,322)	\$ 220,348	\$ 16,215

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, sick leave, and the 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)	\$ 2,236,590	\$ 1,865,600	\$ (1,758,903)	\$ 2,343,287	\$ 106,697
General government	290,616	241,916	(234,510)	298,022	7,406
Public safety	744,096	604,124	(536,743)	811,477	67,381
Human services	1,128,936	971,680	(940,774)	1,159,842	30,906
Cultural (library)	42,877	25,115	(24,149)	43,843	966
Other	30,065	22,765	(22,728)	30,102	37
Subtotal	2,236,590	1,865,600	(1,758,903)	2,343,287	106,697
Holiday leave (accrued)	574,623	1,441,792	(1,346,263)	670,152	95,529
General government	2,218	156,844	(155,858)	3,205	987
Public safety	570,710	554,541	(459,973)	665,278	94,568
Human services	1,582	694,655	(694,568)	1,669	87
Cultural (library)	-	23,172	(23,172)	-	-
Other	113	12,580	(12,693)	-	(113)
Subtotal	574,623	1,441,792	(1,346,263)	670,152	95,529
Compensatory leave (accrued)	424,309	649,199	(604,301)	469,207	44,898
General government	39,074	36,149	(33,761)	41,462	2,388
Public safety	182,975	190,165	(151,702)	221,438	38,463
Human services	193,195	409,473	(407,940)	194,728	1,533
Cultural (library)	8,929	11,661	(9,295)	11,295	2,366
Other	136	1,751	(1,602)	285	149
Subtotal	424,309	649,199	(604,301)	469,207	44,898
Subtotal (accrued)	3,235,522	3,956,591	(3,709,467)	3,482,646	247,124
Compensatory leave (unaccrued)	476,904	359,589	(313,152)	523,341	46,437
General government	161,566	75,913	(50,427)	187,052	25,486
Public safety	81,314	27,871	(22,497)	86,688	5,374
Human services	228,675	238,200	(227,613)	239,262	10,587
Cultural (library)	5,349	14,262	(9,487)	10,124	4,775
Other	-	3,343	(3,128)	215	215
Subtotal	476,904	359,589	(313,152)	523,341	46,437
Sick leave (unaccrued)	2,518,938	1,444,127	(1,318,744)	2,644,321	125,383
General government	339,143	171,102	(166,482)	343,763	4,620
Public safety	861,555	476,218	(425,409)	912,364	50,809
Human services	1,239,401	757,805	(687,780)	1,309,426	70,025
Cultural (library)	49,900	25,278	(27,773)	47,405	(2,495)
Other	28,939	13,724	(11,301)	31,362	2,423
Subtotal	2,518,938	1,444,127	(1,318,744)	2,644,321	125,383
Subtotal (unaccrued)	2,995,842	1,803,716	(1,631,897)	3,167,661	171,819
Grand Totals	\$ 6,231,364	\$ 5,760,307	\$ (5,341,363)	\$ 6,650,308	\$ 418,944

h. 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, 2009:

Governmental Activities	Next Year Interest Payable	Next Year Obligation	Future Year Obligation	Total
G.O. Bonds (capital related)	\$ 20,410	\$ 680,326	\$ -	\$ 700,736
G.O. Bonds (non-capital related)	128,290	1,644,674	1,600,000	3,372,964
Bank financed loans	455,986	848,000	11,472,000	12,775,986
Contractual obligations	25,168	18,642	547,603	591,413
Total Bonds	629,854	3,191,642	13,619,603	17,441,099
Capitalized leases	6,379	45,552	111,412	163,342
Net pension obligation	-	-	317,772	317,772
Net OPEB Obligation	-	-	1,284,046	1,284,046
Accrued (earned, unpaid) leave	-	1,490,853	1,991,794	3,482,646
Totals	\$ 636,232	\$ 4,728,046	\$ 17,324,627	\$ 22,688,905
Business-type Activities				
Landfill closure/post-closure care	\$ -	\$ -	\$ 6,792,940	\$ 6,792,940
Net OPEB Obligation	-	-	93,582	93,582
Accrued (earned, unpaid) leave	-	43,229	75,610	118,839
Totals	\$ -	\$ 43,229	\$ 6,962,132	\$ 7,005,361

	Beginning Balance	Additions	Reductions	Ending Balance
G.O. Bonds (capital related)	\$ 1,393,439	\$ -	\$ (713,113)	\$ 680,326
G.O. Bonds (non-capital related)	4,956,561	-	(1,711,887)	3,244,674
Bank financed loans	6,000,000	6,720,000	(400,000)	12,320,000
Contractual obligations	584,111	-	(17,866)	566,245
Capitalized leases	203,079	-	(46,115)	156,964
Net pension obligation	295,460	22,312	-	317,772
Net OPEB Obligation	-	1,284,046	-	1,284,046
Accrued (earned, unpaid) leave	3,235,521	3,956,591	(3,709,466)	3,482,646
Totals	\$ 16,668,171	\$ 11,982,949	\$ (6,598,447)	\$ 22,052,673
By purpose:				
County	\$ 7,393,439	\$ 6,720,000	\$ (1,113,113)	\$ 13,000,326
Community College	2,100,000	-	(250,000)	1,850,000
Hospital	-	-	-	-
Public Schools (K-12)	2,856,561	-	(1,461,887)	1,394,674
Waterline	584,111	-	(17,866)	566,245
Equipment--capitalized leases	203,079	-	(46,115)	156,964
Employment/post-employment	3,530,981	5,262,949	(3,709,466)	5,084,464
Totals	\$ 16,668,171	\$ 11,982,949	\$ (6,598,447)	\$ 22,052,673
Business-type Activities				
Landfill closure/post-closure care	\$ 3,642,732	\$ 3,150,208	\$ -	\$ 6,792,940
Net OPEB Obligation	-	93,582	-	93,582
Accrued (earned, unpaid) leave	107,655	132,361	(121,177)	118,839
Totals	\$ 3,750,387	\$ 3,376,151	\$ (121,177)	\$ 7,005,361

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, 2009 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 to meet requirements of NC 911 Board	45,790
From General Fund to Debt Service Fund for payments on outstanding long-term debt	1,786,044
From General Fund to Capital Projects Fund for current capital projects activity	1,636,282
From General Fund to County Capital Reserve Fund to accumulate resources for future capital projects	2,394,000
From General Fund to Solid Waste Fund for medical insurance on employees	6,123
Subtotal from General Fund	<u>5,879,239</u>
From Schools Capital Reserve Fund to General Fund for current capital projects activity of the school system	2,760,683
From Schools Capital Reserve Fund to Debt Service Fund for payments on outstanding long-term bonds used for construction of school buildings	1,547,584
From Schools Capital Reserve Fund to County Capital Reserve Fund to accumulate resources for future capital projects for construction of school buildings	1,000,000
Subtotal from Schools Capital Projects Fund	<u>5,308,267</u>
From Emergency Telephone Fund to General Fund for a portion of costs of personnel involved in supporting fund activities	66,144
From County Capital Reserve Fund to Capital Projects Fund for current capital projects activity of the County	6,330,809
From Solid Waste Fund to General Fund for a portion of costs of personnel involved in supporting fund activities and for workers' compensation	235,059
Total interfund activity	<u><u>\$ 17,819,518</u></u>

During the fiscal year, the County made a one-time transfer from the General Fund to the Emergency Telephone System Fund to meet requirements of the NC 911 Board that oversees the expenditures from the Emergency Telephone System Fund. Further, the County made a one-time transfer from the Schools Capital Reserve Fund to the County Capital Reserve Fund to accumulate resources to use for the construction of a new school facility in the upcoming year.

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, 2009 is as follows:

Reporting Fund	Due from General Fund	Due from Other Funds	Due to Other Funds
Governmental Funds			
General Fund	\$ -	\$ 1,071,310	\$ 19,835
Revaluation Fund	11,000	-	-
Emergency Telephone Fund	1,584	-	-
Fire District Fund	7,251	-	-
Capital Projects Fund	-	-	10,991
Capital Reserve Fund	-	-	1,060,319
Total interfund balances	\$ 19,835	\$ 1,071,310	\$ 1,091,145

D. Net Assets

Net assets in the Government-Wide Financial Statements and Fund Financial Statements of the Solid Waste Fund 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, 2009, consists of the following:

Governmental activities	Beginning Balance	Activity	Ending Balance
General government	\$ (4,218.10)	\$ (20,122.41)	\$ (24,340.51)
Register of Deeds Automation Fund (3.994.19)	(4,218.10)	(20,122.41)	(24,340.51)
Public safety	2,868,598.14	512,664.46	3,381,262.60
E911 Service Cash (FD26)	1,038,485.84	394,885.88	1,433,371.72
Fire Districts Cash (FD28)	1,104,714.06	-50,349.21	1,054,364.85
Unspent Dare Fundraisers	-	-	-
Unspent Dare Program Donations	4,201.96	649.64	4,851.60
Unspent Sheriff Donations	6,124.72	5,883.17	12,007.89
Unspent K9 Donations	5,219.38	1,230.15	6,449.53
Unspent K9 Fundraisers	1,556.78	-	1,556.78
Unspent Reading Fathers Donations	7.50	-	7.50
Unspent Emergency Management Donations	-	-	-
Unspent EMS Donations	159.12	245.00	404.12
Unspent LLEBG	-	-	-
Unspent Federal Forfeiture Monies	406,722.34	148,446.10	555,168.44
Unspent State Forfeiture Monies	301,406.44	11,673.73	313,080.17
Human services	990,026.05	621,921.82	1,611,947.87
Unspent grants to Social Services	15.17	0.49	15.66
Unspent Health Donations	9,388.23	(9,388.23)	-
Unspent earnings from Health Department	980,622.65	631,309.56	1,611,932.21
Education	5,978,414.40	6,847.59	5,985,261.99
Public Schools Cash (FD20) - LIABILITIES OFFSET	-	-	-
Public Schools Capital Projects Cash (FD21)	5,978,414.40	6,847.59	5,985,261.99
Community College Bond Cash (FD23)	-	-	-
Economic and physical development	37,665.04	6,049.40	43,714.44
Unspent Co-op Exp Special Project	9,152.32	6,243.43	15,395.75
Unspent Soil Conservation Special Project	28,512.72	-194.03	28,318.69
Culture and recreation	168,772.79	(36,056.99)	132,715.80
Unspent Library Donations	168,772.79	(36,056.99)	132,715.80
Total	\$ 10,039,258.32	\$ 1,091,303.87	\$ 11,130,562.19

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, 2009 consists of the following:

Governmental activities:	Beginning Balance	Activity	Ending Balance
Capital assets	\$ 128,093,828	\$ 9,540,321	\$ 137,634,149
Adjustments			
Depreciation on capital assets	(34,863,726)	(3,360,510)	(38,224,236)
Bonds issued for capital purposes, current portion	(1,113,113)	(415,213)	(1,528,326)
Leases issued for capital equipment, current portion	(46,115)	563	(45,552)
Bonds issued for capital purposes, future portion	(6,280,326)	(5,191,674)	(11,472,000)
Leases issued for capital equipment, future portion	(156,963)	45,551	(111,412)
Premium on bonds issued for capital purposes	2,238	(3,085)	(847)
Deferred charges on bonds issued for capital purposes	105,931	(72,039)	33,892
Subtotal adjustments	(42,352,074)	(8,996,407)	(51,348,481)
Invested in capital assets, net of related debt	\$ 85,741,754	\$ 543,914	\$ 86,285,668

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 non-voting 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 \$1,290,129 for operating purposes and an additional \$60,000 for capital purposes during the fiscal year ended June 30, 2009 to Cleveland Community College.

The County paid an additional \$2,162 to CCC for training courses and course materials for employees.

Beginning in fiscal year 2008, the County agreed to help pay for a temporary facility for an early college high school. For this purpose, the County paid \$61,406 to CCC for the fiscal year ended June 30, 2009. The County is funding their portion of this project through the Capital Projects Fund. For more information, see ‘Exhibit II.D.4.i’ 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 \$250,000 on general obligation bonds issued for community college capital facilities. Of the general obligation bond issues for this purpose, \$1,850,000 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 \$16,307 to IPDC during the fiscal year ended June 30, 2009. The County paid an additional \$48,014 to IPDC to coordinate and administer the Community Development Block Grant awards for a Housing Rehab project and \$33 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, 2009:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>State or Pass-Thru Grantor Number</u>	<u>Federal (Direct and Pass-Thru) Expenditures</u>	<u>State (Direct and Pass-Thru) Expenditures</u>
<u>U.S. Dept. of Health and 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	-	\$ 132,682	\$ 7,805
<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-Sewer	14.228	07-E-1740	186,722	
Community Development Block Grant-Housing	14.228	07-C-1657	202,125	-
Total pass-thru grants awards from IPDC			<u>\$ 521,529</u>	<u>\$ 7,805</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, all added facilities on County land become County property. Also, CRMC will remit a lump-sum lease payment of \$1,450,000 each year to the County beginning January 2005.

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 determination of eligibility, 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
Women, infants, and children	10.557	-	\$ 2,160,954	\$ -
Food stamps	10.551	-	23,275,202	-
Medical assistance	93.778	-	110,895,896	42,640,127
Participation in budgeted County expenditures				
IV-D offset fees - ESC	93.563	-	1,006	-
IV-D offset fees - federal	93.563	-	9,327	-
Independent Living Links	93.674	-	-	-
Links Transitional Funds	93.674	-	4,812	-
IV-E Adoption Subsidy	93.659	-	492,313	93,685
Energy Assistance Payments	93.568	-	798,031	-
AFDC Payments and Penalties	93.560	-	(1,544)	(423)
AFDC Unemployed Parents Assistance	93.560	-	(233)	(64)
TANF Payments and Penalties	93.558	-	1,463,379	(149)
Child Welfare Services Adoption Subsidy		-	-	377,365
State-County/Special Assistance Domicillary Care Payments		-	-	1,346,748
Total participation in budgeted County expenditures			<u>2,767,093</u>	<u>1,817,162</u>
Total direct benefit payments			<u>\$ 139,099,145</u>	<u>\$ 44,457,289</u>

Note g: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

With regard to matters of stewardship, compliance, and accountability, the County discloses the following as the only such matters that require disclosure.

A. Deficit in Fund Balance of Individual Funds

Due to expected grant revenues not yet received as reimbursement for expenditures made, both the Community Development Fund and the Capital Projects Fund have a deficit in fund balance. With regard to grant reimbursements, the County is at the mercy of the grantor as to when such reimbursement will be made. The County has sufficient financial resources to sustain activity while waiting for reimbursements to arrive.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2009, reported expenditures made for cultural activities in the County's General Fund exceeded the authorized appropriations made by the governing board by \$959,660. This overage occurred because of an unbudgeted donation of capital assets. Valued at \$1,024,267, this donated land is reported as capital outlay and included as additions to capital assets. This donation is also recorded as revenue; its specifically categorized as contributions/donations and reported as miscellaneous revenue. In future years, management will more closely review donated capital assets to ensure an appropriate level of budget is approved by the governing board.

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009**

**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	83
2. Retirees Healthcare Coverage Financial Schedules	Part II.D.2	88
3. Major Governmental Funds Financial Statements	Part II.D.3	93
4. Non-major Governmental Funds Financial Statements	Part II.D.4	105
5. Major Enterprise Fund Financial Schedule	Part II.D.5	118
6. Fiduciary Funds Financial Statement	Part II.D.6	121

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 nonmajor funds, by comparing actual results with the budgetary estimates and limitations.

**Cleveland County, North Carolina
Annual Financial and Compliance Report
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**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
1. Law Enforcement Officers' Special Separation Allowance Financial Schedules**

	<u>Identifier</u>	<u>Page No.</u>
a. LEOSSA Schedule of Funding Progress	Exhibit II.D.1.a	84
b. LEOSSA Schedule of Employer Contributions	Exhibit II.D.1.b	84
c. Notes to LEOSSA Financial Schedules	Exhibit II.D.1.c	85

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. LEOSA Schedule of Funding Progress

For the Year Ended June 30, 2009

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						
2008	\$ -	\$ 1,058,407	\$ 1,058,407	0.000%	\$ 3,296,447	32.108%
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	-	-	-	0.000%	2,797,454	-
2003	-	-	-	0.000%	2,645,847	-
2002	-	-	-	0.000%	2,580,566	-
2001	-	-	-	0.000%	2,729,960	-
2000	-	-	-	0.000%	2,390,723	-
1999	-	-	-	0.000%	870,884	-
1998	-	-	-	0.000%	2,163,522	-
1997	-	-	-	0.000%	2,050,559	-

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

Cleveland County, North Carolina
b. LEOSA Schedule of Employer Contributions

For the Year Ended June 30, 2009

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						
2009	\$ 90,237	\$ 109,801	82.182%	\$ 112,549	80.176%	\$ 317,772
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	-	-	-	-	-

**Cleveland County, North Carolina
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For the Year Ended June 30, 2009**

**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
1. Law Enforcement Officers' Special Separation Allowance Financial Schedules
c. Notes to LEOSA Financial Schedules**

INFORMATION PERTAINING TO THE FISCAL YEAR ENDED JUNE 30, 2009

The actuarial valuation for the fiscal year ended 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 below.

ANNUAL PAYROLL FOR THE PERIOD ENDED DECEMBER 31, 2007

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

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2007

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

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDED JUNE 30, 2009

The annual required contribution for the year ended 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 total annual payroll as calculated in the section above.

	<u>Rate *</u>	<u>Amount</u>
1) Value of benefits earned during the current year	1.5451%	\$ 49,795
2) Portion of value earned and not contributed in previous years	1.8620%	60,006
Total annual required contribution	3.4071%	<u>\$ 109,801</u>

NET PENSION OBLIGATION (& ANNUAL PENSION COST) FOR THE YEAR ENDED JUNE 30, 2009

Net Pension Obligation, as of June 30, 2008		\$ 295,460
Annual required contribution	\$ 109,801	
Adjustment to annual required contribution	(17,502)	
Interest on net pension obligation	21,421	
Annual pension cost	<u>\$ 113,720</u>	
Contributions	(96,599)	
Change in net pension obligation		17,121
Net pension obligation, as of June 30, 2009		<u>\$ 312,581</u>

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009**

**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
1. Law Enforcement Officers' Special Separation Allowance Financial Schedules
c. Notes to LEOSA Financial Schedules**

INFORMATION PERTAINING TO THE FISCAL YEAR ENDING JUNE 30, 2010

The actuarial valuation for the fiscal year ending June 30, 2010 is based on the annual payroll for law enforcement officers in the calendar year ended December 31, 2008. 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, 2008

	<u>Number</u>	<u>Amount</u>
1) Active members - current annual compensation	87	\$ 3,296,447
2) Retired members - current annual benefits	6	66,692
Total annual payroll		<u>\$ 3,363,139</u>

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2008

Present and Prospective Assets	
Present assets	\$ -
Present value of future (unfunded) accrued liability contributions	1,058,407
Total assets, as of December 31, 2008	<u>\$ 1,058,407</u>
Accrued Actuarial Liabilities = present value of benefits payable in respect of:	
Present retired members and beneficiaries	\$ 203,769
Present active members	854,638
Total liabilities, as of December 31, 2008	<u>\$ 1,058,407</u>

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2010

The annual required contribution for the year ending June 30, 2010 is calculated as of December 31, 2008. 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.

	<u>Rate *</u>	<u>Amount</u>
1) Value of benefits earned during the current year	1.6628%	\$ 55,923
2) Portion of value earned and not contributed in previous years	1.9825%	66,673
Total annual required contribution	3.6453%	<u>\$ 122,596</u>

Cleveland County, North Carolina
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For the Year Ended June 30, 2009

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
1. Law Enforcement Officers' Special Separation Allowance Financial Schedules
c. Notes to LEOSA Financial Schedules

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, 2009	June 30, 2010
Valuation date	Dec 31, 2007	Dec 31, 2008
Remaining amortization period	23 years	22 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
2009	6	-	57	27	90
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

* Other plan members includes only terminated plan members entitled to, but not yet receiving, benefi

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
2. Retirees Healthcare Coverage Financial Schedules

	<u>Identifier</u>	<u>Page No.</u>
a. RHC Schedule of Funding Progress	Exhibit II.D.2.a	89
b. RHC Schedule of Employer Contributions	Exhibit II.D.2.b	89
c. Notes to RHC Financial Schedules	Exhibit II.D.2.c	90

The displays here comply with the applicable provision of accounting requirements under Governmental Accounting Standards Board Statements (GASB) No. 43 and No. 45.

Cleveland County, North Carolina
a. RHC Schedule of Funding Progress

For the Year Ended June 30, 2009

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, 2008						
2008	\$ -	\$ 15,565,951	\$ 15,565,951	0.000%	\$ 27,113,877	57.410%
2007	-	-	-	0.000%	-	-
2006	-	-	-	0.000%	-	-
2005	-	-	-	0.000%	-	-
2004	-	-	-	0.000%	-	-
2003	-	-	-	0.000%	-	-
2002	-	-	-	0.000%	-	-
2001	-	-	-	0.000%	-	-
2000	-	-	-	0.000%	-	-
1999	-	-	-	0.000%	-	-
1998	-	-	-	0.000%	-	-
1997	-	-	-	0.000%	-	-

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

Cleveland County, North Carolina
b. LEOSA Schedule of Employer Contributions

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Actual Contributions	Annual Required Contributions	Percentage Contributed	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2008						
2009	\$ 262,840	\$ 1,377,628	19.079%	\$ 1,640,468	0.000%	\$ 1,377,628
2008	206,160	-	-	-	-	-
2007	174,720	-	-	-	-	-
2006	156,744	-	-	-	-	-
2005	133,901	-	-	-	-	-
2004	106,038	-	-	-	-	-
2003	97,112	-	-	-	-	-
2002	95,706	-	-	-	-	-
2001	72,648	-	-	-	-	-
2000	55,930	-	-	-	-	-
1999	35,856	-	-	-	-	-
1998	33,516	-	-	-	-	-

**Cleveland County, North Carolina
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For the Year Ended June 30, 2009**

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

2. Retirees Healthcare Coverage Financial Schedules

c. Notes to RHC Financial Schedules

INFORMATION PERTAINING TO THE FISCAL YEAR ENDED JUNE 30, 2009

The actuarial valuation for the fiscal year ended June 30, 2009 is based on the annual payroll for all employees in the calendar year ended December 31, 2008. The actuary's corresponding calculations are shown below.

ANNUAL PAYROLL FOR THE PERIOD ENDED DECEMBER 31, 2008

	<u>Number</u>	<u>Amount</u>
1) Active members - current annual compensation	694	\$ 27,113,877
2) Retired members - current annual wages	55	-
Total annual payroll		<u>\$ 27,113,877</u>

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2008

Present and Prospective Assets		
Present assets		\$ -
Present value of future (unfunded) accrued liability contributions		15,565,951
Total assets, as of December 31, 2008		<u>\$ 15,565,951</u>
Accrued Actuarial Liabilities = present value of benefits payable in respect of:		
Present retired members and beneficiaries		\$ 3,636,923
Present active members		11,929,028
Total liabilities, as of December 31, 2008		<u>\$ 15,565,951</u>

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDED JUNE 30, 2009

The annual required contribution for the year ended June 30, 2009 is calculated as of December 31, 2008. 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.

	<u>Rate *</u>	<u>Amount</u>
1) Value of benefits earned during the current year	3.0997%	\$ 840,453
2) Portion of value earned and not contributed in previous years	1.9812%	537,175
Total annual required contribution	5.0809%	<u>\$ 1,377,628</u>

NET OPEB OBLIGATION (& ANNUAL OPEB COST) FOR THE YEAR ENDED JUNE 30, 2009

Net OPEB Obligation, as of June 30, 2008		\$ -
Annual required contribution	\$ 1,377,628	
Adjustment to annual required contribution	262,840	
Interest on net OPEB obligation	-	
Annual OPEB cost	<u>\$ 1,640,468</u>	
Contributions	(262,840)	
Change in net OPEB obligation		1,377,628
Net OPEB Obligation, as of June 30, 2009		<u>\$ 1,377,628</u>

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009**

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

2. Retirees Healthcare Coverage Financial Schedules

c. Notes to RHC Financial Schedules

INFORMATION PERTAINING TO THE FISCAL YEAR ENDING JUNE 30, 2010

The actuarial valuation for the fiscal year ending June 30, 2010 is based on the annual payroll for all employees in the calendar year ended December 31, 2008. The actuary's corresponding calculations are shown next, except that the calculation for the Net OPEB Obligation (NOO) is based on other information not yet available. Therefore, NOO will be shown with the County's subsequent annual financial and compliance report.

ANNUAL PAYROLL FOR THE PERIOD ENDED DECEMBER 31, 2008

	<u>Number</u>	<u>Amount</u>
1) Active members - current annual compensation	115	\$ 27,113,877
2) Retired members - current annual benefits	55	-
Total annual payroll		<u>\$ 27,113,877</u>

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2008

Present and Prospective Assets

Present assets	\$ -
Present value of future (unfunded) accrued liability contributions	15,565,951
Total assets, as of December 31, 2008	<u>\$ 15,565,951</u>

Accrued Actuarial Liabilities = present value of benefits payable in respect of:

Present retired members and beneficiaries	\$ 3,636,923
Present active members	11,929,028
Total liabilities, as of December 31, 2008	<u>\$ 15,565,951</u>

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2010

The annual required contribution for the year ending June 30, 2010 is calculated as of December 31, 2008. 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.

	<u>Rate *</u>	<u>Amount</u>
1) value of benefits earned during the current year	3.0997%	\$ 840,453
2) portion of value earned and not contributed in previous years	1.9812%	537,175
total annual required contribution	5.0809%	<u>\$ 1,377,628</u>

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009**

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

2. Retirees Healthcare Coverage Financial Schedules

c. Notes to RHC Financial Schedules

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, open 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, 2009	June 30, 2010
Valuation date	Dec 31, 2008	Dec 31, 2008
Remaining amortization period	30 years	30 years
Actuarial assumptions (projected rates):		
Projected rate of increases to medical costs	10.5% to 5.0%	10.5% to 5.0%
* Year of ultimate trend rate	2016	2016
Projected Rate of Return on Investments *	4.00%	4.00%
* 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 30-year period, assuming inflation will grow at 3.75% annually.

The following table displays the number of plan members participating in this benefit 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
2009	55	-	115	500	670
2008	50	-	-	-	50
2007	-	-	-	-	-
2006	-	-	-	-	-
2005	-	-	-	-	-
2004	-	-	-	-	-
2003	-	-	-	-	-
2002	-	-	-	-	-
2001	-	-	-	-	-
2000	-	-	-	-	-
1999	-	-	-	-	-
1998	-	-	-	-	-

* Other plan members includes only terminated plan members entitled to, but not yet receiving, benefit

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009**

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

3. 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.3.a	94
b. Schools Capital Reserve Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)	Exhibit II.D.3.b	103
c. County Capital Reserve Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (added details)	Exhibit II.D.3.c	104

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, 2009

With Comparative Totals as of June 30, 2008

	2009		Variance - Over (Under)	2008
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year	\$ 35,026,215	\$ 36,089,386	\$ 1,063,171	\$ 33,657,919
Prior years	1,188,130	1,845,778	657,648	1,587,115
Penalties, interest, and advertising, net	209,160	603,022	393,862	452,241
Subtotal ad valorem taxes	<u>36,423,505</u>	<u>38,538,186</u>	<u>2,114,681</u>	<u>35,697,275</u>
Other taxes				
Local option sales tax	10,825,000	9,694,631	(1,130,369)	12,002,826
Occupancy tax	216,000	173,819	(42,181)	195,531
Heavy equipment tax	-	11,847	11,847	-
Rental tax	23,000	23,803	803	25,716
Privilege license	-	3,555	3,555	3,445
Register of Deeds excise stamp	260,000	144,905	(115,095)	290,421
Subtotal other taxes	<u>11,324,000</u>	<u>10,052,560</u>	<u>(1,271,440)</u>	<u>12,517,939</u>
Intergovernmental revenues, unrestricted				
Video programming services	305,000	405,285	100,285	395,905
Payments in lieu of taxes	12,000	10,635	(1,365)	-
Sheriff court fees	50,000	44,798	(5,202)	51,516
Jail fees	35,000	44,349	9,349	43,203
Safe road taxes	10,000	10,204	204	11,203
Subtotal intergovernmental revenues, unrestricted	<u>412,000</u>	<u>515,271</u>	<u>103,271</u>	<u>501,827</u>
Intergovernmental revenues, restricted				
County program grants	3,411,999	2,188,395	(1,223,604)	2,462,180
Social services program grants	16,618,160	14,485,735	(2,132,425)	14,161,811
Health program grants	3,524,384	3,378,518	(145,866)	1,984,868
Court facilities fees	226,928	211,208	(15,720)	228,288
Other grants	240,000	40,000	(200,000)	-
Subtotal intergovernmental revenues, restricted	<u>24,021,471</u>	<u>20,303,856</u>	<u>(3,717,615)</u>	<u>18,837,147</u>
Subtotal intergovernmental revenues	<u>24,433,471</u>	<u>20,819,127</u>	<u>(3,614,344)</u>	<u>19,338,974</u>
Licenses, fees, and permits				
Board of Election fees	-	254	254	3,438
Register of Deeds fees and permits	450,000	400,084	(49,916)	497,315
Marriage licenses	-	16,250	16,250	15,575
Street sign fees	-	625	625	230
Civil, pistol, and concealed weapons permits	135,000	180,370	45,370	164,359
Inmate fees	-	4,220	4,220	6,217
Emergency management fees	-	1,199	1,199	520
Building permit and inspection fees	225,000	187,767	(37,233)	232,651
Hazardous material licenses	-	246	246	-
Zoning permits and fees	41,000	19,165	(21,835)	29,566
Soil conservation signs	-	22	22	11
Environmental health permits	217,515	95,895	(121,620)	136,595
Subtotal licenses, fees, and permits	<u>1,068,515</u>	<u>906,097</u>	<u>(162,418)</u>	<u>1,086,477</u>

(continued on next page)

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

With Comparative Totals as of June 30, 2008

	2009		Variance -	2008
	Budget	Actual	Over (Under)	Actual
REVENUES (continued from previous page)				
Sales and services				
Rents, concessions, and parking	1,474,000	1,486,071	12,071	1,485,307
Contracted revenues	913,136	905,986	(7,150)	912,247
County program fees	993,704	1,344,827	351,123	1,463,611
Social Services Department fees	34,685	22,847	(11,838)	21,533
Health Department fees	429,100	462,130	33,030	516,591
Medicaid/Medicare service fees	4,052,490	5,308,010	1,255,520	5,098,075
Subtotal sales and services	7,897,115	9,529,871	1,632,756	9,497,364
Investment earnings	1,110,000	1,104,096	(5,904)	1,606,255
Miscellaneous				
Insurance proceeds	42,000	33,276	(8,724)	469,072
Contributions / donations	147,490	1,493,891	1,346,401	181,317
ABC net revenues	85,000	97,527	12,527	116,801
Vending and phone commissions	64,000	69,056	5,056	73,307
Miscellaneous State refunds to County	-	47,854	47,854	31,075
Paving assessments	-	13,125	13,125	6,810
Sale of used surplus equipment and vehicles	29,000	81,567	52,567	71,276
Miscellaneous others	36,545	41,219	4,674	60,723
Subtotal miscellaneous	404,035	1,877,515	1,473,480	1,010,381
Total revenues	82,660,641	82,827,452	166,811	80,754,665
EXPENDITURES				
General government				
Commissioners (including grants received and awarded)				
Salaries/benefits	361,441	359,317	(2,124)	291,480
Other expenses	2,734,094	2,048,575	(685,519)	1,803,480
Capital outlay	39,725	39,724	(1)	49,992
Subtotal Commissioners	3,135,260	2,447,616	(687,644)	2,144,952
County Manager/administration				
Salaries/benefits	465,650	466,320	670	406,949
Other expenses	30,680	27,642	(3,038)	28,721
Subtotal County Manager administration	496,330	493,962	(2,368)	435,670
Finance and purchasing				
Salaries/benefits	526,609	528,405	1,796	489,049
Other expenses	74,060	65,705	(8,355)	65,771
Capital outlay	-	-	-	13,073
Subtotal finance and purchasing	600,669	594,110	(6,559)	567,893
Tax administration (assessing, listing, and collection)				
Salaries/benefits	1,090,887	1,094,926	4,039	988,131
Other expenses	269,342	248,739	(20,603)	224,975
Capital outlay	-	-	-	13,073
Subtotal tax administration	1,360,229	1,343,665	(16,564)	1,226,179

(continued on next page)

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

With Comparative Totals as of June 30, 2008

	2009		Variance - Over (Under)	2008
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Legal/County attorney				
Other expenses	64,900	69,066	4,166	65,471
Capital outlay	595,424	595,422	(2)	40,731
Subtotal legal/County attorney	<u>660,324</u>	<u>664,488</u>	<u>4,164</u>	<u>106,202</u>
Elections				
Salaries/benefits	345,481	312,688	(32,793)	271,445
Other expenses	195,255	174,908	(20,347)	171,275
Subtotal elections	<u>540,736</u>	<u>487,596</u>	<u>(53,140)</u>	<u>442,720</u>
Register of Deeds (including automation)				
Salaries/benefits	328,455	329,258	803	316,287
Other expenses	61,994	53,496	(8,498)	51,542
Capital outlay	-	-	-	180,715
Subtotal Register of Deeds	<u>390,449</u>	<u>382,754</u>	<u>(7,695)</u>	<u>548,544</u>
Information Technology				
Salaries/benefits	385,585	386,327	742	358,317
Other expenses	92,962	89,655	(3,307)	89,784
Capital outlay	50	50	-	33,162
Subtotal Information Technology	<u>478,597</u>	<u>476,032</u>	<u>(2,565)</u>	<u>481,263</u>
Human Resources				
Salaries/benefits	344,507	345,495	988	324,474
Other expenses	21,953	19,069	(2,884)	21,413
Subtotal Human Resources	<u>366,460</u>	<u>364,564</u>	<u>(1,896)</u>	<u>345,887</u>
Facilities maintenance				
Salaries / benefits	441,473	442,737	1,264	386,555
Other expenses	977,375	980,687	3,312	914,769
Capital outlay	10,205	10,205	-	250,430
Subtotal facilities maintenance	<u>1,429,053</u>	<u>1,433,629</u>	<u>4,576</u>	<u>1,551,754</u>
Juvenile Crime Prevention Council Administration,				
Other expenses	4,608	1,411	(3,197)	14
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	43,363	17,060	(26,303)	14,574
Court facilities				
Salaries/benefits	129,828	130,492	664	116,054
Other expenses	222,100	215,249	(6,851)	209,948
Subtotal court facilities	<u>351,928</u>	<u>345,741</u>	<u>(6,187)</u>	<u>326,002</u>
Total general government	<u>9,955,970</u>	<u>9,150,592</u>	<u>(805,378)</u>	<u>8,289,618</u>
Public safety				
Sheriff (including school resource officers)				
Salaries/benefits	5,007,343	5,022,899	15,556	4,715,433
Other expenses	808,013	702,671	(105,342)	806,732
Capital outlay	277,874	288,007	10,133	206,506
Subtotal Sheriff	<u>6,093,230</u>	<u>6,013,577</u>	<u>(79,653)</u>	<u>5,728,671</u>

(continued on next page)

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

With Comparative Totals as of June 30, 2008

	2009		Variance - Over (Under)	2008
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Law Enforcement and Other Public Safety Grants				
Other expenses	96,206	34,893	(61,313)	54,707
Capital outlay	10,075	7,558	(2,517)	16,480
Subtotal Public Safety Grants	<u>106,281</u>	<u>42,451</u>	<u>(63,830)</u>	<u>71,187</u>
Criminal Justice Partnership (Day Reporting Center)				
Salaries/benefits	57,203	57,305	102	53,791
Other expenses	48,993	48,368	(625)	47,377
Subtotal Criminal Justice Partnership	<u>106,196</u>	<u>105,673</u>	<u>(523)</u>	<u>101,168</u>
Federal and State forfeited property				
Other expenses	168,001	120,382	(47,619)	73,424
Capital outlay	159,887	164,520	4,633	246,110
Subtotal federal and State forfeited property	<u>327,888</u>	<u>284,902</u>	<u>(42,986)</u>	<u>319,534</u>
Detention centers				
Salaries/benefits	1,503,405	1,509,503	6,098	1,454,201
Other expenses	1,144,803	1,112,960	(31,843)	949,622
Capital outlay	33,492	4,719	(28,773)	50,045
Subtotal detention centers	<u>2,681,700</u>	<u>2,627,182</u>	<u>(54,518)</u>	<u>2,453,868</u>
Emergency management				
Salaries/benefits	209,485	210,122	637	205,879
Other expenses	98,658	76,928	(21,730)	58,739
Capital outlay	32,103	32,102	(1)	17,193
Subtotal emergency management	<u>340,246</u>	<u>319,152</u>	<u>(21,094)</u>	<u>281,811</u>
Emergency Medical Services				
Salaries/benefits	4,300,189	4,311,606	11,417	3,989,096
Other expenses	925,380	843,767	(81,613)	727,066
Capital outlay	332,421	191,172	(141,249)	434,487
Subtotal Emergency Medical Services	<u>5,557,990</u>	<u>5,346,545</u>	<u>(211,445)</u>	<u>5,150,649</u>
Rescue Squads, other expenses	<u>90,354</u>	<u>88,136</u>	<u>(2,218)</u>	<u>81,943</u>
E911 Communications				
Salaries/benefits	893,561	896,420	2,859	740,948
Other expenses	51,114	38,922	(12,192)	18,336
Subtotal E911 Communications	<u>944,675</u>	<u>935,342</u>	<u>(9,333)</u>	<u>759,284</u>
Electronic maintenance				
Salaries / benefits	224,885	225,220	335	275,235
Other expenses	158,235	135,956	(22,279)	80,894
Capital outlay	-	-	-	16,875
Subtotal electronic maintenance	<u>383,120</u>	<u>361,176</u>	<u>(21,944)</u>	<u>373,004</u>
Inspections				
Salaries/benefits	346,133	347,076	943	324,703
Other expenses	40,622	30,986	(9,636)	33,068
Subtotal iInspections	<u>386,755</u>	<u>378,062</u>	<u>(8,693)</u>	<u>357,771</u>
Coroner				
Salaries / benefits	31,221	31,374	153	28,232
Other expenses	78,732	75,646	(3,086)	49,285
Subtotal coroner	<u>109,953</u>	<u>107,020</u>	<u>(2,933)</u>	<u>77,517</u>

(continued on next page)

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

With Comparative Totals as of June 30, 2008

	2009		Variance - Over (Under)	2008
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Hazardous materials, Other expenses	20,865	20,361	(504)	16,483
Animal/Rabies Control				
Salaries/benefits	384,795	386,427	1,632	326,220
Other expenses	132,138	128,757	(3,381)	98,987
Capital outlay	25,790	25,790	-	-
Subtotal Animal/Rabies Control	542,723	540,974	(1,749)	425,207
Total public safety	17,691,976	17,170,553	(521,423)	16,198,097
Human Services				
Miscellaneous				
Pathways, other expenses	891,758	891,738	(20)	891,758
Veteran Services				
Salaries/benefits	65,279	65,067	(212)	48,995
Other expenses	6,445	5,934	(511)	3,038
Subtotal Veteran Services	71,724	71,001	(723)	52,033
Council on Aging, other expenses	140,035	140,035	-	138,648
Social Services:				
Administration				
Salaries/benefits	964,147	909,190	(54,957)	886,638
Other expenses	870,159	738,120	(132,039)	905,332
Capital outlay	23,000	19,007	(3,993)	431,743
Subtotal administration	1,857,306	1,666,317	(190,989)	2,223,713
Title XX				
Salaries/benefits	4,041,921	3,955,061	(86,860)	3,597,121
Other expenses	526,615	458,401	(68,214)	475,633
Subtotal Title XX	4,568,536	4,413,462	(155,074)	4,072,754
Outside Poor, Other expenses	7,327,968	5,508,781	(1,819,187)	5,862,774
Income Maintenance				
Salaries / benefits	3,901,171	3,878,157	(23,014)	3,573,552
Other expenses	496,481	355,656	(140,825)	246,052
Capital outlay	2,600	2,528	(72)	-
Subtotal Income Maintenance	4,400,252	4,236,341	(163,911)	3,819,604
Special Assistance, Salaries / benefits	40,818	40,902	84	32,063
Aid to Blind, Other expenses	9,496	7,087	(2,409)	8,730
IVD Child Support				
Salaries / benefits	1,172,146	1,136,482	(35,664)	1,176,018
Other expenses	41,180	36,468	(4,712)	4,990
Capital outlay	996	996	-	-
Subtotal IVD Child Support	1,214,322	1,173,946	(40,376)	1,181,008
Smart Start, Salaries / benefits	89,159	75,644	(13,515)	42,220
Public Assistance, Other expenses	6,997,659	6,816,607	(181,052)	9,300,943
Total Social Services	26,505,516	23,939,087	(2,566,429)	26,543,809

(continued on next page)

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

With Comparative Totals as of June 30, 2008

	2009		Variance - Over (Under)	2008
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Health services				
Administration				
Salaries/benefits	900,994	903,494	2,500	792,847
Other expenses	728,776	677,834	(50,942)	603,659
Capital outlay	160,650	359,800	199,150	-
Subtotal administration	1,790,420	1,941,128	150,708	1,396,506
Smart Start				
Salaries/benefits	130,728	123,864	(6,864)	96,861
Other expenses	39,586	32,310	(7,276)	39,215
Subtotal Smart Start	170,314	156,174	(14,140)	136,076
AIDS				
Salaries/benefits	168,573	167,455	(1,118)	162,865
Other expenses	84,449	82,999	(1,450)	75,271
Subtotal AIDS	253,022	250,454	(2,568)	238,136
Tuberculosis/communicable diseases				
Salaries/benefits	118,831	94,747	(24,084)	55,899
Other expenses	19,450	18,477	(973)	14,476
Subtotal tuberculosis/communicable diseases	138,281	113,224	(25,057)	70,375
Adult health				
Salaries/benefits	595,601	532,013	(63,588)	601,672
Other expenses	292,074	260,729	(31,345)	326,550
Subtotal adult health	887,675	792,742	(94,933)	928,222
School health				
Salaries/benefits	1,038,863	998,272	(40,591)	868,672
Other expenses	96,850	96,885	35	84,958
Subtotal school health	1,135,713	1,095,157	(40,556)	953,630
Healthpromotions				
Salaries/benefits	97,929	98,284	355	92,435
Other expenses	81,340	75,617	(5,723)	75,662
Subtotal health promotions	179,269	173,901	(5,368)	168,097
Nutrition Grant				
Salaries/benefits	148,405	137,043	(11,362)	171,115
Other expenses	141,743	60,009	(81,734)	99,672
Subtotal Nutrition Grant	290,148	197,052	(93,096)	270,787
Child health				
Salaries/benefits	481,506	453,102	(28,404)	451,659
Other expenses	81,959	69,197	(12,762)	61,252
Subtotal child health	563,465	522,299	(41,166)	512,911
Maternal health				
Salaries/benefits	1,788,115	1,790,826	2,711	1,689,559
Other expenses	119,650	111,557	(8,093)	116,936
Subtotal maternal health	1,907,765	1,902,383	(5,382)	1,806,495

(continued on next page)

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

With Comparative Totals as of June 30, 2008

	2009		Variance - Over (Under)	2008
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Family planning				
Salaries/benefits	781,427	748,946	(32,481)	667,171
Other expenses	247,938	238,066	(9,872)	203,260
Subtotal family planning	1,029,365	987,012	(42,353)	870,431
Women, infants, and children				
Salaries/benefits	362,390	356,900	(5,490)	338,512
Other expenses	57,930	52,157	(5,773)	26,495
Subtotal women, infants, and children	420,320	409,057	(11,263)	365,007
Environmental health				
Salaries/benefits	825,724	810,085	(15,639)	779,759
Other expenses	83,059	53,106	(29,953)	62,967
Capital outlay	-	-	-	58,281
Subtotal environmental health	908,783	863,191	(45,592)	901,007
Other Public Health Grants				
Salaries/benefits	201,815	195,420	(6,395)	145,585
Other expenses	133,072	95,385	(37,687)	145,314
Capital outlay	-	-	-	499
Subtotal other public health grants	334,887	290,805	(44,082)	291,398
Dental clinic				
Salaries/benefits	252,733	242,246	(10,487)	221,018
Other expenses	150,240	107,877	(42,363)	103,453
Capital outlay	35,934	35,934	-	-
Subtotal dental clinic	438,907	386,057	(52,850)	324,471
Nurse Family Partnership				
Salaries/benefits	335,331	121,360	(213,971)	-
Other expenses	200,461	79,254	(121,207)	-
Subtotal Nurse Family Partnership	535,792	200,614	(335,178)	-
Carolina Access				
Salaries/benefits	711,922	606,797	(105,125)	549,476
Other expenses	529,683	397,692	(131,991)	202,032
Capital outlay	11,403	15,249	3,846	-
Subtotal Carolina Access	1,253,008	1,019,738	(233,270)	751,508
CODAP				
Salaries/benefits	226,745	227,641	896	168,261
Other expenses	33,587	28,050	(5,537)	18,779
Subtotal CODAP	260,332	255,691	(4,641)	187,040
Total Health Services	12,497,466	11,556,679	(940,787)	10,172,097
Total Human Services	40,106,499	36,598,540	(3,507,959)	37,798,345
Debt service				
Principal reduction	46,385	46,115	(270)	143,960
Interest and fees	8,735	8,602	(133)	10,867
Total debt service	55,120	54,717	(403)	154,827

(continued on next page)

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

With Comparative Totals as of June 30, 2008

	2009		Variance - Over (Under)	2008
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Education				
Public Schools				
Current expenses	10,408,213	10,408,213	-	9,908,213
Schools capital outlay	4,760,683	4,760,683	-	4,125,000
Subtotal public schools	15,168,896	15,168,896	-	14,033,213
Community College				
Other expenses	1,344,193	1,342,692	(1,501)	1,140,129
Capital outlay	30,936	31,624	688	-
Subtotal Community College	1,375,129	1,374,316	(813)	1,140,129
Total education	16,544,025	16,543,212	(813)	15,173,342
Economic and physical development				
Planning and zoning				
Salaries/benefits	271,624	272,342	718	204,824
Other expenses	117,558	74,268	(43,290)	86,308
Capital outlay	7,000	1,760	(5,240)	16,028
Subtotal planning and zoning	396,182	348,370	(47,812)	307,160
Economic development, other expenses	1,719,398	1,059,195	(660,203)	826,219
Cooperative Extension				
Salaries/benefits	245,356	245,091	(265)	231,707
Other expenses	62,057	50,332	(11,725)	42,744
Capital outlay	21,042	21,014	(28)	-
Subtotal Cooperative Extension	328,455	316,437	(12,018)	274,451
Forestry, other expenses	57,636	47,586	(10,050)	47,838
Soil conservation				
Salaries/benefits	66,057	66,357	300	73,859
Other expenses	10,759	7,910	(2,849)	3,856
Subtotal soil conservation	76,816	74,267	(2,549)	77,715
Waterline and sewer maintenance				
Other expenses	280,000	246,325	(33,675)	119,263
Capital outlay	70,844	58,575	(12,269)	-
Subtotal waterline and sewer maintenance	350,844	304,900	(45,944)	119,263
Total economic and physical development	2,929,331	2,150,755	(778,576)	1,652,646
Cultural				
Library system				
Salaries/benefits	679,541	682,049	2,508	629,568
Other expenses	382,646	327,903	(54,743)	348,483
Capital outlay	-	5,360	5,360	-
Subtotal library system	1,062,187	1,015,312	(46,875)	978,051
Broad River Greenway				
Other expenses	75,550	75,514	(36)	48,979
Capital outlay	31,350	1,055,617	1,024,267	-
Subtotal Broad River Greenway	106,900	1,131,131	1,024,231	48,979
Historic courthouse, other expenses	30,000	12,304	(17,696)	58,121
Total cultural	1,199,087	2,158,747	959,660	1,085,151

(continued on next page)

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

With Comparative Totals as of June 30, 2008

	2009		Variance - Over (Under)	2008
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Total expenditures	88,482,008	83,827,116	(4,654,892)	80,352,026
Excess of revenues over (under) expenditures	(5,821,367)	(999,664)	4,821,703	402,639
OTHER FINANCING SOURCES (USES)				
Transfers In:				
From Special Revenue Fund - Schools Capital Reserve	2,760,683	2,760,683	-	2,125,000
From Special Revenue Fund - Emergency Telephone	66,144	66,144	-	822
From Enterprise Fund	235,059	235,059	-	241,995
Transfers out:				
To Special Revenue Fund - Revaluation	(11,000)	(11,000)	-	(11,000)
To Special Revenue Fund - Emergency Telephone	-	(45,790)	(45,790)	(48)
To Special Revenue Fund - County Fire Service District	(57,000)	-	57,000	-
To Debt Service Fund	(1,786,593)	(1,786,044)	549	(1,107,109)
To Capital Projects Fund - Capital Projects	(1,957,888)	(1,636,282)	321,606	(1,383,136)
To Capital Projects Fund - Capital Reserve	(2,394,000)	(2,394,000)	-	(1,075,000)
To Enterprise Fund	-	(6,123)	(6,123)	(750)
Capital lease financing issued	-	-	-	230,676
Proceeds from sales of capital assets	-	-	-	94,165
Fund balance appropriated	8,965,962	-	(8,965,962)	-
Total other financing sources (uses)	5,821,367	(2,817,353)	(8,638,720)	(884,385)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(3,817,017)	\$ (3,817,017)	(481,746)
FUND BALANCES				
Beginning fund balances		28,538,665		29,020,411
Ending fund balances		\$ 24,721,648		\$ 28,538,665

(continued from previous page)

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, 2009

With Comparative Totals as of June 30, 2008

	2009		Variance - Over (Under)	2008
	Budget	Actual		Actual
REVENUES				
Local option sales taxes, restricted portions of Articles 40 and 42				
Other taxes	\$ 2,371,833	\$ 3,142,521	\$ 770,688	\$ 3,488,442
Investment earnings	-	158,084	158,084	299,376
Subtotal	<u>2,371,833</u>	<u>3,300,605</u>	<u>928,772</u>	<u>3,787,818</u>
State corporate income taxes				
Intergovernmental revenues	575,752	565,542	(10,210)	739,874
Investment earnings	-	9,099	9,099	26,845
Subtotal	<u>575,752</u>	<u>574,641</u>	<u>(1,111)</u>	<u>766,719</u>
State education lottery proceeds				
Intergovernmental revenues	1,360,683	1,238,534	(122,149)	682,283
Investment earnings	-	122,149	122,149	42,717
Subtotal	<u>1,360,683</u>	<u>1,360,683</u>	<u>-</u>	<u>725,000</u>
Total revenues	<u>4,308,268</u>	<u>5,235,929</u>	<u>927,661</u>	<u>5,279,537</u>
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)	-	(1,400,000)
To County Capital Reserve Fund	(1,000,000)	(1,000,000)	-	-
To Debt Service Fund	(971,833)	(971,833)	-	(984,526)
Subtotal	<u>(3,371,833)</u>	<u>(3,371,833)</u>	<u>-</u>	<u>(2,384,526)</u>
State corporate income taxes				
Transfers out:				
To Debt Service Fund	(575,752)	(575,751)	1	(773,066)
State Education Lottery proceeds				
Transfers out:				
To General Fund	(1,360,683)	(1,360,683)	-	(725,000)
Fund balance appropriated, local option sales taxes	1,000,000	-	(1,000,000)	-
Total other financing sources (uses)	<u>(4,308,268)</u>	<u>(5,308,267)</u>	<u>(999,999)</u>	<u>(3,882,592)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(72,338)</u>	<u>\$ (72,338)</u>	<u>1,396,945</u>
FUND BALANCES				
Local option sales taxes, restricted portions of Articles 40 and 42				
Beginning fund balances		6,856,572		5,453,280
Ending fund balances		<u>6,785,344</u>		<u>6,856,572</u>
State corporate income taxes				
Beginning fund balances		1,477		7,824
Ending fund balances		<u>367</u>		<u>1,477</u>
Total combined				
Beginning fund balances		6,858,049		5,461,104
Ending fund balances		<u>\$ 6,785,711</u>		<u>\$ 6,858,049</u>

Cleveland County, North Carolina

c. County Capital Reserve Fund: Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (added details)

For the Year Ended June 30, 2009

With Comparative Totals as of June 30, 2008

	2009		Variance - Over (Under)	2008
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ -	\$ 136,641	\$ 136,641	\$ 171,574
Miscellaneous	-	14,000	14,000	14,000
Total revenues	-	150,641	150,641	185,574
OTHER FINANCING SOURCES (USES)				
Transfers in				
From General Fund	2,394,000	2,394,000	-	1,075,000
From Schools Capital Reserve Fund	1,000,000	1,000,000	-	-
From E911 Emergency Telephone Fund	-	-	-	312,700
Transfers out				
To Capital Projects Fund	(17,067,458)	(6,330,809)	10,736,649	(1,622,577)
Installment financing issued				
For Jail Annex Expansion Project	6,720,000	6,720,000	-	6,000,000
Fund balance appropriated	6,953,458	-	(6,953,458)	-
Total other financing sources (uses)	-	3,783,191	3,783,191	5,765,123
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	3,933,832	\$ 3,933,832	5,950,697
FUND BALANCES				
Beginning fund balances		7,149,112		1,198,415
Ending fund balances		<u>\$ 11,082,944</u>		<u>\$ 7,149,112</u>

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009**

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

4. Non-major Governmental Funds Financial Statements

	<u>Identifier</u>	<u>Page No.</u>
a. Non-major Governmental Funds: Combining Balance Sheet	Exhibit II.D.4.a	106
b. Non-major Governmental Funds: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.D.4.b	108
c. Public Schools Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.4.c	110
d. Revaluation Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.4.d	111
e. Emergency Telephone Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.4.e	112
f. County Fire Service District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.4.f	113
g. Community Development Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (since project inception)	Exhibit II.D.4.g	114
h. Debt Service Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.4.h	115
i. Capital Projects Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (since project inception)	Exhibit II.D.4.i	116

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, 2009
With Comparative Totals as of June 30, 2008

Non-major Governmental Fund					
	Public Schools	Revaluation	Emergency Telephone	Fire District	
ASSETS					
Cash and cash equivalents	\$ 187,551	\$ 4,383	\$ 1,433,372	\$ 1,054,365	
Taxes receivable, net	563,455	-	-	51,070	
Accounts receivable, net	-	-	1,093	68,377	
Due from other funds	-	11,000	1,584	7,251	
Total assets	\$ 751,006	\$ 15,383	\$ 1,436,049	\$ 1,181,063	
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 137,935	\$ -	\$ 28	\$ -	
Contract retainage	-	-	3,962	-	
Unearned revenues	49,565	-	-	5,670	
Deferred revenues	563,455	-	-	51,070	
Due to other funds	-	-	-	-	
Total liabilities	750,955	-	3,990	56,740	
Fund balances:					
Reserved fund balance:					
Encumbrances	-	-	77,824	-	
State Statute	-	11,000	2,677	75,628	
Unreserved designated fund balance:					
for subsequent year's expenditures	-	4,383	-	246,347	
Unreserved undesignated fund balance:					
Special Revenue funds	51	-	1,351,558	802,348	
Capital Projects funds	-	-	-	-	
Total fund balances	51	15,383	1,432,059	1,124,323	
Total liabilities and fund balances	\$ 751,006	\$ 15,383	\$ 1,436,049	\$ 1,181,063	

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Non-major Governmental Funds					
CDBG			Totals		
Housing Rehab	Debt Service	Capital Projects	2009	2008	
\$ -	\$ -	\$ -	\$ 2,679,671	\$ 2,298,221	
-	-	-	614,525	571,953	
184,189	-	174,739	428,398	183,690	
-	-	-	19,835	306,110	
\$ 184,189	\$ -	\$ 174,739	\$ 3,742,429	\$ 3,359,974	
\$ 186,306	\$ -	\$ 103,748	\$ 428,017	\$ 408,114	
4,067	-	-	8,029	4,474	
-	-	-	55,235	59,924	
180,067	-	174,739	969,331	571,953	
-	-	10,991	10,991	-	
370,440	-	289,478	1,471,603	1,044,465	
-	-	-	77,824	-	
-	-	-	89,305	232,151	
-	-	-	250,730	146,852	
(186,251)	-	-	1,967,706	1,936,506	
		(114,739)	(114,739)	-	
(186,251)	-	(114,739)	2,270,826	2,315,509	
\$ 184,189	\$ -	\$ 174,739	\$ 3,742,429	\$ 3,359,974	

(continued from previous page)

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, 2009

With Comparative Totals as of June 30, 2008

Non-major Governmental Fund:				
	Public Schools	Revaluation	Emergency Telephone	Fire District
REVENUES				
Ad valorem taxes	\$ 10,099,061	\$ -	\$ -	\$ 868,534
Other taxes	-	-	612,647	287,625
Intergovernmental revenues, restricted	-	-	26,762	8,445
Investment earnings	-	75	35,028	30,602
Miscellaneous	-	-	56	-
Total revenues	10,099,061	75	674,493	1,195,206
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	340,328	1,263,786
Human services	-	-	-	-
Education	10,099,060	-	-	-
Economic and physical development	-	-	-	-
Cultural	-	-	-	-
Schools capital outlay	-	-	-	-
Debt service, principal reduction	-	-	-	-
Debt service, interest and fees	-	-	-	-
Total expenditures	10,099,060	-	340,328	1,263,786
Excess of revenues over (under) expenditures	1	75	334,165	(68,580)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	11,000	45,790	-
Transfers out	-	-	(66,144)	-
Total other financing sources (uses)	-	11,000	(20,354)	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	1	11,075	313,811	(68,580)
FUND BALANCES				
Beginning fund balances	50	4,308	1,118,248	1,192,903
Ending fund balances	\$ 51	\$ 15,383	\$ 1,432,059	\$ 1,124,323

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Non-major Governmental Funds					
CDBG					
Housing Rehab	Debt Service	Capital Projects	Totals		
			2009	2008	
\$ -	\$ -	\$ -	\$ 10,967,595	\$ 10,020,134	
-	-	-	900,272	748,095	
208,780	-	-	243,987	2,520,186	
-	-	-	65,705	118,400	
-	-	6,951	7,007	13	
208,780	-	6,951	12,184,566	13,406,828	
-	-	131,334	131,334	67,252	
-	-	6,195,964	7,800,078	2,942,138	
-	-	108,912	108,912	841,585	
-	-	-	10,099,060	9,215,690	
395,031	-	1,270,132	1,665,163	458,438	
-	-	260,000	260,000	250,000	
-	-	122,439	122,439	613,167	
-	2,842,866	-	2,842,866	4,732,347	
-	490,762	-	490,762	398,354	
395,031	3,333,628	8,088,781	23,520,614	19,518,971	
(186,251)	(3,333,628)	(8,081,830)	(11,336,048)	(6,112,143)	
-	3,333,628	7,967,091	11,357,509	5,881,462	
-	-	-	(66,144)	(313,522)	
-	3,333,628	7,967,091	11,291,365	5,567,940	
(186,251)	-	(114,739)	(44,683)	(544,203)	
-	-	-	2,315,509	2,859,712	
\$ (186,251)	\$ -	\$ (114,739)	\$ 2,270,826	\$ 2,315,509	

(continued from previous page)

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, 2009
 With Comparative Totals as of June 30, 2008

	2009		Variance - Over (Under)	2008
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year	\$ 9,297,425	\$ 9,490,115	\$ 192,690	\$ 8,704,811
Prior years	875,243	477,048	(398,195)	409,781
Penalties and interest	-	131,898	131,898	101,098
Total revenues	10,172,668	10,099,061	(73,607)	9,215,690
EXPENDITURES				
Education:				
Consolidated school system	10,172,668	10,099,060	(73,608)	9,215,690
Net change in fund balance	\$ -	1	\$ 1	-
FUND BALANCES				
Beginning fund balances		50		50
Ending fund balances		<u>\$ 51</u>		<u>\$ 50</u>

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

With Comparative Totals as of June 30, 2008

	2009		Variance - Over (Under)	2008
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ -	\$ 75	\$ 75	\$ 491
EXPENDITURES				
General government:				
Postage	2,500	-	(2,500)	12,500
Advertising	1,000	-	(1,000)	913
Contracted services	7,500	-	(7,500)	8,745
Total expenditures	11,000	-	(11,000)	22,158
Excess of revenues over (under) expenditures	(11,000)	75	11,075	(21,667)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
From General Fund	11,000	11,000	-	11,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	11,075	\$ 11,075	(10,667)
FUND BALANCES				
Beginning fund balances		4,308		14,975
Ending fund balances		<u>\$ 15,383</u>		<u>\$ 4,308</u>

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

With Comparative Totals as of June 30, 2008

	2009		Variance - Over (Under)	2008
	Budget	Actual		Actual
REVENUES				
System subscriber/surcharge fees	\$ 376,440	\$ 612,647	\$ 236,207	\$ 536,287
Other intergovernmental revenues	-	26,762	26,762	24,735
Investment earnings	-	35,028	35,028	54,438
Miscellaneous	-	56	56	13
Total revenues	376,440	674,493	298,053	615,473
EXPENDITURES				
Public safety:				
Salaries/benefits	-	-	-	109,172
Telecommunications	118,060	117,044	(1,016)	118,557
Professional services	137,445	50,618	(86,827)	137
Grants	47,232	48,659	1,427	48,659
Other	34,243	25,379	(8,864)	37,446
Capital outlay, equipment	98,761	98,628	(133)	10,510
Total public safety expenditures	435,741	340,328	(95,413)	324,481
Excess of revenues over (under) expenditures	(59,301)	334,165	393,466	290,992
OTHER FINANCING SOURCES (USES)				
Transfers in:				
From General Fund	-	45,790	45,790	48
Transfers out:				
To General Fund	(66,144)	(66,144)	-	(822)
To Capital Reserve Fund	-	-	-	(312,700)
Fund balance appropriated	125,445	-	(125,445)	-
Total other financing sources (uses)	59,301	(20,354)	(79,655)	(313,474)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	313,811	\$ 313,811	(22,482)
FUND BALANCES				
Beginning fund balances		1,118,248		1,140,730
Ending fund balances		<u>\$ 1,432,059</u>		<u>\$ 1,118,248</u>

Cleveland County, North Carolina

f. County Fire Service District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2009

With Comparative Totals as of June 30, 2008

	2009		Variance - Over (Under)	2008
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year	\$ 785,700	\$ 818,405	\$ 32,705	\$ 752,129
Prior years	26,826	39,921	13,095	41,849
Penalties and interest	7,500	10,208	2,708	10,466
	<u>820,026</u>	<u>868,534</u>	<u>48,508</u>	<u>804,444</u>
Other taxes, local option sales taxes	300,000	287,625	(12,375)	344,202
Intergovernmental revenues, restricted grants	-	8,445	8,445	-
Investment earnings	25,000	30,602	5,602	49,841
Total revenues	<u>1,145,026</u>	<u>1,195,206</u>	<u>50,180</u>	<u>1,198,487</u>
EXPENDITURES				
Public safety:				
Supplies	4,015	715	(3,300)	698
Repairs on equipment	1,750	-	(1,750)	-
Contracted and professional services	10,200	1,261	(8,939)	2,128
Insurance	69,913	55,810	(14,103)	53,350
Awards to volunteer fire departments	1,263,000	1,206,000	(57,000)	1,110,001
Total expenditures	<u>1,348,878</u>	<u>1,263,786</u>	<u>(85,092)</u>	<u>1,166,177</u>
Excess of revenues over (under) expenditures	<u>(203,852)</u>	<u>(68,580)</u>	<u>135,272</u>	<u>32,310</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	57,000	-	(57,000)	-
Fund balance appropriated	146,852	-	(146,852)	-
Total other financing sources (uses)	<u>203,852</u>	<u>-</u>	<u>(203,852)</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(68,580)</u>	<u>\$ (68,580)</u>	<u>32,310</u>
FUND BALANCES				
Beginning fund balances		1,192,903		1,160,593
Ending fund balances		<u>\$ 1,124,323</u>		<u>\$ 1,192,903</u>

Cleveland County, North Carolina

g. Community Development Fund: Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (since project inception)

For the Year Ended June 30, 2009

With Comparative Totals from Project Inception to June 30, 2008

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, federal CDBG-HR Grant	\$ 400,000	\$ 97,057	\$ 208,780	\$ 305,837
Intergovernmental revenues, federal CDBG-UN Grant	200,000	-	-	-
Total revenues	600,000	97,057	208,780	305,837
EXPENDITURES				
Economic and physical development:				
Community Development Block Grant -				
Housing Rehab (CDBG-HR):				
Administration	43,500	14,726	21,001	35,727
Housing rehabilitation	356,500	82,331	181,124	263,455
Community Development Block Grant -				
Sewer Improvements (CDBG-SI):				
Public facilities and improvement - sewer	200,000	-	192,906	192,906
Total expenditures	600,000	97,057	395,031	492,088
Excess of revenues over (under) expenditures	\$ -	\$ -	(186,251)	\$ (186,251)
FUND BALANCES				
Beginning fund balances			-	
Ending fund balances			\$ (186,251)	

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

With Comparative Totals as of June 30, 2008

	2009		Variance - Over (Under)	2008
	Budget	Actual		Actual
REVENUES				
Intergovernmental revenues, restricted	\$ -	\$ -	\$ -	\$ 2,266,000
Total revenues	-	-	-	2,266,000
EXPENDITURES				
Debt service:				
Principal retirement	2,842,866	2,842,866	-	4,732,347
Interest	487,312	487,310	(2)	395,082
Fees	4,000	3,452	(548)	3,272
Total expenditures	3,334,178	3,333,628	(550)	5,130,701
Excess of revenues over (under) expenditures	(3,334,178)	(3,333,628)	550	(2,864,701)
OTHER FINANCING SOURCES (USES)				
Transfers in				
From General Fund	1,786,593	1,786,044	(549)	1,107,109
From Schools Capital Reserve Fund	1,547,585	1,547,584	(1)	1,757,592
Total other financing sources (uses)	3,334,178	3,333,628	(550)	2,864,701
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

i. Capital Projects Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (since project inception)

For the Year Ended June 30, 2009

With Comparative Totals from Project Inception to June 30, 2008

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, restricted	\$ 2,659,920	\$ 1,084,920	\$ -	\$ 1,084,920
Miscellaneous	-	-	6,951	6,951
Total revenues	2,659,920	1,084,920	6,951	1,091,871
EXPENDITURES				
General government:				
Computer replacement program	\$ 227,411	\$ 45,094	111,555	\$ 156,649
Warehouse at old Hunter School	20,000	-	19,779	19,779
Subtotal	247,411	45,094	131,334	176,428
Public safety				
Communications Equipment Project	8,487,443	2,683,958	5,100,859	7,784,817
Jail Annex Expansion	7,720,675	9,750	875,468	885,218
E911 Dispatch Equipment	312,700	-	3,485	3,485
EMS Base Station - Number 3 Township	302,198	139,698	150,600	290,298
EMS Base Station - Location TBD	242,479	-	-	-
Animal Shelter Building Renovations	100,276	71,462	28,813	100,275
EMS Training Center	36,000	-	36,739	36,739
Subtotal	17,201,771	2,904,868	6,195,964	9,100,832
Human services				
Health Complex Building/Parking Renovations	1,349,271	1,258,837	74,566	1,333,403
County Office Building Renovations	208,923	-	34,346	34,346
Subtotal	1,558,194	1,258,837	108,912	1,367,749
Education				
Early College High School (5-Year Diploma/Degree)	3,604,983	58,357	62,439	120,796
Community College Grant	60,000	-	60,000	60,000
Subtotal	3,664,983	58,357	122,439	180,796
Economic and physical development				
Industrial Park - Washburn Switch Road	1,102,151	1,102,151	-	1,102,151
Industrial Park - US Highway 74 Business	722,426	265,904	463,750	729,654
Kings Mountain Gateway Trails	635,000	-	174,739	174,739
Industrial Park - US Highway 29	619,981	-	614,943	614,943
Airport Renovations	203,375	186,675	16,700	203,375
Subtotal	3,282,933	1,554,730	1,270,132	2,824,862
Cultural and recreational				
Historic Courthouse Renovation	500,000	250,000	250,000	500,000
Upper Cleveland Sports Facility	218,142	-	10,000	10,000
Subtotal	718,142	250,000	260,000	510,000
Total expenditures	26,673,434	6,071,886	8,088,781	14,160,667
Excess of revenues over (under) expenditures	(24,013,514)	(4,986,966)	(8,081,830)	(13,068,796)

(continued on next page)

Cleveland County, North Carolina

i. Capital Projects Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (since project inception)

For the Year Ended June 30, 2009

With Comparative Totals from Project Inception to June 30, 2008

	Project Authorization	Prior Years	Current Year	Total to Date
(continued from previous page)				
Excess of revenues over (under) expenditures (repeated from prior page)	(24,013,514)	(4,986,966)	(8,081,830)	(13,068,796)
OTHER FINANCING SOURCES (USES)				
Transfers in				
From General Fund	4,721,347	2,763,460	1,636,282	4,399,742
From Capital Reserve Fund	19,292,167	2,223,506	6,330,809	8,554,315
Total other financing sources (uses)	24,013,514	4,986,966	7,967,091	12,954,057
 Excess of revenues and other financing sources over (under) expenditures and other financing uses	 \$ -	 \$ -	 (114,739)	 \$ (114,739)
FUND BALANCES				
Beginning fund balances			-	
Ending fund balances			<u>\$ (114,739)</u>	

(continued from previous page)

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
5. 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.5.a	119

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, 2009

With Comparative Totals as of June 30, 2008

	2009		Variance - Over (Under)	2008
	Budget	Actual		Actual
REVENUES				
Operating revenues:				
Household user fees	\$ 1,384,928	\$ 1,418,467	\$ 33,539	\$ 1,428,068
Departmental fees	3,312,000	3,261,848	(50,152)	3,328,522
Miscellaneous	113,425	239,908	126,483	121,518
Total operating revenues	4,810,353	4,920,223	109,870	4,878,108
Non-operating revenues:				
Other taxes	422,184	188,407	(233,777)	159,506
Intergovernmental revenues	60,000	(35,581)	(95,581)	82,776
Interest earned	114,973	160,189	45,216	616,174
Total non-operating revenues	597,157	313,015	(284,142)	858,456
Total revenues	5,407,510	5,233,238	(174,272)	5,736,564
EXPENDITURES				
Administration and operating expenditures:				
Salaries and benefits	1,775,987	1,755,697	(20,290)	1,582,072
Supplies and materials	48,269	45,671	(2,598)	281,784
Uniforms	8,655	7,984	(671)	7,017
Travel and training	8,850	9,364	514	9,003
Utilities, telecommunications, and postage	113,614	86,468	(27,146)	75,038
Repairs and maintenance	266,216	237,202	(29,014)	358,979
Advertising	4,622	4,086	(536)	4,480
Laundry and dry cleaning	18,610	19,690	1,080	19,382
Rent	5,450	9,111	3,661	13,728
Contracted services	381,621	346,647	(34,974)	323,967
Insurance	80,300	80,300	-	80,400
Garbage	1,062,800	958,794	(104,006)	937,371
Professional and legal services	250,798	172,576	(78,222)	150,764
Solid waste disposal tax to State	277,184	246,255	(30,929)	-
Automotive fuels and supplies	425,500	370,298	(55,202)	431,655
Miscellaneous	17,969	10,802	(7,167)	2,185
Total administration and operating expenditures	4,746,445	4,360,945	(385,500)	4,277,825
Capital outlay	3,741,979	2,962,957	(779,022)	6,104,817
Total expenditures	8,488,424	7,323,902	(1,164,522)	10,382,642
Excess of revenues over (under) expenditures	(3,080,914)	(2,090,664)	990,250	(4,646,078)

(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, 2009

With Comparative Totals as of June 30, 2008

	2009		Variance -	2008
	Budget	Actual	Over (Under)	Actual
(continued from previous page)				
Excess of revenues over (under) expenditures (repeated from prior page)	(3,080,914)	(2,090,664)	990,250	(4,646,078)
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	(235,059)	(235,059)	-	(241,995)
Transfer from General Fund	-	6,123	6,123	750
Fund balance appropriated	3,315,973	-	(3,315,973)	-
Total other financing sources (uses)	3,080,914	(228,936)	(3,309,850)	(241,245)
Excess of operating revenues and other financing sources over (under) operating expenditures and other financing uses	\$ -	\$ (2,319,600)	\$ (2,319,600)	\$ (4,887,323)
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)		\$ (2,319,600)		\$ (4,887,323)
Capital outlay expenditures		2,962,957		6,104,817
Depreciation expense		(649,260)		(620,217)
Non-cash gain (loss) on sales of capital assets		(32,610)		(55,328)
Change in accrued retirement benefits		(93,582)		-
Change in accrued leave earned expense		(11,184)		(8,077)
Landfill closure and postclosure care expense		(3,150,208)		(373,519)
Change in net assets (full accrual basis)		\$ (3,293,487)		\$ 160,353
Another Difference in Reporting under Modified Accrual (MA) Basis versus Full Accrual (FA) Basis				
Departmental fees (modified accrual basis)		\$ 3,261,848		\$ 3,328,522
Bad debt expense (reduces departmental fees revenue under MA basis)		2,404		5,655
Departmental fees (full accrual basis)		\$ 3,264,252		\$ 3,334,177

(continued from previous page)

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009**

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

6. 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.6.a	122

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 healthcare, 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, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
Fines and Forfeitures Agency Fund				
Assets				
Intergovernmental receivable *	\$ 7,416	\$ 600,362	\$ (599,015)	\$ 8,763
Liabilities				
Due to other taxing units - State of North Carolina	\$ 7,416	\$ 11,485	\$ (10,138)	\$ 8,763
Due to other taxing units - Cleveland County Board of Education	-	588,902	(588,902)	-
Total liabilities	\$ 7,416	\$ 600,387	\$ (599,040)	\$ 8,763
Inmate Agency Fund				
Assets				
Cash and cash equivalents	\$ 4,550	\$ 165,191	\$ (159,509)	\$ 10,232
Intergovernmental receivable	1,633	96,762	(96,884)	1,511
Total assets	\$ 6,183	\$ 261,953	\$ (256,393)	\$ 11,743
Liabilities				
Accounts payable	\$ 6,183	\$ 264,303	\$ (258,743)	\$ 11,743
Property Tax Agency Fund				
Assets				
Taxes receivable	\$ 34,680	\$ 421,145	\$ (414,030)	\$ 41,795
Accounts receivable	1,112,237	12,527,556	(12,621,556)	1,018,237
Intergovernmental receivable	180,463	13,163,011	(13,134,518)	208,956
Total assets	\$ 1,327,380	\$ 26,111,712	\$ (26,170,104)	\$ 1,268,988
Liabilities				
Accounts payable	\$ 126,173	\$ 15,384,504	\$ (15,345,292)	\$ 165,385
Due to other taxing units	1,201,207	13,192,970	(13,290,574)	1,103,603
Total liabilities	\$ 1,327,380	\$ 28,577,474	\$ (28,635,866)	\$ 1,268,988
Rescue Squad Agency Fund				
Assets				
Cash and cash equivalents	\$ 86,126	\$ 16,384	\$ -	\$ 102,510
Accounts receivable	942,508	-	-	942,508
Total assets	\$ 1,028,634	\$ 16,384	\$ -	\$ 1,045,018
Liabilities				
Accounts payable	\$ 86,126	\$ 16,384	\$ -	\$ 102,510
Due to other taxing units	942,508	-	-	942,508
Total liabilities	\$ 1,028,634	\$ 16,384	\$ -	\$ 1,045,018

(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, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
(continued from previous page)				
Social Services Agency Fund				
Assets				
Cash and cash equivalents	\$ 50,724	\$ 198,957	\$ (208,956)	\$ 40,725
Liabilities				
Accounts payable	\$ 50,724	\$ 198,957	\$ (208,956)	\$ 40,725
 TOTALS, All Agency Funds				
Assets				
Cash and investments	\$ 141,400	\$ 380,532	\$ (368,465)	\$ 153,467
Taxes receivable	34,680	421,145	(414,030)	41,795
Accounts receivable	2,054,745	12,527,556	(12,621,556)	1,960,745
Intergovernmental receivable	189,512	13,860,135	(13,830,417)	219,230
Total assets	\$ 2,420,337	\$ 27,189,368	\$ (27,234,468)	\$ 2,375,237
 Liabilities				
Accounts payable	\$ 269,206	\$ 15,864,148	\$ (15,812,991)	\$ 320,363
Due to other taxing units	2,151,131	13,204,455	(13,300,712)	2,054,874
Total liabilities	\$ 2,420,337	\$ 29,068,603	\$ (29,113,703)	\$ 2,375,237

Note:

* These amounts in the Fines and Forfeitures Agency Fund concern the 3% late penalty on delinquent property taxes on motor vehicle

(continued from previous page)

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009**

**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	125
2. Schedule of Interfund Transfers	Exhibit II.E.02	126
3. Analysis of Current Tax Levy - General Fund	Exhibit II.E.03	127
4. Schedule of Ad Valorem Taxes Receivable - General Fund (10)	Exhibit II.E.04	128
5. Schedule of Ad Valorem Taxes Receivable - Public Schools Fund (20)	Exhibit II.E.05	129
6. Schedule of Ad Valorem Taxes Receivable - County Fire Service District Fund (28)	Exhibit II.E.06	130
7. Schedule of Ad Valorem Taxes Receivable - Fallston Fire District (74)	Exhibit II.E.07	131
8. Schedule of Ad Valorem Taxes Receivable - Lattimore Fire District (75)	Exhibit II.E.08	131
9. Schedule of Ad Valorem Taxes Receivable - Rippy Fire District (76)	Exhibit II.E.09	132
10. Schedule of Ad Valorem Taxes Receivable - County Sanitary District (82)	Exhibit II.E.10	132
11. Schedule of Ad Valorem Taxes Receivable - City of Shelby (77)	Exhibit II.E.11	133
12. Schedule of Ad Valorem Taxes Receivable - Town of Boiling Springs (78)	Exhibit II.E.12	133
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14. Schedule of Ad Valorem Taxes Receivable - City of Kings Mountain (80)	Exhibit II.E.14	134
15. Schedule of Ad Valorem Taxes Receivable - Town of Lattimore (81)	Exhibit II.E.15	135
16. Schedule of Ad Valorem Taxes Receivable - Town of Kingstown (83)	Exhibit II.E.16	135
17. Schedule of Ad Valorem Taxes Receivable - Town of Fallston (84)	Exhibit II.E.17	136
18. Schedule of Ad Valorem Taxes Receivable - Town of Earl (85)	Exhibit II.E.18	136
19. Schedule of Ad Valorem Taxes Receivable - Town of Polkville (86)	Exhibit II.E.19	137
20. Schedule of Ad Valorem Taxes Receivable - Town of Lawndale (87)	Exhibit II.E.20	137
21. Schedule of Ad Valorem Taxes Receivable - Town of Casar (88)	Exhibit II.E.21	138
22. Schedule of Ad Valorem Taxes Receivable - Town of Waco (89)	Exhibit II.E.22	138

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

June 30, 2009

	Fund Number	Cash Distribution by Funds		Totals
		Amounts Presented on Statements *	Amounts Presented on Statements *	
Unrestricted cash and cash equivalents:				
General Fund	10		\$ 20,474,796	
Special Revenue Funds:				
Public School Fund	20	\$ 187,551		
Schools Capital Reserve Fund	21	5,985,262		
Revaluation Fund	25	4,383		
Emergency Telephone Fund	26	1,433,372		
Fire District Fund	28	1,054,365	8,664,933	
County Capital Reserve Fund	41		5,506,394	
Enterprise Fund, unrestricted cash	54		341,616	
Agency Funds	70		153,467	
Total unrestricted cash and cash equivalents				\$ 35,141,206
Restricted cash and cash equivalents:				
County Capital Reserve Fund, restricted cash	41		6,317,640	
Enterprise Fund, restricted cash	54		6,792,940	
Total restricted cash				13,110,580
Total cash and cash equivalents				<u>\$ 48,251,786</u>

	Purchase Value	Fair (Market) Value	Amounts Presented on Statements *
Cash			
In physical possession	\$ 15,059	\$ 15,059	\$ 15,059
In demand deposits	43,870,401	43,870,401	43,870,401
Total cash	<u>43,885,460</u>	<u>43,885,460</u>	<u>43,885,460</u>
Cash equivalents			
N.C. Capital Management Trust (money market accounts)	4,366,326	4,366,326	4,366,326
Total cash equivalents	<u>4,366,326</u>	<u>4,366,326</u>	<u>4,366,326</u>
Total cash and cash equivalents	<u>\$ 48,251,786</u>	<u>\$ 48,251,786</u>	<u>\$ 48,251,786</u>

* '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, 2009

	Operating Transfers from:				
	General Fund	Special Revenue Funds	Capital Reserve Fund	Enterprise Fund	Total
Operating Transfers to:					
General Fund	\$ -	\$ 2,826,827	\$ -	\$ 235,059	\$ 3,061,886
Special Revenue Funds	56,790	-	-	-	56,790
Debt Service Fund	1,786,044	1,547,584	-	-	3,333,628
Capital Projects Fund	1,636,282	-	6,330,809	-	7,967,091
County Capital Reserve Fund	2,394,000	1,000,000	-	-	3,394,000
Enterprise Fund	6,123	-	-	-	6,123
Total	\$ 5,879,239	\$ 5,374,411	\$ 6,330,809	\$ 235,059	\$ 17,819,518

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

For the Year Ended June 30, 2009

	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	\$ 6,092,678,325	\$ 0.57000	\$ 34,728,266	\$ 32,044,956	\$ 2,683,310
Property taxed at prior year's rate	280,011,712	0.58000	1,624,068	78,839	1,545,229
Penalties (late charges)			58,747	58,747	-
Subtotals	6,372,690,037		36,411,082	32,182,543	4,228,539
Discoveries, Late Listings, and Other Supplements (including Public Service Companies):					
Public Service Companies	292,601,507	0.57000	1,667,829	1,667,829	-
Property taxed at current year's rate	22,628,223	0.57000	128,981	120,308	8,673
Property taxed at prior year's rate	576,921	0.58000	3,346	-	3,346
Subtotals	315,806,651		1,800,156	1,788,136	12,019
Abatements					
Property taxed at current year's rate	(27,746,384)	0.57000	(158,154)	(107,948)	(50,206)
Property taxed at prior year's rate	(3,041,372)	0.58000	(17,640)	-	(17,640)
Subtotals	(30,787,756)		(175,794)	(107,948)	(67,846)
Totals	\$ 6,657,708,932		\$ 38,035,443	\$ 33,862,731	\$ 4,172,712
Net Levy			38,035,443	33,862,731	4,172,712
Less Uncollected Taxes, Current Year, at June 30			(1,872,954)	(1,213,602)	(659,352)
Current Year's Taxes Collected			\$ 36,162,489	\$ 32,649,128	\$ 3,513,360
Current Levy Collection Percentage (current year's taxes collected/net levy)			95.076%	96.416%	84.198%

Secondary Market Disclosures:

Assessed valuations:

Assessment ratio	100%				
Real property	\$ 4,913,217,141	\$ 0.57000	\$ 28,005,338		
Personal property (current rate)	1,174,343,023	0.57000	6,693,755		
Personal property (prior rate)	277,547,261	0.58000	1,609,774		
Public Service Companies	292,601,507	0.57000	1,667,829		
Penalties	-		58,747		
Totals	\$ 6,657,708,932		38,035,443		

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)	10,001,743
County Fire Protection Service District (serves portion of County)	865,440
NCGS Chapter 69 Fire Protection Districts (separate rate for each district)	414,491
Totals	\$ 49,317,118

Cleveland County, North Carolina

4. Schedule of Ad Valorem Taxes Receivable - General Fund (10)

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 36,411,082	\$ 1,800,156	\$ (36,162,489)	\$ (175,794)	\$ 1,872,954
2008	1,737,213	-	39,973	(1,300,235)	(56,965)	419,987
2007	442,583	-	30,142	(220,844)	(36,673)	215,208
2006	261,416	-	29,868	(89,053)	(37,852)	164,379
2005	189,523	-	21,881	(53,544)	(25,601)	132,258
2004	170,672	-	3,111	(43,213)	(5,884)	124,686
2003	155,983	-	2,153	(46,741)	(2,929)	108,466
2002	153,000	-	5,005	(42,762)	(5,780)	109,464
2001	131,396	-	5,111	(41,442)	(5,886)	89,179
2000	80,377	-	39	(6,587)	(63)	73,767
1999	69,420	-	-	(1,116)	(67,297)	1,007
older	2,604	-	-	(243)	(1,949)	413
Total	3,394,186	\$ 36,411,082	\$ 1,937,441	\$ (38,008,267)	\$ (422,675)	3,311,767
	(1,361,722)	Less allowance for uncollectible ad valorem taxes receivable				(1,160,504)
	<u>\$ 2,032,464</u>	Ad valorem taxes receivable, net				<u>\$ 2,151,263</u>

Reconciliation with revenues:

Total reported ad valorem tax revenues	\$ 38,538,186
Discounts	73,103
Penalties, Interest, and advertising fees	(603,022)
Total collections of taxes (as above)	<u>\$ 38,008,267</u>

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 9,574,551	\$ 473,342	\$ (9,509,326)	\$ (46,150)	\$ 492,417
2008	449,317	-	10,338	(336,294)	(14,733)	108,628
2007	114,473	-	7,795	(57,118)	(9,484)	55,666
2006	67,616	-	7,725	(23,033)	(9,789)	42,518
2005	49,062	-	5,659	(13,846)	(6,621)	34,254
2004	44,141	-	803	(11,145)	(1,519)	32,280
2003	40,243	-	556	(12,052)	(756)	27,991
2002	39,870	-	1,292	(11,112)	(1,492)	28,558
2001	33,447	-	1,317	(10,638)	(1,517)	22,609
2000	19,379	-	11	(1,420)	(19)	17,951
1999	17,156	-	-	(306)	(16,597)	253
older	538	-	-	(83)	(351)	104
Total	875,242	\$ 9,574,551	\$ 508,837	\$ (9,986,375)	\$ (109,027)	\$ 863,228
	(349,400)	Less allowance for uncollectible ad valorem taxes receivable				(299,773)
	<u>\$ 525,843</u>	Ad valorem taxes receivable, net				<u>\$ 563,455</u>

Reconciliation with revenues:

Total reported ad valorem tax revenues	\$ 10,099,061
Discounts	19,211
Penalties, Interest, and advertising fees	(131,898)
Total collections of taxes (as above)	\$ 9,986,375

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 840,962	\$ 29,182	\$ (820,089)	\$ (4,703)	\$ 45,351
2008	41,912	-	1,856	(31,116)	(2,351)	10,301
2007	9,894	-	1,494	(4,970)	(1,720)	4,699
2006	5,718	-	1,332	(1,939)	(1,519)	3,592
2005	3,947	-	1,105	(849)	(1,284)	2,918
2004	3,078	-	121	(394)	(226)	2,580
2003	2,297	-	101	(259)	(137)	2,002
2002	2,224	-	241	(195)	(277)	1,993
2001	1,870	-	245	(106)	(281)	1,728
2000	1,133	-	-	(77)	-	1,057
1999	989	-	-	(16)	(964)	8
older	61	-	-	(0)	(57)	3
Total	73,123	\$ 840,962	\$ 35,676	\$ (860,009)	\$ (13,518)	76,233
	(27,014)	Less allowance for uncollectible ad valorem taxes receivable				(25,164)
	<u>\$ 46,110</u>	Ad valorem taxes receivable, net				<u>\$ 51,070</u>

Reconciliation with revenues:

Total reported ad valorem tax revenues	\$ 868,534
Discounts	1,683
Penalties, Interest, and advertising fees	(10,208)
Total collections of taxes (as above)	\$ 860,009

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 126,460	\$ 5,322	\$ (122,454)	\$ (780)	\$ 8,548
2008	7,659	-	26	(6,200)	(57)	1,428
2007	1,553	-	-	(796)	(7)	750
2006	1,146	-	-	(454)	-	692
2005	1,025	-	-	(390)	-	635
2004	734	-	2	(180)	(43)	512
2003	670	-	-	(143)	-	527
2002	535	-	-	(100)	-	435
2001	553	-	-	(59)	-	495
2000	466	-	-	(49)	-	417
1999	316	-	-	-	(316)	-
1998	-	-	-	-	-	-
Total	\$ 14,658	\$ 126,460	\$ 5,349	\$ (130,825)	\$ (1,202)	\$ 14,440

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 84,774	\$ 6,752	\$ (86,121)	\$ (362)	\$ 5,042
2008	3,263	-	9	(2,561)	(11)	700
2007	1,061	-	2	(581)	(3)	480
2006	410	-	-	(143)	(1)	266
2005	256	-	-	(68)	(1)	187
2004	166	-	3	(22)	(3)	144
2003	180	-	-	(32)	-	148
2002	143	-	-	(24)	-	118
2001	164	-	1	(31)	(1)	133
2000	109	-	-	(3)	-	106
1999	79	-	-	-	(79)	-
1998	-	-	-	-	-	-
Total	\$ 5,830	\$ 84,774	\$ 6,767	\$ (89,587)	\$ (461)	\$ 7,323

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 185,615	\$ 8,163	\$ (178,468)	\$ (1,452)	\$ 13,858
2008	8,161	-	13	(6,269)	(51)	1,855
2007	1,745	-	-	(730)	(3)	1,012
2006	1,124	-	-	(327)	(6)	790
2005	689	-	-	(179)	(5)	505
2004	634	-	-	(86)	(5)	543
2003	453	-	-	(87)	-	365
2002	449	-	-	(27)	-	423
2001	385	-	-	(29)	-	356
2000	340	-	-	(18)	-	322
1999	211	-	-	(2)	(205)	4
older	1	-	-	-	(1)	1
Total	\$ 14,191	\$ 185,615	\$ 8,176	\$ (186,222)	\$ (1,728)	\$ 20,032

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 680,754	\$ 34,021	\$ (668,385)	\$ (6,904)	\$ 39,486
2008	36,885	-	1,180	(27,892)	(1,495)	8,678
2007	8,956	-	927	(4,604)	(1,048)	4,231
2006	4,923	-	818	(1,715)	(921)	3,105
2005	3,427	-	736	(836)	(859)	2,468
2004	2,667	-	81	(376)	(165)	2,207
2003	2,062	-	67	(280)	(91)	1,758
2002	1,922	-	161	(191)	(185)	1,708
2001	1,700	-	164	(131)	(188)	1,545
2000	1,419	-	-	(96)	-	1,323
1999	1,204	-	-	(17)	(1,176)	11
older	61	-	-	-	(58)	3
Total	\$ 65,225	\$ 680,754	\$ 38,155	\$ (704,522)	\$ (13,090)	\$ 66,522

Cleveland County, North Carolina
11. Schedule of Ad Valorem Taxes Receivable - City of Shelby (77)

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 7,602,639	\$ 240,051	\$ (7,447,650)	\$ (77,689)	\$ 317,350
2008	267,157	-	1,842	(197,028)	(2,798)	69,172
2007	77,675	-	396	(42,020)	(946)	35,106
2006	50,692	-	361	(21,745)	(759)	28,549
2005	37,821	-	380	(16,717)	(469)	21,015
2004	37,989	-	325	(20,141)	(431)	17,742
2003	41,639	-	38	(23,198)	(58)	18,422
2002	36,994	-	20	(22,524)	(40)	14,450
2001	36,929	-	20	(23,369)	(40)	13,540
2000	15,189	-	18	(1,005)	(36)	14,166
1999	16,900	-	-	(398)	(16,040)	462
older	490	-	-	(175)	(93)	222
Total	\$ 619,473	\$ 7,602,639	\$ 243,451	\$ (7,815,970)	\$ (99,398)	\$ 550,194

Cleveland County, North Carolina
12. Schedule of Ad Valorem Taxes Receivable - Town of Boiling Springs (78)

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 743,993	\$ 28,191	\$ (744,636)	\$ (6,023)	\$ 21,525
2008	17,880	-	464	(13,251)	(586)	4,508
2007	4,620	-	268	(1,251)	(287)	3,351
2006	2,837	-	-	(313)	-	2,524
2005	2,496	-	-	(436)	-	2,060
2004	1,946	-	-	(163)	-	1,783
2003	1,862	-	-	(1,059)	-	803
2002	1,590	-	-	(850)	-	740
2001	1,487	-	3	(874)	(3)	613
2000	1,487	-	-	(783)	-	704
1999	563	-	-	-	(546)	16
1998	-	-	-	-	-	-
Total	\$ 36,768	\$ 743,993	\$ 28,926	\$ (763,614)	\$ (7,445)	\$ 38,628

Cleveland County, North Carolina
13. Schedule of Ad Valorem Taxes Receivable - Town of Grover (79)

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 122,038	\$ 13,110	\$ (125,798)	\$ (885)	\$ 8,465
2008	7,193	-	-	(4,964)	(22)	2,207
2007	1,118	-	-	(435)	-	683
2006	493	-	-	(77)	-	416
2005	772	-	-	(26)	-	746
2004	320	-	-	(7)	-	313
2003	225	-	-	(7)	-	218
2002	311	-	-	(18)	-	293
2001	499	-	-	(4)	-	495
2000	214	-	-	(1)	-	213
1999	161	-	-	(3)	(158)	-
Total	\$ 11,305	\$ 122,038	\$ 13,110	\$ (131,341)	\$ (1,065)	\$ 14,047

Cleveland County, North Carolina
14. Schedule of Ad Valorem Taxes Receivable - City of Kings Mountain (80)

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 2,302,912	\$ 67,341	\$ (2,218,588)	\$ (28,319)	\$ 123,346
2008	120,274	-	501	(88,365)	(3,286)	29,124
2007	35,149	-	90	(16,288)	(978)	17,972
2006	18,608	-	2,241	(3,639)	(4,527)	12,683
2005	13,898	-	-	(2,001)	-	11,897
2004	13,255	-	-	(517)	-	12,737
2003	12,607	-	7	(442)	(7)	12,164
2002	17,876	-	-	(825)	-	17,051
2001	7,465	-	-	(295)	-	7,170
2000	4,827	-	-	(222)	-	4,605
1999	4,837	-	-	(21)	(4,811)	5
older	17	-	-	-	(12)	5
Total	\$ 248,812	\$ 2,302,912	\$ 70,179	\$ (2,331,205)	\$ (41,939)	\$ 248,760

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 27,782	\$ 4,823	\$ (31,357)	\$ (457)	\$ 792
2008	868	-	27	(817)	-	78
2007	150	-	-	(47)	-	103
2006	316	-	-	(9)	-	308
2005	72	-	-	(1)	-	70
2004	76	-	-	(10)	-	66
2003	82	-	-	(5)	-	78
2002	83	-	-	-	-	83
2001	86	-	-	(24)	-	62
2000	15	-	-	-	-	15
1999	19	-	-	-	(19)	-
Total	\$ 1,768	\$ 27,782	\$ 4,851	\$ (32,269)	\$ (476)	\$ 1,655

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 75,997	\$ 4,175	\$ (61,495)	\$ (722)	\$ 17,955
2008	16,714	-	84	(12,909)	(9)	3,880
2007	3,748	-	-	(1,980)	(6)	1,762
2006	1,901	-	-	(190)	-	1,711
2005	1,898	-	-	(202)	-	1,696
2004	1,111	-	-	(116)	-	995
2003	483	-	-	(180)	-	304
2002	516	-	-	(77)	-	438
2001	680	-	-	(85)	-	595
2000	462	-	-	(32)	-	431
1999	231	-	-	-	(231)	-
Total	\$ 27,745	\$ 75,997	\$ 4,260	\$ (77,266)	\$ (968)	\$ 29,768

Cleveland County, North Carolina
17. Schedule of Ad Valorem Taxes Receivable - Town of Fallston (84)

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 19,183	\$ 654	\$ (19,051)	\$ (71)	\$ 716
2008	896	-	8	(726)	(13)	165
2007	122	-	-	(34)	-	88
2006	145	-	-	(29)	-	116
2005	70	-	-	(1)	-	69
2004	77	-	-	(12)	-	65
2003	42	-	-	(8)	-	34
2002	83	-	-	(2)	-	81
2001	137	-	-	(2)	-	135
2000	107	-	-	(2)	-	105
1999	21	-	-	-	(21)	-
Total	\$ 1,700	\$ 19,183	\$ 661	\$ (19,866)	\$ (105)	\$ 1,573

Cleveland County, North Carolina
18. Schedule of Ad Valorem Taxes Receivable - Town of Earl (85)

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 15,125	\$ 2,466	\$ (15,849)	\$ (306)	\$ 1,436
2008	1,361	-	-	(1,123)	-	238
2007	144	-	-	(52)	-	92
2006	128	-	-	(14)	-	115
2005	127	-	-	(25)	-	102
2004	350	-	-	(48)	-	302
2003	364	-	-	(63)	-	302
2002	177	-	-	(2)	-	175
2001	215	-	-	(6)	-	210
2000	79	-	-	-	-	79
1999	13	-	-	-	(13)	-
Total	\$ 2,957	\$ 15,125	\$ 2,466	\$ (17,181)	\$ (319)	\$ 3,049

Cleveland County, North Carolina
19. Schedule of Ad Valorem Taxes Receivable - Town of Polkville (86)

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 12,695	\$ 409	\$ (12,616)	\$ (24)	\$ 463
2008	577	-	-	(331)	-	246
2007	236	-	-	(42)	-	194
2006	151	-	-	(23)	-	128
2005	146	-	-	(8)	-	138
2004	97	-	-	-	-	97
2003	50	-	-	-	-	50
2002	99	-	-	-	-	99
2001	12	-	-	-	-	12
2000	16	-	-	-	-	16
1999	10	-	-	-	(10)	-
Total	\$ 1,393	\$ 12,695	\$ 409	\$ (13,020)	\$ (34)	\$ 1,442

Cleveland County, North Carolina
20. Schedule of Ad Valorem Taxes Receivable - Town of Lawndale (87)

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 50,985	\$ 3,827	\$ (49,516)	\$ (588)	\$ 4,709
2008	5,329	-	-	(4,094)	-	1,235
2007	1,457	-	-	(482)	-	975
2006	722	-	-	(230)	-	492
2005	559	-	-	(261)	-	298
2004	391	-	-	(53)	-	338
2003	369	-	-	(45)	-	324
2002	208	-	-	(32)	-	176
2001	415	-	-	(34)	-	381
2000	102	-	-	(3)	-	99
1999	200	-	-	-	(200)	-
Total	\$ 9,751	\$ 50,985	\$ 3,827	\$ (54,749)	\$ (787)	\$ 9,027

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 6,209	\$ 374	\$ (6,239)	\$ (51)	\$ 293
2008	158	-	-	(109)	-	49
2007	31	-	-	(26)	-	5
2006	26	-	-	(9)	-	18
2005	8	-	-	(2)	-	6
2004	8	-	-	(1)	-	7
2003	8	-	-	(1)	-	7
2002	8	-	-	-	-	8
2001	8	-	-	(3)	-	5
2000	1	-	-	-	-	1
1999	11	-	-	-	(11)	-
Total	\$ 266	\$ 6,209	\$ 374	\$ (6,388)	\$ (63)	\$ 398

Cleveland County, North Carolina

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

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Uncollected Balance 2008	Additions		Deductions		Uncollected Balance 2009
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2009	\$ -	\$ 14,754	\$ 2,081	\$ (15,408)	\$ (561)	\$ 866
2008	1,439	-	10	(1,028)	(25)	397
2007	364	-	-	(143)	-	221
2006	287	-	-	(133)	-	154
2005	103	-	-	(52)	-	51
2004	55	-	-	(14)	-	41
2003	53	-	-	(8)	-	46
2002	35	-	-	(3)	-	32
2001	45	-	-	(2)	-	43
2000	6	-	-	-	-	6
1999	15	-	-	-	(15)	-
Total	\$ 2,402	\$ 14,754	\$ 2,091	\$ (16,790)	\$ (600)	\$ 1,857

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009
III: STATISTICAL AND TREND INFORMATION**

	<u>Identifier</u>	<u>Page No.</u>
A. Information for Publicly Sold Securities	Subsection III.A	141
B. Revenue Capacity Schedules:	Subsection III.B	147
C. Debt Capacity Schedules:	Subsection III.C	147
D. Demographic, Economic, and Operating Schedules:	Subsection III.D	158
E. Financial Trends Schedules:	Subsection III.E	163

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

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

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Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009
III: STATISTICAL AND TREND INFORMATION
A. Information for Publicly Sold Securities

The pages herein contain information required by Securities and Exchange Commission (SEC) Rule 15c2-12 and pertain to the following:

Issuer: Cleveland County, North Carolina
 Contact Person: C. D. Crepps
 Fiscal Year Ended: June 30, 2009
 Reporting Period: July 1, 2009 to September 30, 2009
 Six-Digit Cusip: 186036

Subject: Notice of Filing of Annual Information

As required by the undertaking, the "Issuer" certifies that the required annual financial information, as described in the susceptible final official statements, has herewith been provided in a timely manner to a continuing disclosure service of the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA"). I am duly authorized by the "Issuer" and have sufficient information available to make this certification regarding all subject obligations issued with the "Six-Digit Cusip".

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

The items in this subsection present certain information required by SEC Rule 15c2-12:	<u>Identifier</u>	<u>Page No.</u>
1. Tax Information and Debt Information (including bonds issued)	Exhibit III.A.1	142
2. Budget Ordinance as of July 1, 2009 - Annually Budgeted Funds	Exhibit III.A.2	143
3. Budget Amended as of September 30, 2009 - Annually Budgeted Funds	Exhibit III.A.3	144
4. Budget Reconciliation as of September 30, 2009 - Annually Budgeted Funds	Exhibit III.A.4	145

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

List of Principal County Officials as of most recent fiscal year	Subsection I.B	10
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Subject: Certification of Material Events Notice

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

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

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

Respectfully yours,

C. D. Crepps
 County Finance Director

Cleveland County, North Carolina

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

Exhibit III.A.1

For the Year Ended June 30, 2009

Property Tax Information

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

Please refer to the schedules and page numbers in the list below from this report (Cleveland County, North Carolina's Annual Financial and Compliance Report For the Year Ended June 30, 2009).

<u>Description</u>	<u>Identifier</u>	<u>Page No.</u>
"Analysis of Current Tax Levy - General Fund" for the most recent fiscal year	Exhibit II.E.03	127
"Schedule of Ad Valorem Taxes Receivable - General Fund" for the most recent fiscal year	Exhibit II.E.04	128
"Property Tax Levies by Taxing District" for twelve most recent fiscal years	Exhibit III.B.1	148
"Property Tax Levies and Collections" for twelve most recent fiscal years	Exhibit III.B.2	148
"Direct and Overlapping Property Tax Rates" for twelve most recent fiscal years	Exhibit III.B.3	150
"Principal Taxpayers" for the years ended June 30, 2009, 2006, 2003, and 2000	Exhibit III.B.4	152
"Assessed Value of Taxable Property and Tax Rates" for twelve most recent fiscal years	Exhibit III.B.5	154

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

Debt Information

BONDS ISSUED AND SUBJECT TO SEC RULE 15c2-12

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

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

None

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

Please refer to the report "Analysis of Debt of North Carolina Counties, Municipalities and Districts at June 30, 2009", filed with each Nationally Recognized Municipal Securities Information Repository (N.R.M.S.I.R.) by the Division of State and Local Government Finance of the North Carolina Department of State Treasurer.

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

Please refer to the schedules and page numbers in the list below from this report (Cleveland County, North Carolina's Annual Financial and Compliance Report For the Year Ended June 30, 2009).

<u>Description</u>	<u>Identifier</u>	<u>Page No.</u>
"Notes to Financial Statements"		
"Pension Plan Obligations"	Note b.B.2	65
"Closure and Post-Closure Care Costs - Solid Waste Landfill Facility"	Note b.B.3	69
"Capital Leases"	Note b.B.7.a	71
"Total Indebtedness"	Note b.B.7.e	72
"Conduit Debt Obligations"	Note b.B.7.f	74
"Long-Term Obligation Activity"	Note b.B.7.h	76
"Computation of Legal Debt Margin" for twelve most recent fiscal years	Exhibit III.C.1	154
"Computation of Direct Debt - General Obligation Bonds" for the most recent fiscal year	Exhibit III.C.2	155
"Annual Requirements and Debt Limitations for General Obligation Bonds"	Exhibit III.C.3	155
"Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Government Expenditures" for twelve most recent fiscal years	Exhibit III.C.4	156
"Breakdown of Outstanding Debt" for twelve most recent fiscal years	Exhibit III.C.5	156
"Ratios of Outstanding Debt" for twelve most recent fiscal years	Exhibit III.C.6	157

Cleveland County, North Carolina
2. Budget Ordinance as of July 1, 2009 - Annually Budgeted Funds

Exhibit III.A.2
For the Year Ending June 30, 2010

Description	Governmental Funds			Proprietary Fund		Total
	General Fund	Special Revenue Funds	Debt Service Fund	Solid Waste Fund		
ESTIMATED REVENUES						
Ad valorem taxes	\$ 36,962,400	\$ 10,220,455	\$ -	\$ -	\$ -	\$ 47,182,855
Other taxes/assessments	8,794,000	2,827,415	-	1,570,713	-	13,192,128
Intergovernmental, unrestricted	457,000	-	-	-	-	457,000
Intergovernmental, restricted	20,311,734	600,000	-	65,000	-	20,976,734
Licenses, permits, and fees	917,400	-	-	-	-	917,400
Sales and services (department fees)	8,248,147	-	-	3,150,000	-	11,398,147
Investment earnings	780,000	20,000	-	100,000	-	900,000
Miscellaneous	312,900	-	-	131,287	-	444,187
Total estimated revenues	76,783,581	13,667,870	-	5,017,000	-	95,468,451
APPROPRIATIONS						
General government	9,830,929	25,800	-	-	-	9,856,729
Transportation	39,464	-	-	-	-	39,464
Public safety	16,836,660	1,645,681	-	-	-	18,482,341
Human services	35,131,539	-	-	-	-	35,131,539
Environmental	-	-	-	5,571,592	-	5,571,592
Education	11,748,342	9,362,925	-	-	-	21,111,267
Economic and physical development	1,281,562	-	-	-	-	1,281,562
Cultural and recreational	1,110,246	-	-	-	-	1,110,246
Schools capital outlay	3,400,000	-	-	-	-	3,400,000
Debt service, principal reduction	59,272	-	3,191,642	-	-	3,250,914
Debt service, interest	13,097	-	633,884	-	-	646,981
Total appropriations	79,451,111	11,034,406	3,825,526	5,571,592	-	99,882,635
Estimated revenues over (under) appropriations	(2,667,530)	2,633,464	(3,825,526)	(554,592)	-	(4,414,184)
OTHER FINANCING SOURCES (USES)						
Transfers from other funds:						
General Fund	-	11,000	2,389,012	-	-	2,400,012
Special Revenue Funds	1,469,097	-	1,436,514	-	-	2,905,611
Solid Waste Fund	404,193	-	-	-	-	404,193
Transfers to other funds:						
General Fund	-	(1,469,097)	-	(404,193)	-	(1,873,290)
Special Revenue Funds	(11,000)	-	-	-	-	(11,000)
Debt Service Fund	(2,389,012)	(1,436,514)	-	-	-	(3,825,526)
Capital Reserve Fund	(1,450,000)	-	-	-	-	(1,450,000)
Appropriated fund balances	4,644,252	261,147	-	958,785	-	5,864,184
Total other financing sources (uses)	2,667,530	(2,633,464)	3,825,526	554,592	-	4,414,184
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Cleveland County, North Carolina

3. Budget Amended as of September 30, 2009 - Annually Budgeted Funds

Exhibit III.A.3

For the Year Ending June 30, 2010

Description	Governmental Funds			Proprietary Fund		Total
	General Fund	Special Revenue Funds	Debt Service Fund	Solid Waste Fund		
ESTIMATED REVENUES						
Ad valorem taxes	\$ 36,962,400	11,083,684	\$ -	\$ -	\$ -	\$ 48,046,084
Other taxes/assessments	8,794,000	2,827,415	-	1,570,713	-	13,192,128
Intergovernmental, unrestricted	457,000	-	-	-	-	457,000
Intergovernmental, restricted	21,305,136	600,000	-	65,000	-	21,970,136
Licenses, permits, and fees	917,400	-	-	-	-	917,400
Sales and services (department fees)	8,270,810	-	-	3,150,000	-	11,420,810
Investment earnings	780,000	20,000	-	100,000	-	900,000
Miscellaneous	315,850	-	-	131,287	-	447,137
Total estimated revenues	77,802,596	14,531,099	-	5,017,000	-	97,350,695
APPROPRIATIONS						
General government	9,943,657	25,800	-	-	-	9,969,457
Transportation	39,464	-	-	-	-	39,464
Public safety	17,162,408	1,723,505	-	-	-	18,885,913
Human services	35,641,383	-	-	-	-	35,641,383
Environmental	-	-	-	6,154,585	-	6,154,585
Education	11,748,342	10,226,154	-	-	-	21,974,496
Economic and physical development	2,296,654	-	-	-	-	2,296,654
Cultural and recreational	1,145,566	-	-	-	-	1,145,566
Schools capital outlay	3,400,000	-	-	-	-	3,400,000
Debt service, principal reduction	59,272	-	3,191,642	-	-	3,250,914
Debt service, interest	13,097	-	633,884	-	-	646,981
Total appropriations	81,449,843	11,975,459	3,825,526	6,154,585	-	103,405,413
Estimated revenues over (under) appropriations	(3,647,247)	2,555,640	(3,825,526)	(1,137,585)	-	(6,054,718)
OTHER FINANCING SOURCES (USES)						
Transfers from other funds:						
General Fund	-	11,000	2,389,012	-	-	2,400,012
Special Revenue Funds	1,469,097	-	1,436,514	-	-	2,905,611
Solid Waste Fund	404,193	-	-	-	-	404,193
Transfers to other funds:						
General Fund	-	(1,469,097)	-	(404,193)	-	(1,873,290)
Special Revenue Funds	(11,000)	-	-	-	-	(11,000)
Debt Service Fund	(2,389,012)	(1,436,514)	-	-	-	(3,825,526)
Capital Reserve Fund	(3,125,346)	-	-	-	-	(3,125,346)
Installment financing issued	81,095	-	-	-	-	81,095
Appropriated fund balances	7,218,220	338,971	-	1,541,778	-	9,098,969
Total other financing sources (uses)	3,647,247	(2,555,640)	3,825,526	1,137,585	-	6,054,718
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Cleveland County, North Carolina

4. Budget Reconciliation as of September 30, 2009 - Annually Budgeted Funds

Exhibit III.A.4

For the Year Ending June 30, 2010

Description	Governmental Funds			Proprietary Fund	Total
	General Fund	Special Revenue Funds	Debt Service Fund	Solid Waste Fund	
APPROPRIATIONS AND TRANSFERS OUT PER BUDGET ORDINANCE					
General Fund:					
Primary Government Services	\$ 47,230,657	\$ -	\$ -	\$ -	\$ 47,230,657
Social Services & Public Assistance	22,770,984	-	-	-	22,770,984
Public Health Services	11,848,900	-	-	-	11,848,900
Employee Wellness	726,350	-	-	-	726,350
Court Facilities	324,232	-	-	-	324,232
Workers' Compensation	400,000	-	-	-	400,000
Special Revenue Funds:					
Public School District	-	9,362,925	-	-	9,362,925
Schools Capital Reserve	-	2,836,514	-	-	2,836,514
Revaluation	-	25,800	-	-	25,800
Emergency Telephone	-	330,901	-	-	330,901
County Fire Service District	-	1,383,877	-	-	1,383,877
Debt Service Fund	-	-	3,825,526	-	3,825,526
Solid Waste Fund	-	-	-	5,975,785	5,975,785
Total appropriations and transfers out per budget ordinance	83,301,123	13,940,017	3,825,526	5,975,785	107,042,451
APPROPRIATIONS AND TRANSFERS OUT PER BUDGET AMENDMENTS					
July	1,741,287	941,053	-	582,993	3,265,333
August	33,820	-	-	-	33,820
September	1,898,971	-	-	-	1,898,971
Total appropriations and transfers out per budget amendments	3,674,078	941,053	-	582,993	5,198,124
TOTAL BUDGET TO DATE	86,975,201	14,881,070	3,825,526	6,558,778	112,240,575
LESS: TRANSFERS (OUT)	(5,525,358)	(2,905,611)	-	(404,193)	(8,835,162)
TOTAL APPROPRIATIONS	\$ 81,449,843	\$ 11,975,459	\$ 3,825,526	\$ 6,154,585	\$ 103,405,413

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**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009
III: STATISTICAL AND TREND INFORMATION
B. Revenue Capacity Schedules:**

	<u>Identifier</u>	<u>Page No.</u>
1. Property Tax Levies by Taxing District (twelve most recent fiscal years)	Exhibit III.B.1	148
2. Property Tax Levies and Collections (twelve most recent fiscal years)	Exhibit III.B.2	148
3. Direct and Overlapping Property Tax Rates (twelve most recent fiscal years)	Exhibit III.B.3	150
4. Principal Taxpayers - Current versus 3, 6, and 9 years ago	Exhibit III.B.4	152
5. Assessed Value of Taxable Property and Property Tax Rates (twelve most recent fiscal years)	Exhibit III.B.5	154

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

	<u>Identifier</u>	<u>Page No.</u>
1. Computation of Legal Debt Margin (twelve most recent fiscal years)	Exhibit III.C.1	154
2. Computation of Direct and Underlying Debt for General Obligation Bonds	Exhibit III.C.2	155
3. Annual Requirements and Debt Limitations for General Obligation Bonds	Exhibit III.C.3	155
4. Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures (twelve most recent fiscal years)	Exhibit III.C.4	156
5. Breakdown of Outstanding Debt (twelve most recent fiscal years)	Exhibit III.C.5	156
6. Ratios of Outstanding Debt (twelve most recent fiscal years)	Exhibit III.C.6	157

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.B.1

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	County General Fund	Special Revenue Funds		Agency Funds		
		Consolidated School System	County Fire	County Schools	Kings Mountain Schools	Shelby City Schools
2009	\$ 38,035,443	\$ 10,001,743	\$ 865,440	\$ -	\$ -	\$ -
2008	35,495,516	9,180,062	796,340	-	-	-
2007	34,992,445	9,041,235	778,464	-	-	-
2006	34,304,168	8,872,808	751,964	-	-	-
2005	33,654,906	8,702,570	731,336	-	-	-
2004	31,810,691	8,208,648	644,205	-	-	-
2003	31,082,261	8,023,050	659,290	-	-	-
2002	30,734,285	7,898,388	637,681	-	-	-
2001	29,818,887	6,967,370	607,130	224,992	274,742	165,205
2000	25,968,750	-	351,725	2,467,183	1,917,582	1,470,234
1999	25,436,201	-	355,177	2,408,891	1,872,166	1,457,245
1998	24,873,250	-	368,535	2,339,223	1,833,706	1,453,411

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

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.B.2

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Levy	First Year		Collections and Abatements after 1st Year
		Collections in First Year	Percent Collected	
2009	\$ 49,317,117	\$ 46,878,947	95.056%	\$ -
2008	45,765,637	43,518,113	95.089%	1,704,625
2007	45,118,371	43,026,504	95.364%	1,814,052
2006	44,236,504	42,170,493	95.330%	1,853,774
2005	43,419,903	41,221,362	94.937%	2,027,784
2004	40,973,570	38,712,884	94.483%	2,099,941
2003	40,064,096	37,736,229	94.190%	2,188,368
2002	39,571,729	37,246,560	94.124%	2,184,178
2001	38,351,161	35,890,180	93.583%	2,346,481
2000	32,429,062	30,492,676	94.029%	1,842,766
1999	31,779,566	29,883,633	94.034%	1,894,661
1998	31,111,159	29,238,100	93.979%	1,872,539

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

(continued from previous page)

Agency Funds (cont.)			
Fallston Fire	Lattimore Fire	Rippy Fire	All Districts
\$ 131,002	\$ 91,163	\$ 192,326	\$ 49,317,117
123,261	55,272	115,186	45,765,637
118,199	74,086	113,942	45,118,371
119,269	76,048	112,247	44,236,504
139,441	79,069	112,581	43,419,903
140,364	69,961	99,701	40,973,570
126,435	68,761	104,299	40,064,096
135,081	70,737	95,557	39,571,729
132,345	70,839	89,651	38,351,161
108,957	64,332	80,299	32,429,062
105,551	61,736	82,599	31,779,566
103,672	59,230	80,132	31,111,159

(continued from previous page)

Total Collections To Date	Percent Collected	Balance Delinquent	Percent Delinquent
\$ 46,878,947	95.056%	\$ 2,438,170	4.944%
45,222,738	98.814%	542,899	1.186%
44,840,556	99.384%	277,815	0.616%
44,024,267	99.520%	212,237	0.480%
43,249,146	99.607%	170,757	0.393%
40,812,825	99.608%	160,745	0.392%
39,924,597	99.652%	139,499	0.348%
39,430,738	99.644%	140,991	0.356%
38,236,661	99.701%	114,500	0.299%
32,335,442	99.711%	93,620	0.289%
31,778,294	99.996%	1,272	0.004%
31,110,639	99.998%	520	0.002%

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.B.3

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	County General Fund	Special Revenue Funds		Agency Funds		
		Consolidated School System	County Fire	County Schools	Kings Mountain Schools	Shelby City Schools
2009	0.005700	0.001500	0.000300	n/a	n/a	n/a
2008	0.005800	0.001500	0.000300	n/a	n/a	n/a
2007	0.005800	0.001500	0.000300	n/a	n/a	n/a
2006	0.005800	0.001500	0.000300	n/a	n/a	n/a
2005	0.005800	0.001500	0.000300	n/a	n/a	n/a
2004	0.006200	0.001600	0.000300	n/a	n/a	n/a
2003	0.006200	0.001600	0.000300	n/a	n/a	n/a
2002	0.006200	0.001600	0.000300	n/a	n/a	n/a
2001	0.006200	0.001600	0.000300	n/a	n/a	n/a
2000	0.006270	n/a	0.000200	0.001000	0.001900	0.002200
1999	0.006270	n/a	0.000200	0.001000	0.001900	0.002200
1998	0.006270	n/a	0.000200	0.001000	0.001900	0.002200

(continued below)

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

(continued on next page)

Fiscal Year Ended June 30	Agency Funds (cont.)					
	Town of Boiling Springs	Town of Grover	City of Kings Mountain	City of Kings Mountain MSD	Town of Lattimore	Town of Kingstown
(continued from above)						
2009	0.003000	0.003800	0.004000	0.002362	0.001800	0.003500
2008	0.003000	0.003800	0.004000	0.002362	0.001800	0.003500
2007	0.003000	0.003800	0.004000	0.002362	0.001800	0.003500
2006	0.003000	0.003600	0.003600	0.002362	0.001800	0.003500
2005	0.003000	0.003600	0.003600	0.002362	0.001800	0.003500
2004	0.003300	0.002900	0.003600	n/a	0.002000	0.003500
2003	0.003000	0.002900	0.003600	n/a	0.002000	0.003500
2002	0.002800	0.002900	0.003600	n/a	0.002000	0.003500
2001	0.002800	0.002900	0.003600	n/a	0.002000	0.003500
2000	0.003000	0.002900	0.004000	n/a	0.002000	0.003500
1999	0.003000	0.002900	0.004000	n/a	0.001500	0.003500
1998	0.003000	0.002900	0.004000	n/a	0.001500	0.003500

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

(continued from previous page)

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

(continued below)

(continued from previous page)

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

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.B.4

For the Year Ended June 30, 2009

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy
1. Duke Energy	Electric Utility	\$ 200,383,274	3.010%	\$ 1,535,336
2. PPG Industries, Inc.	Fiber Glass	98,495,562	1.479%	1,085,467
3. Wal-Mart	Warehouse/Retail Store	88,019,966	1.322%	1,016,868
4. Eaton Corporation	Truck Transmissions	47,785,810	0.718%	367,951
5. Ticona Polymers	Polymers	47,289,369	0.710%	358,018
6. Bellsouth Telephone	Communications	32,933,853	0.495%	304,121
7. Southeastern Container	Laser Discs	21,193,993	0.318%	237,373
8. Entertainment Distribution	Laser Discs	30,228,805	0.454%	232,762
9. Copeland Corporation	Air Compressors	15,371,791	0.231%	176,628
10. Baldor Electric	Electric Motors	20,616,204	0.310%	158,745
11. Lowe's Home Centers	Retail Store	13,667,975	0.205%	157,865
12. Shelby Mall LLC	Real Estate	13,606,248	0.204%	157,152
Totals		\$ 629,592,850	9.457%	\$ 5,788,286

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

Exhibit III.B.4

For the Year Ended June 30, 2006

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy
1. Wal-Mart	Warehouse/Retail Store	\$ 98,369,035	1.665%	\$ 1,131,244
2. Duke Energy	Electric Utility	126,291,439	2.138%	1,007,181
3. PPG Industries, Inc.	Fiber Glass	118,367,793	2.004%	916,371
4. Copeland Corporation	Air Compressors	39,285,976	0.665%	451,789
5. Ticona Celanese	Polymers	56,309,080	0.953%	439,211
6. Eaton Corporation	Truck Transmissions	49,332,151	0.835%	384,791
7. Bell South	Communications	39,569,804	0.670%	365,428
8. UMG/PMDC CBL	Laser Discs	37,120,559	0.628%	289,540
9. Arteva/Kosa/Invista	Polymers	28,064,669	0.475%	218,905
10. Curtiss Wright	Aircraft Parts	16,315,113	0.276%	187,624
11. Reliance Electric	Electric Motors	22,940,732	0.388%	178,988
12. Hull Storey/HSCM	Real Estate	14,404,358	0.244%	165,761
Totals		\$ 646,370,709	10.943%	\$ 5,736,833

Cleveland County, North Carolina

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

(continued from previous page)

Exhibit III.B.4

For the Year Ended June 30, 2003

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation
1. PPG Industries, Inc.	Fiber Glass	131,533,997	2.627%
2. Duke Energy	Electric Utility	127,968,623	2.556%
3. Copeland Corporation	Air Compressors	67,715,977	1.352%
4. Ticona Celanese	Polymers	48,651,594	0.972%
5. Bell South	Communications	46,121,238	0.921%
6. Eaton Corporation	Truck Transmissions	44,864,818	0.896%
7. UMG/PMDC CBL	Laser Discs	43,628,575	0.871%
8. Arteva/Kosa	Polymers	42,635,749	0.851%
9. Honeywell/Fasco Controls	Electronics	30,859,251	0.616%
10. Reliance Electric	Electric Motors	22,323,339	0.446%
11. Kemet	Electronics	20,944,611	0.418%
12. Wal-Mart	Warehouse/Retail Store	12,119,660	0.242%
Totals		\$ 639,367,432	12.769%

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

Exhibit III.B.4

For the Year Ended June 30, 2000

Taxpayer Name	Industry	Tax Levy
1. PPG Industries, Inc.	Fiber Glass	1,011,859
2. Duke Energy	Electric Utility	1,005,558
3. Hoechst Celanese (now Ticona Celanese)	Polymers	534,154
4. Copeland Corporation	Air Compressors	496,326
5. Bell South	Communications	441,506
6. Polygram Mfg. (now UMG/PMDC CBL)	Laser Discs	422,025
7. Eaton Corporation	Truck Transmissions	386,178
8. Kemet, Inc.	Electronics	312,790
9. Reliance Electric	Electric Motors	217,704
10. Fasco Controls	Electronics	206,127
Totals		\$ 5,034,227

Cleveland County, North Carolina

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

Exhibit III.B.5

For the Year Ended June 30, 2009

	Fiscal Year Ended June 30	Real Property	Personal Property	Corporate Excess	Total Assessed Value	County-wide Property Tax Rate
(a)	2009	\$ 4,913,217,141	\$ 1,451,890,284	\$ 292,601,507	\$ 6,657,708,932	0.007200
	2008	4,439,802,142	1,435,203,908	236,754,791	6,111,760,841	0.007300
	2007	4,360,134,267	1,423,645,599	236,954,915	6,020,734,781	0.007300
	2006	4,235,213,856	1,442,246,979	229,147,077	5,906,607,912	0.007300
(a)	2005	4,159,817,633	1,423,203,225	202,217,191	5,785,238,049	0.007300
	2004	3,539,044,771	1,375,973,251	203,430,042	5,118,448,064	0.007800
	2003	3,434,891,384	1,364,495,344	207,752,627	5,007,139,355	0.007800
	2002	3,357,768,932	1,306,813,709	227,312,824	4,891,895,465	0.007800
(a)	2001	3,291,473,275	1,279,383,519	230,209,657	4,801,066,451	0.006200
	2000	2,669,722,134	1,245,387,619	201,472,193	4,116,581,946	0.006270
	1999	2,599,997,216	1,221,729,467	227,924,902	4,049,651,585	0.006270
	1998	2,549,672,264	1,188,906,523	225,014,119	3,963,592,906	0.006270

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

Cleveland County, North Carolina

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

Exhibit III.C.1

For the Year Ended June 30, 2009

	Fiscal Year Ended June 30	Assessed Value Less Corporate Excess	Percentage Applied	Legal Debt Limit (A)	Total Long-Term Debt (B)	Legal Debt Margin	Ratio of (B) to (A)
	2009	\$ 6,365,107,425	8.0%	\$ 509,208,594	\$ 16,811,245	\$ 492,397,349	3.301%
	2008	5,875,006,050	8.0%	470,000,484	12,934,111	457,066,373	2.752%
	2007	5,783,779,866	8.0%	462,702,389	11,666,458	451,035,931	2.521%
	2006	5,677,460,835	8.0%	454,196,867	16,558,287	437,638,580	3.646%
	2005	5,583,020,858	8.0%	446,641,669	21,444,599	425,197,070	4.801%
	2004	4,915,018,022	8.0%	393,201,442	25,690,000	367,511,442	6.534%
	2003	4,799,386,728	8.0%	383,950,938	30,640,000	353,310,938	7.980%
	2002	4,664,582,641	8.0%	373,166,611	37,325,000	335,841,611	10.002%
	2001	4,570,856,794	8.0%	365,668,544	41,975,000	323,693,544	11.479%
	2000	3,915,109,753	8.0%	313,208,780	46,560,000	266,648,780	14.865%
	1999	3,821,726,683	8.0%	305,738,135	51,105,000	254,633,135	16.715%
	1998	3,738,578,787	8.0%	299,086,303	55,560,000	243,526,303	18.577%

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

Cleveland County, North Carolina
2. Computation of Direct and Underlying Debt for General Obligation Bonds

Exhibit III.C.2

For the Year Ended June 30, 2009

	Gross General Obligation Bonded Debt	Less Debt Payable from Other Entity (Hospital)	Net General Obligation Bonded Debt	Percent Applicable to County	Amount Applicable to County
Direct:					
Cleveland County	\$ 680,326	\$ -	\$ 680,326	100.0%	680,326
Underlying:					
Public Schools	1,394,674	-	1,394,674	100.0%	1,394,674
Community College	1,850,000	-	1,850,000	100.0%	1,850,000
Totals:	<u>\$ 3,925,000</u>	<u>\$ -</u>	<u>\$ 3,925,000</u>		<u>\$ 3,925,000</u>

Cleveland County, North Carolina
3. Annual Requirements and Debt Limitations for General Obligation Bonds

Exhibit III.C.3

For the Year Ended June 30, 2009

Fiscal Year Ending June 30	Gross G.O. Debt		G.O. Debt Balance	
	Principal	Principal and Interest	Outstanding Principal	Subject to Statutory Debt Limits
2010	2,325,000	2,473,700	\$ 3,925,000	\$ 3,925,000
2011	250,000	324,950	1,600,000	1,600,000
2012	250,000	313,450	1,350,000	1,350,000
2013	250,000	301,700	1,100,000	1,100,000
2014	250,000	289,950	850,000	850,000
2015	250,000	278,200	600,000	600,000
2016	250,000	266,450	350,000	350,000
2017	100,000	104,700	100,000	100,000
Totals	<u>\$ 3,925,000</u>	<u>\$ 4,353,100</u>		

Cleveland County, North Carolina

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

Exhibit III.C.4

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Expenditures for Principal Reductions	Expenditures for Interest on G.O. Debt	Total Debt Service Expenditures (A)	Total Governmental Expenditures (B)	Ratio of (A) to (B)	Population Estimate (*)	Total Debt Service per Capita
2009	\$ 2,425,000	\$ 225,450	\$ 2,650,450	\$ 107,347,730	2.47%	98,858	26.81
2008	4,715,000	368,500	5,083,500	99,870,997	5.09%	97,936	51.91
2007	4,875,000	516,350	5,391,350	95,912,913	5.62%	96,878	55.65
2006	4,870,000	651,960	5,521,960	93,458,137	5.91%	96,215	57.39
2005	4,880,000	807,117	5,687,117	87,943,452	6.47%	96,432	58.98
2004	4,920,000	913,610	5,833,610	83,974,172	6.95%	96,912	60.19
2003	5,030,000	1,305,496	6,335,496	81,379,267	7.79%	97,119	65.23
2002	4,435,000	1,965,875	6,400,875	87,055,929	7.35%	96,884	66.07
2001	4,375,000	2,182,884	6,557,884	82,552,538	7.94%	96,658	67.85
2000	4,345,000	2,397,912	6,742,912	77,816,268	8.67%	96,471	69.90
1999	4,265,000	2,650,389	6,915,389	79,282,583	8.72%	95,604	72.33
1998	4,095,000	2,707,329	6,802,329	71,635,048	9.50%	94,679	71.85

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

Cleveland County, North Carolina

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

Exhibit III.C.5

For the Year Ended June 30, 2009

Fiscal Year Ending June 30	Total Long-Term Direct Debt	Revenue Bonded Debt	Contractual Obligation Bonded Debt	Total Long-Term Debt	Capital Leases	Total Debt	Total Non Long-Term Direct Debt
2009	\$ 16,245,000	\$ -	\$ 566,245	\$ 16,811,245	\$ 156,964	\$ 16,968,209	\$ 723,209
2008	12,350,000	-	584,111	12,934,111	203,079	13,137,190	787,190
2007	11,065,000	-	601,458	11,666,458	116,363	11,782,821	717,821
2006	15,940,000	-	618,287	16,558,287	178,826	16,737,113	797,113
2005	20,810,000	-	634,599	21,444,599	237,777	21,682,376	872,376
2004	25,690,000	-	-	25,690,000	123,626	25,813,626	123,626
2003	28,210,000	2,430,000	-	30,640,000	3,158	30,643,158	2,433,158
2002	34,710,000	2,615,000	-	37,325,000	42,885	37,367,885	2,657,885
2001	39,180,000	2,795,000	-	41,975,000	77,069	42,052,069	2,872,069
2000	43,595,000	2,965,000	-	46,560,000	109,037	46,669,037	3,074,037
1999	47,980,000	3,125,000	-	51,105,000	138,933	51,243,933	3,263,933
1998	52,280,000	3,280,000	-	55,560,000	3,983	55,563,983	3,283,983

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

Exhibit III.C.6

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Total Long-Term Direct Debt	Less Debt Payable from Other Entity (Hospital)	Net Total Long-Term Direct Debt (A)	Assessed Value (thousands) (B)	Ratio of (A) to (B)	Population Estimate (*)	Net Total Long-Term Direct Debt per Capita
2009	\$ 16,245,000	\$ -	\$ 16,245,000	\$ 6,657,709	0.24%	98,858	\$ 164.33
2008	12,350,000	-	12,350,000	6,111,761	0.20%	97,936	126.10
2007	11,065,000	(2,200,000)	8,865,000	6,020,735	0.15%	96,878	91.51
2006	15,940,000	(4,470,000)	11,470,000	5,906,608	0.19%	96,215	119.21
2005	20,810,000	(6,675,000)	14,135,000	5,785,238	0.24%	96,432	146.58
2004	25,690,000	(8,820,000)	16,870,000	5,118,448	0.33%	96,912	174.08
2003	28,210,000	(10,915,000)	17,295,000	5,007,139	0.35%	97,119	178.08
2002	34,710,000	(12,685,000)	22,025,000	4,891,895	0.45%	96,884	227.33
2001	39,180,000	(14,460,000)	24,720,000	4,801,066	0.51%	96,658	255.75
2000	43,595,000	(16,120,000)	27,475,000	4,116,582	0.67%	96,471	284.80
1999	47,980,000	(17,695,000)	30,285,000	4,049,652	0.75%	95,604	316.78
1998	52,280,000	(19,180,000)	33,100,000	3,963,593	0.84%	94,679	349.60

(continued below)

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

Exhibit III.C.6

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Net Total Long-Term Direct Debt (from above)	Total Other Long-Term Debt (Exhibit III. C.5)	Total Long-Term Debt (A)	Assessed Value (thousands) (B)	Ratio of (A) to (B)	Population Estimate (*)	Total Long-Term Debt per Capita
(continued from above)							
2009	\$ 16,245,000	\$ 566,245	\$ 16,811,245	\$ 6,657,709	0.25%	98,858	\$ 170.05
2008	12,350,000	584,111	12,934,111	6,111,761	0.21%	97,936	132.07
2007	8,865,000	601,458	9,466,458	6,020,735	0.16%	96,878	97.72
2006	11,470,000	618,287	12,088,287	5,906,608	0.20%	96,215	125.64
2005	14,135,000	634,599	14,769,599	5,785,238	0.26%	96,432	153.16
2004	16,870,000	-	16,870,000	5,118,448	0.33%	96,912	174.08
2003	17,295,000	2,430,000	19,725,000	5,007,139	0.39%	97,119	203.10
2002	22,025,000	2,615,000	24,640,000	4,891,895	0.50%	96,884	254.32
2001	24,720,000	2,795,000	27,515,000	4,801,066	0.57%	96,658	284.66
2000	27,475,000	2,965,000	30,440,000	4,116,582	0.74%	96,471	315.54
1999	30,285,000	3,125,000	33,410,000	4,049,652	0.83%	95,604	349.46
1998	33,100,000	3,280,000	36,380,000	3,963,593	0.92%	94,679	384.25

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009
III: STATISTICAL AND TREND INFORMATION
D. Demographic, Economic, and Operating Schedules:

	<u>Identifier</u>	<u>Page No.</u>
1. Miscellaneous Information	Exhibit III.D.1	159
2. Economic Trends Schedule (twelve most recent fiscal years)	Exhibit III.D.2	160
3. County Employment by Function (twelve most recent fiscal years)	Exhibit III.D.3	160
4. Principal Industry Sectors - Current versus 3, 6, and 9 years ago	Exhibit III.D.4	161

Cleveland County, North Carolina
1. Miscellaneous Information

Exhibit III.D.1

For the Year Ended June 30, 2009

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

Transportation:

Major Highways

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

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

Air Travel:

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

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

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

Asheville Airport is located 74 miles west of Shelby.

Hickory Airport is located 39 miles north of Shelby.

Rail Service:

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

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

Port Access:

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

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

Savannah, Georgia (located 254 miles southeast of Shelby)

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

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

Other Important Information for Businesses:

North Carolina is a right-to-work State.

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

The County offers Local Industrial Incentive Grants and Tax Credits to qualified companies.

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

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

Cleveland County, North Carolina

2. Economic Trends Schedule (twelve most recent fiscal years)

Exhibit III.D.2

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Population	Median Age	June 30 Labor Force	June 30 Unemployment Rate	Personal Income (thousands)	Per Capita Income	Total School Enrollment
2009	98,858	38.48	51,811	15.3790%	no data	no data	17,374
2008	97,936	38.35	51,007	7.9205%	no data	no data	17,487
2007	96,878	38.24	48,367	7.0606%	\$ 2,766,625	\$ 28,558	17,558
2006	96,215	38.11	47,985	6.5896%	2,629,329	27,328	17,814
2005	96,432	37.90	46,504	7.3456%	2,525,665	26,191	17,844
2004	96,912	37.63	42,524	9.5781%	2,424,904	25,022	18,084
2003	97,119	37.37	43,183	11.1456%	2,318,554	23,873	17,924
2002	96,884	37.11	44,957	13.2415%	2,250,644	23,230	17,749
2001	96,658	36.84	47,191	12.2926%	2,229,016	23,061	17,480
2000	96,471	36.59	45,669	5.0012%	2,210,718	22,916	17,310
1999	95,604	36.32	45,615	4.9260%	2,094,452	21,908	17,018
1998	94,679	36.07	44,897	5.4681%	2,034,274	21,486	16,735

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

Cleveland County, North Carolina

3. County Employment by Function (twelve most recent fiscal years)

Exhibit III.D.3

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	General Government	Public Safety	Human Services (a)	Environmental	Economic and Physical Development	Cultural and Recreational (b)	Total
2009	84	237	378	36	16	16	767
2008	82	236	367	32	14	16	747
2007	82	236	361	32	14	16	741
2006	82	236	352	31	14	16	731
2005	82	236	348	30	13	n/a	709
2004	80	234	342	30	13	n/a	699
2003	78	230	335	27	14	n/a	684
2002	78	223	345	22	14	n/a	682
2001	74	221	336	22	20	n/a	673
2000	74	217	324	21	20	n/a	656
1999	71	202	407	21	20	n/a	721
1998	73	196	457	20	19	n/a	765

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

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

Cleveland County, North Carolina

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

Exhibit III.D.4

For the Year Ended December 31, 2008

Industry NAICS Sector *	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 293,423,895	6,469	12.486%
2. Health Care and Social Assistance	190,229,380	5,417	10.455%
3. Educational Services	126,087,648	4,035	7.788%
4. Retail Trade	99,653,931	3,924	7.574%
5. Public Administration	70,078,435	2,012	3.883%
6. Transportation and Warehousing	54,172,459	1,802	3.478%
7. Construction	46,750,774	1,387	2.677%
8. Wholesale Trade	46,657,834	1,328	2.563%
9. Administrative and Waste Services	32,248,915	1,382	2.667%
10. Accommodation and Food Services	28,419,277	2,466	4.760%
11. Finance and Insurance	26,698,140	703	1.357%
12. Professional and Technical Services	22,453,276	625	1.206%
Totals	\$ 1,036,873,964	31,550	60.894%

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

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

Exhibit III.D.4

For the Year Ended December 31, 2005

Industry NAICS Sector	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 319,943,664	7,535	15.579%
2. Health Care and Social Assistance	167,489,871	5,335	11.030%
3. Educational Services	110,979,718	4,025	8.322%
4. Retail Trade	92,402,464	4,040	8.353%
5. Public Administration	60,693,231	1,926	3.982%
6. Construction	44,985,467	1,499	3.099%
7. Wholesale Trade	43,983,411	1,385	2.864%
8. Transportation and Warehousing	32,889,123	1,082	2.237%
9. Finance and Insurance	24,655,051	675	1.396%
10. Accommodation and Food Services	24,596,473	2,252	4.656%
11. Administrative and Waste Services	24,117,502	1,213	2.508%
12. Professional and Technical Services	18,238,663	530	1.096%
Totals	\$ 964,974,638	31,497	65.121%

(continued on next page)

Cleveland County, North Carolina

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

(continued from previous page)

Exhibit III.D.4

For the Year Ended December 31, 2002

Industry NAICS Sector	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 342,638,876	9,183	21.595%
2. Health Care and Social Assistance	137,552,076	4,706	11.067%
3. Educational Services	99,596,665	3,704	8.710%
4. Retail Trade	76,501,026	3,979	9.357%
5. Public Administration	55,844,672	1,913	4.499%
6. Wholesale Trade	45,345,417	1,517	3.567%
7. Construction	38,310,455	1,485	3.492%
8. Transportation and Warehousing	26,180,813	837	1.968%
9. Accommodation and Food Services	23,180,102	2,274	5.348%
10. Administrative and Waste Services	21,108,864	1,186	2.789%
11. Professional and Technical Services	17,028,526	537	1.263%
12. Finance and Insurance	16,939,464	529	1.244%
Totals	\$ 900,226,956	31,850	74.899%

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

Exhibit III.D.4

For the Year Ended December 31, 1999

Industry NAICS Sector	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 411,925,882	12,682	26.874%
2. Health Care and Social Assistance	100,045,552	3,844	8.146%
3. Educational Services	80,109,811	3,447	7.304%
4. Retail Trade	71,872,797	4,247	9.000%
5. Public Administration	50,497,412	1,868	3.958%
6. Construction	50,351,796	1,864	3.950%
7. Wholesale Trade	44,800,215	1,603	3.397%
8. Transportation and Warehousing	26,531,462	916	1.941%
9. Administrative and Waste Services	22,901,630	1,498	3.174%
10. Professional and Technical Services	21,430,452	622	1.318%
11. Finance and Insurance	19,493,997	600	1.271%
12. Accommodation and Food Services	18,779,422	1,942	4.115%
Totals	\$ 918,740,428	35,133	74.449%

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009
III: STATISTICAL AND TREND INFORMATION
E. Financial Trends Schedules:

	<u>Identifier</u>	<u>Page No.</u>
1. Government-Wide Changes in Net Assets (seven most recent fiscal years)	Exhibit III.E.1	164
2. All Funds Combined: Changes in Fund Balances (twelve most recent fiscal years)	Exhibit III.E.2	168
3. Government-Wide Net Assets by Component (seven most recent fiscal years)	Exhibit III.E.3	172
4. All Funds Combined: Fund Balances by Category (twelve most recent fiscal years)	Exhibit III.E.4	172
5. Retirement Contributions Schedule	Exhibit III.E.5	174

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.1

For the Year Ended June 30, 2009

Description	2009	2008	2007	2006
Program revenues: charges for services:				
Governmental activities:				
General government	\$ 2,298,111	\$ 2,453,453	\$ 2,429,620	\$ 2,527,083
Public safety	5,097,275	6,124,163	4,413,692	3,818,583
Human services	4,845,865	4,800,258	4,407,313	4,036,087
Education (property taxes)	10,099,061	9,215,690	9,091,504	8,972,777
Economic and physical development	43,401	58,980	81,421	61,724
Cultural and recreational	49,164	118,385	29,949	37,810
Total governmental activities	22,432,877	22,770,929	20,453,499	19,454,064
Business-type activities:				
Solid waste collection and disposal	4,682,719	4,762,245	4,927,433	5,049,367
Total primary government	27,115,596	27,533,174	25,380,932	24,503,431
Program revenues: operating grants and contributions:				
Governmental activities:				
General government	1,193,492	1,131,279	827,817	772,508
Public safety	1,993,543	2,515,297	2,035,114	2,002,420
Human services	18,102,895	16,200,691	16,411,564	15,239,907
Education	49,187	13,630	24,458	19,485
Economic and physical development	1,421,994	461,092	302,598	469,506
Cultural and recreational	225,228	283,022	251,214	550,313
Interest on long-term liabilities	-	66,000	134,100	189,225
Total governmental activities	22,986,339	20,671,011	19,986,865	19,243,364
Business-type activities:				
Solid waste collection and disposal	360,124	308,472	326,760	335,768
Total primary government	23,346,463	20,979,483	20,313,625	19,579,132
Program revenues: capital grants and contributions:				
Governmental activities:				
General government	62,691	719,895	50,373	459,853
Public safety	123,190	91,643	88,538	379,797
Human services	364,626	19,928,365	5,153,258	8,295,526
Education	5,235,930	5,279,537	5,359,018	4,235,498
Economic and physical development	-	(12,671)	4,226	956,067
Cultural and recreational	1,024,268	(8,440)	-	2,480,692
Total governmental activities	6,810,705	25,998,329	10,655,413	16,807,433
Business-type activities:				
Solid waste collection and disposal	-	-	-	-
Total primary government	6,810,705	25,998,329	10,655,413	16,807,433

(continued from previous page)

	2005	2004	2003
\$	2,355,606	\$ 2,209,485	\$ 2,164,737
	4,332,493	3,141,950	2,927,502
	4,033,832	3,193,175	3,149,820
	8,742,826	8,216,640	8,050,849
	54,046	51,992	59,169
	6,360	31,592	4,032
	19,525,163	16,844,834	16,356,109
	5,234,744	5,173,466	4,903,705
	24,759,907	22,018,300	21,259,814
	795,598	905,013	879,382
	2,466,598	1,636,234	1,568,579
	14,046,319	13,970,155	13,260,602
	67,913	12,605	2,971,105
	195,220	650,582	926,439
	277	11,123	31,176
	242,850	284,750	36,637
	17,814,775	17,470,462	19,673,920
	430,911	488,594	631,809
	18,245,686	17,959,056	20,305,729
	14,776	14,420	-
	47,089	60,396	321
	423,860	4,742,383	14,789,296
	3,630,898	3,554,389	-
	-	-	280,522
	155,479	-	65,588
	4,272,102	8,371,588	15,135,727
	-	81,655	-
	4,272,102	8,453,243	15,135,727

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.1

For the Year Ended June 30, 2009

Description	2009	2008	2007	2006
(continued from page 1)				
Expenses:				
Governmental activities:				
General government	9,133,792	8,681,365	8,102,560	7,685,135
Public safety	20,436,483	20,235,804	18,572,762	18,634,535
Human services	39,264,800	39,510,671	38,398,880	36,663,358
Education	26,670,648	24,943,842	23,309,846	23,633,490
Economic and physical development	3,042,821	2,118,255	3,527,997	1,635,055
Cultural and recreational	1,272,016	1,286,918	1,101,380	1,079,245
Interest on long-term liabilities	697,162	669,490	662,667	690,823
Total governmental activities	100,517,722	97,446,345	93,676,092	90,021,641
Business-type activities:				
Solid waste collection and disposal	8,267,583	5,285,293	4,567,905	4,469,516
Total primary government	108,785,305	102,731,638	98,243,997	94,491,157
Net revenue (expense):				
Governmental activities:				
	(48,287,801)	(28,006,076)	(42,580,315)	(34,516,780)
Business-type activities:				
	(3,224,740)	(214,576)	686,288	915,619
Total primary government	(51,512,541)	(28,220,652)	(41,894,027)	(33,601,161)
General revenues:				
Governmental activities:				
Ad valorem property taxes	38,618,389	35,815,553	35,297,651	34,646,125
Local option sales taxes	9,694,631	12,002,826	12,037,091	11,372,496
Other taxes and licenses	348,147	921,337	844,704	793,545
Contributions	-	2,200,000	2,270,000	2,205,000
Investment earnings, general	1,103,612	1,604,977	1,529,276	1,106,547
Transfers	228,936	241,245	175,347	142,784
Total governmental activities	49,993,715	52,785,938	52,154,069	50,266,497
Business-type activities:				
Investment earnings, general	160,189	616,174	702,957	470,625
Transfers	(228,936)	(241,245)	(175,347)	(142,784)
Total business-type activities	(68,747)	374,929	527,610	327,841
Total primary government	49,924,968	53,160,867	52,681,679	50,594,338
Change in net assets:				
Governmental activities				
	1,705,914	24,779,862	9,573,754	15,749,717
Business-type activities				
	(3,293,487)	160,353	1,213,898	1,243,460
Total primary government	(1,587,573)	24,940,215	10,787,652	16,993,177
Ending net assets:				
Governmental activities				
	126,371,445	124,665,531	99,885,669	90,311,915
Business-type activities				
	13,576,306	16,869,793	16,709,440	15,495,542
Total primary government	\$ 139,947,751	\$ 141,535,324	\$ 116,595,109	\$ 105,807,457

(continued from previous page)

2005	2004	2003
(continued from page 2)		
7,408,231	6,733,381	6,100,269
16,959,262	14,592,422	13,597,513
34,168,346	31,558,753	30,430,820
22,534,208	23,194,640	21,219,309
1,844,628	1,880,008	6,339,654
683,964	734,460	876,231
828,077	908,176	1,182,993
84,426,716	79,601,840	79,746,789
4,294,878	4,103,114	3,713,218
88,721,594	83,704,954	83,460,007
(42,814,676)	(36,914,956)	(28,581,033)
1,370,777	1,640,601	1,822,296
(41,443,899)	(35,274,355)	(26,758,737)
33,889,146	32,565,809	31,286,514
11,220,896	11,044,070	9,263,392
758,366	664,613	655,701
2,145,000	2,125,000	4,945,566
742,029	565,477	774,312
148,661	131,654	79,102
48,904,098	47,096,623	47,004,587
193,024	72,486	78,704
(148,661)	(131,654)	(79,102)
44,363	(59,168)	(398)
48,948,461	47,037,455	47,004,189
6,089,422	10,181,667	18,423,554
1,415,140	1,581,433	1,821,898
7,504,562	11,763,100	20,245,452
74,562,198	68,472,776	58,291,109
14,252,082	12,836,942	11,255,509
\$ 88,814,280	\$ 81,309,718	\$ 69,546,618

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.2

For the Year Ended June 30, 2009

Description	2009	2008	2007	2006	2005
Revenues:					
Governmental funds:					
Ad valorem property taxes	\$ 49,505,781	\$ 45,717,409	\$ 45,093,388	\$ 44,483,730	\$ 43,355,393
Local option sales taxes	13,124,777	15,837,377	15,845,539	14,895,552	14,345,733
Other taxes	970,576	917,099	1,250,797	1,227,608	1,063,837
Intergovernmental revenues	22,867,190	23,281,317	22,815,367	20,712,669	16,770,486
Licenses, permits, and fees	906,097	1,086,477	1,139,917	1,174,717	1,154,658
Sales and services	9,529,871	9,497,364	8,351,036	8,351,003	10,653,350
Investment earnings	1,595,774	2,265,167	2,000,774	1,366,276	894,590
Miscellaneous	1,898,522	1,024,394	642,769	1,021,584	500,510
Total governmental funds	100,398,588	99,626,604	97,139,587	93,233,139	88,738,557
Enterprise Fund:					
Operating revenues	4,920,223	4,878,108	5,035,968	5,218,497	5,284,036
Non-operating revenues	313,015	858,456	920,833	718,244	460,202
Total Enterprise Fund	5,233,238	5,736,564	5,956,801	5,936,741	5,744,238
Total primary government	105,631,826	105,363,168	103,096,388	99,169,880	94,482,795
Expenditures, non-capital:					
Governmental funds:					
General government	8,655,656	7,730,600	7,814,607	7,277,083	6,988,232
Public safety	22,520,945	16,690,549	16,419,086	15,379,062	14,562,315
Human services	35,375,344	37,307,822	36,472,481	34,866,255	32,565,757
Education	22,026,544	20,264,032	19,959,846	19,841,118	19,580,241
Economic and physical dev.	3,438,509	1,733,675	3,389,623	1,235,881	1,787,955
Cultural and recreational	2,168,747	1,085,151	968,115	1,051,486	577,489
Debt service, principal reduction	2,888,981	4,876,307	4,954,194	4,945,263	4,923,684
Debt service, interest	499,364	409,221	551,238	690,823	819,310
Total governmental funds	97,574,090	90,097,357	90,529,190	85,286,971	81,804,983
Enterprise Fund					
Environmental	4,360,945	4,277,825	3,625,443	3,568,759	3,405,980
Debt service, principal reduction	-	-	-	-	-
Debt service, interest	-	-	-	-	-
Total enterprise fund	4,360,945	4,277,825	3,625,443	3,568,759	3,405,980
Total primary government	101,935,035	94,375,182	94,154,633	88,855,730	85,210,963
Expenditures, capital:					
Governmental funds:					
General government	626,270	626,270	205,000	575,126	217,591
Public safety	2,449,686	2,449,686	1,099,487	2,734,682	1,387,946
Human services	1,332,108	1,332,108	523,313	384,199	1,072,937
Education	4,738,167	4,738,167	3,350,000	3,792,372	2,953,967
Economic and physical dev.	377,409	377,409	202,573	440,870	318,103
Cultural and recreational	250,000	250,000	3,350	243,917	187,925
Total governmental funds	9,773,640	9,773,640	5,383,723	8,171,166	6,138,469
Enterprise Fund - environmental	2,962,957	6,104,817	899,304	306,391	325,597
Total primary government	12,736,597	15,878,457	6,283,027	8,477,557	6,464,066

(continued from previous page)

	2004	2003	2002	2001	2000	1999	1998
\$	40,749,630	\$ 39,942,314	\$ 39,596,061	\$ 37,753,838	\$ 26,429,531	\$ 26,068,410	\$ 25,831,413
	14,049,144	13,099,757	11,130,488	11,143,286	11,143,187	10,500,516	10,327,099
	663,789	655,554	677,631	940,957	1,062,324	861,404	826,938
	17,109,288	16,237,754	24,303,484	25,355,039	29,465,386	29,092,848	26,034,173
	1,465,398	1,443,654	1,109,378	680,712	778,811	726,322	689,482
	8,679,352	8,667,146	6,079,747	5,241,099	5,444,003	8,952,960	8,183,207
	662,210	913,046	1,296,836	2,183,993	1,853,649	1,642,574	1,709,681
	832,929	395,274	1,321,179	2,038,122	1,183,681	1,031,960	1,095,963
	84,211,740	81,354,499	85,514,804	85,337,046	77,360,572	78,876,994	74,697,956
	5,291,178	4,965,954	3,502,600	3,867,401	3,377,907	3,340,047	3,290,263
	480,554	616,589	570,557	699,826	530,711	425,422	599,330
	5,771,732	5,582,543	4,073,157	4,567,227	3,908,618	3,765,469	3,889,593
	89,983,472	86,937,042	89,587,961	89,904,273	81,269,190	82,642,463	78,587,549
	6,353,009	5,670,251	5,956,692	5,579,483	5,362,402	5,407,969	5,249,122
	13,511,461	12,974,638	12,441,356	11,656,933	10,574,073	9,635,967	8,892,705
	30,198,443	29,560,351	29,470,009	28,712,958	27,067,444	34,148,034	33,134,583
	18,828,640	18,631,028	18,528,486	20,090,830	9,989,054	9,690,439	9,339,756
	1,497,583	3,014,269	758,003	870,945	1,017,201	1,152,995	885,223
	657,260	720,820	712,924	720,576	654,561	617,469	617,879
	4,945,906	5,066,552	4,469,183	4,406,968	4,374,896	4,293,896	4,123,709
	923,942	1,307,265	1,970,013	2,189,236	2,406,336	2,660,387	2,701,927
	76,916,244	76,945,174	74,306,666	74,227,929	61,445,967	67,607,156	64,944,904
	3,214,739	2,885,124	2,978,066	2,489,259	2,374,445	2,446,544	2,865,974
	-	-	-	-	-	7,416	95,537
	-	-	-	-	-	28	2,485
	3,214,739	2,885,124	2,978,066	2,489,259	2,374,445	2,453,988	2,963,996
	80,130,983	79,830,298	77,284,732	76,717,188	63,820,412	70,061,144	67,908,900
	765,622	257,572	103,573	463,877	95,311	357,021	346,415
	956,864	684,542	761,753	874,028	952,301	1,142,791	691,008
	167,050	487,764	1,086,209	203,780	383,968	343,846	424,155
	4,448,424	2,588,282	7,913,614	4,376,187	10,063,129	9,522,922	3,781,320
	687,346	97,232	2,884,114	2,322,371	2,501,147	276,277	1,368,813
	115,046	81,185	-	84,366	-	32,570	78,433
	7,140,352	4,196,577	12,749,263	8,324,609	13,995,856	11,675,427	6,690,144
	354,690	904,488	428,452	549,126	809,824	1,924,019	2,453,177
	7,495,042	5,101,065	13,177,715	8,873,735	14,805,680	13,599,446	9,143,321

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.2

For the Year Ended June 30, 2009

Description	2009	2008	2007	2006	2005
(continued from page 1)					
Excess of revenues over (under) expenditures:					
Governmental funds	(6,949,142)	(244,393)	1,226,674	(224,998)	795,105
Enterprise Fund	(2,090,664)	(4,646,078)	1,432,054	2,061,591	2,012,661
Total primary government	(9,039,806)	(4,890,471)	2,658,728	1,836,593	2,807,766
Other financing sources (uses):					
Governmental funds:					
Issuance of debt financing	6,720,000	6,230,676	-	-	797,368
Extinguishment of debt	-	94,165	-	-	-
Transfers	228,936	241,245	175,347	142,784	148,661
Total governmental funds	6,948,936	6,566,086	175,347	142,784	946,029
Enterprise Fund : transfers	(228,936)	(241,245)	(175,347)	(142,784)	(148,661)
Total primary government	6,720,000	6,324,841	-	-	797,368
Net change in fund balances:					
Governmental funds	(206)	6,321,693	1,402,021	(82,214)	1,741,134
Enterprise Fund	(2,319,600)	(4,887,323)	1,256,707	1,918,807	1,864,000
Total primary government	(2,319,806)	1,434,370	2,658,728	1,836,593	3,605,134
Ending fund balances:					
Governmental funds	44,861,129	44,861,335	38,539,642	37,137,621	37,219,835
Enterprise Fund	7,295,891	9,615,491	14,502,814	13,246,107	11,327,300
Total primary government	\$ 52,157,020	\$ 54,476,826	\$ 53,042,456	\$ 50,383,728	\$ 48,547,135
Debt service expenditures as a percentage of noncapital expenditures:					
Governmental funds	3.473%	5.866%	6.081%	6.608%	7.020%
Enterprise Fund	0.000%	0.000%	0.000%	0.000%	0.000%
Total primary government	3.324%	5.601%	5.847%	6.343%	6.740%

(continued from previous page)

2004	2003	2002	2001	2000	1999	1998
(continued from page 2)						
155,144	212,748	(1,541,125)	2,784,508	1,918,749	(405,589)	3,062,908
2,202,303	1,792,931	666,639	1,528,842	724,349	(612,538)	(1,527,580)
2,357,447	2,005,679	(874,486)	4,313,350	2,643,098	(1,018,127)	1,535,328
146,374	30,456,674	-	-	-	-	3,100,000
-	(30,323,141)	-	-	-	-	-
131,654	79,102	65,659	70,213	69,097	-	-
278,028	212,635	65,659	70,213	69,097	-	3,100,000
(131,654)	(79,102)	(65,659)	(70,213)	(69,097)	-	-
146,374	133,533	-	-	-	-	3,100,000
433,172	425,383	(1,475,466)	2,854,721	1,987,846	(405,589)	6,162,908
2,070,649	1,713,829	600,980	1,458,629	655,252	(612,538)	(1,527,580)
2,503,821	2,139,212	(874,486)	4,313,350	2,643,098	(1,018,127)	4,635,328
35,478,701	35,045,529	34,620,146	36,095,612	33,240,891	31,253,045	31,658,634
9,463,300	7,392,651	5,678,822	5,077,842	3,619,213	2,963,961	3,576,499
\$ 44,942,001	\$ 42,438,180	\$ 40,298,968	\$ 41,173,454	\$ 36,860,104	\$ 34,217,006	\$ 35,235,133
7.631%	8.284%	8.666%	8.886%	11.036%	10.286%	10.510%
0.000%	0.000%	0.000%	0.000%	0.000%	0.303%	3.307%
7.325%	7.984%	8.332%	8.598%	10.625%	9.926%	10.051%

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.3

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	Governmental Activities				Business-Type Activities	
	Invested in Capital Assets, Net	Restricted Net Assets	Unrestricted Net Assets	Subtotal	Invested in Capital Assets, Net	Unrestricted Net Assets
2009	\$ 86,285,668	\$ 11,130,562	\$ 28,955,215	\$ 126,371,445	\$ 13,483,249	\$ 93,057
2008	85,741,754	11,915,459	27,008,318	124,665,531	11,004,690	5,865,103
2007	68,762,375	10,298,262	20,825,032	99,885,669	5,575,418	11,134,022
2006	62,126,673	8,019,763	20,165,479	90,311,915	5,298,264	10,197,278
2005	47,613,359	7,624,049	19,324,790	74,562,198	5,688,961	8,563,121
2004	44,361,220	7,633,009	16,478,547	68,472,776	5,858,493	6,978,449
2003	36,526,958	7,067,819	14,696,332	58,291,109	6,042,171	5,213,338

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

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.4

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	General Fund			All Other	All Special Revenue Funds	All Capital Project Funds
	Reserved Fund Balance	Unreserved Fund Balance	Subtotal	Reserved Fund Balance	Unreserved Fund Balance	Unreserved Fund Balance
2009	\$ 7,638,129	\$ 17,083,519	\$ 24,721,648	\$ 1,316,677	\$ 8,203,698	\$ 10,619,106
2008	7,586,673	20,951,992	28,538,665	1,211,037	8,061,773	7,049,860
2007	7,837,903	21,182,508	29,020,411	1,193,929	7,150,302	1,175,000
2006	6,823,079	22,696,486	29,519,565	1,138,877	4,833,645	1,645,534
2005	8,873,046	20,965,676	29,838,722	1,397,706	4,583,760	1,399,647
2004	9,329,203	18,987,476	28,316,679	893,964	3,798,288	2,469,770
2003	8,019,928	19,610,320	27,630,248	912,463	4,920,230	1,582,588
2002	7,161,052	19,040,899	26,201,951	1,739,988	4,800,358	1,877,849
2001	6,812,379	17,746,997	24,559,376	1,305,851	7,632,061	2,598,324
2000	5,746,163	16,601,151	22,347,314	1,140,522	6,371,072	3,381,983
1999	7,012,155	14,819,577	21,831,732	995,120	4,644,606	3,781,587
1998	6,669,083	15,433,729	22,102,812	1,085,076	5,556,905	2,913,841

(continued from previous page)

Business-Type Activities (cont.)	Primary government			
	Invested in Capital Assets, Net	Restricted Net Assets	Unrestricted Net Assets	Total
Subtotal				
\$ 13,576,306	\$ 99,768,917	\$ 11,130,562	\$ 29,048,272	\$ 139,947,751
16,869,793	96,746,444	11,915,459	32,873,421	141,535,324
16,709,440	74,337,793	10,298,262	31,959,054	116,595,109
15,495,542	67,424,937	8,019,763	30,362,757	105,807,457
14,252,082	53,302,320	7,624,049	27,887,911	88,814,280
12,836,942	50,219,713	7,633,009	23,456,996	81,309,718
11,255,509	42,569,129	7,067,819	19,909,670	69,546,618

(continued from previous page)

All Other	Total Governmental Funds		
	Reserved Fund Balance	Unreserved Fund Balance	Total
Subtotal			
\$ 20,139,481	\$ 8,954,806	\$ 35,906,323	\$ 44,861,129
16,322,670	8,797,710	36,063,625	44,861,335
9,519,231	9,031,832	29,507,810	38,539,642
7,618,056	7,961,956	29,175,665	37,137,621
7,381,113	10,270,752	26,949,083	37,219,835
7,162,022	10,223,167	25,255,534	35,478,701
7,415,281	8,932,391	26,113,138	35,045,529
8,418,195	8,901,040	25,719,106	34,620,146
11,536,236	8,118,230	27,977,382	36,095,612
10,893,577	6,886,685	26,354,206	33,240,891
9,421,313	8,007,275	23,245,770	31,253,045
9,555,822	7,754,159	23,904,475	31,658,634

Cleveland County, North Carolina
5. Retirement Contributions Schedule

Exhibit III.E.5

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	LGERS Employer's Normal Benefit	LGERS Employer's Death Benefit	LEOSSA Employer's Contribution	SRIP-LEO Employer's Contribution	SRIP-LEO Employee's Contribution
2009	\$ 1,350,086	\$ 24,107	\$ 90,237	\$ 172,568	\$ 68,177
2008	1,247,558	22,708	96,599	164,582	65,740
2007	1,163,090	23,382	105,507	153,610	39,680
2006	1,124,382	20,561	114,758	150,053	37,025
2005	1,055,424	19,344	117,577	139,613	43,705
2004	1,009,461	18,482	97,473	138,125	27,710
2003	985,415	18,039	100,384	129,300	29,791
2002	973,470	19,212	67,976	124,145	27,511
2001	917,075	18,525	59,529	119,301	23,788
2000	847,728	17,128	134,964	109,043	20,203
1999	918,066	27,333	49,761	107,218	18,428
1998	910,790	27,058	33,014	102,592	15,919

(continued below)

5. Retirement Contributions Schedule

Exhibit III.E.5

For the Year Ended June 30, 2009

Fiscal Year Ended June 30	401(k) Employer's Contribution	401(k) Employee's Contribution	RODSPF Employee's Contribution	Post-Retirement Health Premiums	No. of Retirees Receiving Paid Health Premiums
(continued from above)					
2009	\$ 1,208,323	\$ 436,175	\$ 5,601	\$ 262,840	55
2008	1,133,931	424,774	6,922	206,160	50
2007	1,061,542	360,115	22,426	174,720	43
2006	982,566	370,542	22,417	156,744	45
2005	971,149	336,204	22,448	133,901	41
2004	894,965	277,312	24,546	106,038	36
2003	880,088	284,088	25,375	97,112	31
2002	850,672	266,178	20,729	95,706	35
2001	945,172	283,259	16,391	72,648	27
2000	874,145	245,029	15,132	55,930	27
1999	960,471	256,201	16,027	35,856	18
1998	950,649	223,321	15,393	33,516	20

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009**

IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS

	<u>Identifier</u>	<u>Page No.</u>
A. Reports from the Independent Auditor	Subsection IV.A.	177
B. Schedule of Results, Findings, and Questioned Costs	Subsection IV.B.	184
C. Corrective Action Plan	Subsection IV.C.	186
D. Schedule of Prior Year Audit Findings and Corrective Action Plan	Subsection IV.D.	186
E. Schedule of Expenditures of Federal and State Awards	Subsection IV.E.	187
1. Notes to Schedule of Expenditures of Federal and State Awards	Exhibit IV.E.1 0	193

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

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Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009
IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
A. Reports from the Independent Auditor

	<u>Identifier</u>	<u>Page No.</u>
1. Report from the Independent Auditor on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	Exhibit IV.A.1	178
2. Report from the Independent Auditor on Compliance with Requirements Applicable to Each Major Federal Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133 and with the State Single Audit Implementation Act	Exhibit IV.A.2	180
3. Report from the Independent Auditor on Compliance with Requirements Applicable to Each Major State Program and On Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and with the State Single Audit Implementation Act	Exhibit IV.A.3	182

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

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

To the Board of Commissioners
Cleveland County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cleveland County, North Carolina, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 15, 2009

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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

To the Board of Commissioners
Cleveland County, North Carolina

Compliance

We have audited the compliance of Cleveland County, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that are applicable to each of its major federal programs for the year ended June 30, 2009. Cleveland County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings, Responses, and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Cleveland County's management. Our responsibility is to express an opinion on Cleveland County's compliance based on our audit.

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

In our opinion, Cleveland County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 15, 2009

MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

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

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

To the Board of Commissioners
Cleveland County, North Carolina

Compliance

We have audited the compliance of Cleveland County, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that are applicable to each of its major state programs for the year ended June 30, 2009. Cleveland County's major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings, Responses, and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Cleveland County's management. Our responsibility is to express an opinion on Cleveland County's compliance based on our audit.

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

In our opinion, Cleveland County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 15, 2009

CLEVELAND COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

1. Summary of Auditors' Results

- A. An unqualified opinion was issued on the financial statements of Cleveland County, North Carolina.
- B. Our audit of the basic financial statements disclosed no significant deficiencies or material weaknesses in internal controls.
- C. Our audit of the basic financial statements disclosed no instances of non-compliance with laws, regulations, and the provisions of contracts and grant agreements that are material to the basic financial statements.
- D. Our audit of compliance with the types of compliance requirements applicable to the County's major programs disclosed no significant deficiencies or material weaknesses in internal controls over major programs.
- E. An unqualified opinion was issued on Cleveland County, North Carolina's compliance with the types of compliance requirements applicable to its major federal programs.
- F. An unqualified opinion was issued on Cleveland County, North Carolina's compliance with the types of compliance requirements applicable to its major State programs.
- G. Our audit disclosed no audit findings which related to federal and State awards.
- H. Major federal programs for the Cleveland County, North Carolina, for the fiscal year ended June 30, 2009 are:

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

CLEVELAND COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

Major State programs for Cleveland County, North Carolina for the fiscal year ended June 30, 2009 are:

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

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

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

Findings Related to the Audit of the Basic Financial Statements

None

Findings and Questioned Costs Related to the Audit of Federal Awards

None

Findings and Questioned Costs Related to the Audit of State Awards

None

CLEVELAND COUNTY, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None.

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2009

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

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Federal Awards:					
<u>U.S. Department of Agriculture</u>					
<u>Passed-through N.C. Dept. of Agriculture:</u>					
Emergency Food Program (Administration)	10.568	-	\$ 21,268	\$ -	\$ -
Emergency Food Program (Commodities)	10.569	-	236,726	-	-
<u>Division of Public Health</u>					
Special Supplemental Nutrition Program for Women, Infants, and Children - direct benefit payments	10.557	-	2,160,954	-	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5403, -4, -5, -9	420,931	-	-
<u>Division of Social Services:</u>					
<u>Food Stamp Cluster:</u>					
Food Stamps - direct benefit payments	10.551	-	23,275,202	-	-
Food Stamps Claims Collect	10.551	454	(20,493)	-	-
Food Stamps Incentive Retention	10.551	455	18,407	-	-
Food Stamps Administration	10.561	404, 417, 408, 89	708,764	-	703,561
Food Stamps Employment and Training	10.561	458	2,313	-	2,313
Food Stamps Fraud	10.561	405	30,685	-	30,685
<u>Total Food Stamp Cluster</u>			<u>24,014,878</u>	<u>-</u>	<u>736,559</u>
<u>Total U.S. Dept. of Agriculture</u>			<u>26,854,757</u>	<u>-</u>	<u>736,559</u>
<u>U.S. Department of Health and Human Services</u>					
<u>Passed-through the N.C. Department of Health and Human Services:</u>					
<u>Divisions of Aging (thru Isothermal Planning and Development) and Social Services</u>					
<u>Aging Cluster:</u>					
III-B Grants for Supportive Services and Senior Centers - In-Home Services	93.044	-	132,682	7,805	-
Social Services Block Grant - In-Home Services	93.667	022	14,837	-	2,119
<u>Total Aging Cluster</u>			<u>147,519</u>	<u>7,805</u>	<u>2,119</u>
<u>Division of Child Development:</u>					
<u>Subsidized Child Care Cluster:</u>					
<u>Child Care Development Fund Cluster:</u>					
Child Care and Development Fund -- Discretionary	93.575	D*23, TB23	1,302,535	-	-
Child Care and Development Fund -- Admin.	93.596	364	176,040	-	-
Child Care and Development Fund -- Mandatory	93.596	M*23	591,876	-	-
Child Care and Development Fund -- Match	93.596	V*23	563,403	310,751	-
<u>Total Child Care Development Fund Cluster:</u>			<u>2,633,854</u>	<u>310,751</u>	<u>-</u>
Temporary Assistance for Needy Families - Child Care	93.558	T223	687,012	-	-
Social Services Block Grant - Child Care	93.667	Q423, 460, 467	10,396	-	227,544
Smart Start	-	4023, 347, 438	-	1,944	3,457
State and Local Appropriations	-	0023	-	88,428	-
TANF-MOE	-	T623	-	428,517	-
<u>Total Subsidized Child Care Cluster:</u>			<u>3,331,262</u>	<u>829,640</u>	<u>231,000</u>
<u>Passed-through the University of NC-Chapel Hill:</u>					
Quality Enhancement Project - Infants	93.994	-	34,692	-	-

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

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Federal Awards: (continued from previous page)					
<u>Division of Medical Assistance:</u>					
<u>Medicaid Assistance Cluster:</u>					
Medicaid Assistance Program - direct benefit payments	93.778	-	110,895,896	42,640,127	2,701,146
Adult Care Home CM	93.778	211	19,089	9,545	9,545
At-Risk CM	93.778	-	18,498	-	-
At-Risk CM Settlement	93.778	-	9,488	-	-
Medical Assistance Administration	93.778	412	1,137,116	-	1,137,116
Medical Assistance Expansion	93.778	477	21,850	21,850	-
Medical Transportation Administration	93.778	375	43,938	-	43,938
Medical Transportation Services	93.778	377	487,260	221,386	-
Special Adult Home	93.778	128, 131	51,297	31,133	20,164
Non-Reimbursed Medical CMS		286	-	-	37,168
<u>Total Medicaid Assistance Cluster:</u>			112,684,433	42,924,041	3,949,077
Alternate Non-Emergency-ER Diversion	93.790	-	70,000	14,840	-
<u>Division of Public Health</u>					
Family Planning	93.217	592C	25,083	-	-
Immunization Program/ Aid to County Funding	93.268	6025, 631D	33,388	-	-
Bioterrorism Grant	93.283	2681	102,271	36,947	-
TANF - Public Health	93.558	5151	14,132	-	-
Ryan White / HIV Care Formula Grant	93.917	5596	112,680	-	-
HIV Prevention Activities	93.940	433B	35,829	-	-
Preventive Health and Health Services Block Grant - Statewide Health Promotion Program	93.991	5503	22,274	17,844	-
Maternal and Child Health Services Block Grant	93.994	57XX, 601X, 53XX	132,686	99,526	-
<u>Division of Social Services:</u>					
<u>Foster Care and Adoption Assistance Cluster:</u>					
TEA & TEA Max	93.558	280, 281	(163)	-	-
IV-E Admin	93.658	-	15,680	7,352	8,609
IV-E Child Protective Services	93.658	072, 074	336,754	117,827	218,926
IV-E Family Max	93.658	-	2,123	-	1,163
IV-E Foster Care, Optional Fund	93.658	96, 97, 132, 302, 407	464,591	-	459,914
IV-E Foster Care	93.658	-	342,638	94,152	94,147
IV-E Max & Max Level III	93.658	-	268,394	70,153	76,955
IV-E, IV-B, and State Vendor	93.658	-	14,854	12,973	-
IV-E Adoption Subsidy - direct benefit payments	93.659	-	492,313	93,685	127,853
Child Welfare Services Adoption Subsidy - direct benefit payments	-	-	-	377,365	109,357
At-Risk Max - direct benefit payments	-	-	-	14,790	8,125
Special Provision - direct benefit payments	-	-	-	80,576	-
State-County/Special Assistance Domicillary Care Payments - direct benefit payments	-	-	-	1,346,748	1,346,748
State Foster Home	-	-	-	137,193	137,193
Special Needs Adoption	-	-	-	43,972	-
Foster Care, Caseworker	-	109	-	-	15,339
State Max	-	-	-	100,572	100,572
<u>Total Foster Care and Adoption Assistance Cluster:</u>			1,937,185	2,497,358	2,704,901

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Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Federal Awards: (continued from previous page)					
TANF Payments and Penalties - direct benefit payments	93.558	-	1,463,379	(149)	319
TANF Administration	93.558	226	192,037	-	-
TANF Services/Child Services	93.558	205-207, 238	1,813,645	-	-
TANF/Domestic Violence Services	93.558	278	31,823	-	807
TANF CPSand FC/Adoption Services	93.558	341, 358	25,848	-	-
Work First Demo	93.558	138, 142, 332	127,192	-	-
Work First	93.558	221, 232-235	-	-	154,639
Work First Administration	93.558	048	-	-	128,988
Work First/Child Care	93.558	225	-	-	508
Work First Services	93.558	049	-	-	1,112,584
Work First Functional Assessment	93.558	118	18,825	-	-
TANF CPS	-	371	-	-	59
TAN SSBG	-	471	-	-	153,526
TANF Incentives	-	268	-	4,163	-
AFDC Payments and Penalties - direct benefit payments (reimbursements)	93.560	-	(1,544)	(423)	(423)
AFDC Unemployed Parents - direct benefit payments (reimbursements)	93.560	-	(233)	(64)	(64)
Child Support Enforcement Funds:					
AFDC Share/Return	93.563	-	85,472	-	-
Incentive Regular	93.563	-	250,840	-	-
Intercept Fees/Federal Offset/Blood Test	93.563	-	15,464	-	-
IV-E Share/Return	-	-	-	12,047	-
SFHF Share/Return	-	-	-	25,430	-
Total Child Support Enforcement Funds:			<u>351,776</u>	<u>37,477</u>	<u>-</u>
IV-D Offset Fees Federal - direct benefit payments	93.563	-	1,006	-	518
IV-D Offset Fees ESC - direct benefit payments	93.563	-	9,327	-	4,805
AFDC Withhold	93.563	225	(110)	-	-
IV-D AFDC/Non-AFDC	93.563	202, 430	1,047,958	-	539,857
IV-D Blood Test	93.563	432	370	-	-
IV-D Cooperative Agreement	93.563	450	24,298	-	12,517
IV-D Cost Recovery	93.563	436	(3,468)	-	(1,787)
IV-D Government Service Contract	93.563	423, 449	2,834	-	1,460
IV-D Non-AFDC	93.563	435	(1,455)	-	(750)
IV-D Offset Fees Federal - non-direct benefits	93.563	443	(3,844)	-	-
IV-D Offset Fees ESC - non-direct benefits	93.563	437	(522)	-	-
IV-D Non-Reimbursable Incentives	-	123	-	-	2
AFDC Incentives/Program Integrity	-	267	-	259	-
Crisis Intervention Planning Services	93.568	372, 379	657,444	-	-
Energy Assistance - direct benefit payments	93.568	-	798,031	-	-
Energy Assistance Services	93.568	406	78,914	-	-
Energy Assistance - Non-Refundable	-	442	-	-	53,798
Permanency Planning - Regular	93.645	392	18,995	6,332	-
Permanency Planning - Special	93.645	368, 464, 465	6,156	-	50,751

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Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Federal Awards: (continued from previous page)					
Social Services Block Grant	93.667	394, 395	\$ 323,399	\$ -	\$ 107,800
SSBG Special ADC	93.667	036, 038	11,108	9,367	2,925
SSBG State Services Support	93.667	482	-	41,522	13,841
Social Services Block Grant - TANF	93.667	050	57,414	-	19,138
LINKS	93.674	290, 291	26,651	6,663	12,036
LINKS Transitional Funds - direct benefit payments	93.674	-	4,812	-	-
TOP Incentives	93.674	270	8,905	-	-
DOR Incentives	93.674	269	1,091	-	-
N. C. Health Choice	93.767	440, 441, 483	70,729	5,049	18,324
<u>Passed-through Carolina Healthcare Systems:</u>					
Bioterrorism Preparedness Program	93.889	-	17,734	-	-
<u>Total U.S. Dept. of Health and Human Services</u>			128,497,811	46,848,948	9,273,276
<u>U.S. Dept. of Housing and Urban Development</u>					
<u>Passed-through N.C. Dept of Commerce,</u>					
<u>thru Isothermal Planning and Development</u>					
Community Development Block Grant-Sewer	14.228	07-E-1740	186,722	-	-
Community Development Block Grant-Housing	14.228	07-C-1657	202,125	-	-
<u>Total U.S. Dept. of Housing and Urban Development</u>			388,847	-	-
<u>U.S. Dept. of the Interior</u>					
<u>Direct program:</u>					
2007 Historic Preservation	15.904		1,000	-	-
<u>Total U.S. Dept. of the Interior</u>			1,000	-	-
<u>U.S. Dept. of Justice</u>					
<u>Direct Program:</u>					
State Criminal Alien Assistance Program	16.606	-	4,166	-	-
JAG Grant	16.738	2007-DJ-BX-1252	706	-	-
JAG Grant	16.738	2006-DJ-BX-0666	28	-	-
<u>Total U.S. Dept. of Justice</u>			4,900	-	-
<u>U.S. Dept. of the Treasury</u>					
<u>Direct program:</u>					
U.S. Immigration and Customs Enforcement	16.578	NC0230000	227,050	-	20,351
<u>Total U.S. Dept. of the Treasury</u>			227,050	-	20,351
<u>U.S. Election Assistance Commission</u>					
<u>Passed-through State Board of Election</u>					
HAVA Grant - Voting System	90.401	-	97,803	-	-
<u>U.S. Federal Emergency Management Agency</u>					
<u>Direct program:</u>					
Emergency Response / Swiftwater Rescue	97.036	-	5,643	-	-
Disaster Response - Hyde County	-	-	1,782	-	-
<u>Passed through N.C. Dept. of Crime Control and Public Safety:</u>					
Emergency Management Program	83.552	-	28,177	-	-
<u>Total U.S. Federal Emergency Management Agency</u>			35,601	-	-

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E. Schedule of Expenditures of Federal and State Awards

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Federal Awards: (continued from previous page)					
<u>U.S. National Foundation on the Arts and the Humanities</u>					
<u>Passed through N.C. Department of Cultural Resources:</u>					
LSTA Automation System Grant	45.310	-	\$ 15,000	\$ -	\$ 559
<u>Total U.S. National Foundation on the Arts and the Humanities</u>			<u>15,000</u>	<u>-</u>	<u>559</u>
<u>Total Federal Awards</u>			<u>156,122,769</u>	<u>46,848,948</u>	<u>10,030,745</u>
State Awards:					
<u>N.C. Department of Administration</u>					
Veteran Services		-	-	2,000	69,001
<u>N.C. Department of Commerce</u>					
NC One grant		O-2006-0058/0433	-	388,500	614,903
<u>N.C. Department of Corrections</u>					
Criminal Justice Partnership Program		-	-	105,493	180
<u>N.C. Department of Cultural Resources</u>					
Library State Aid Grant		-	-	148,448	866,864
<u>N.C. Department of Environment and Natural Resources:</u>					
Environmental Health		4751	-	4,000	-
Food and Lodging		4752	-	10,009	-
Summer Food		4753	-	2,500	-
Child Lead Poisoning		4760	-	500	-
Parks and Recreation Trust Fund		-	-	174,739	-
Funds for Soil and Water Conservation District		-	-	21,887	52,380
Scrap Tire Disposal		-	-	3,856	-
<u>Total N.C. Department of Environment and Natural Resources:</u>			<u>-</u>	<u>217,490</u>	<u>52,380</u>
<u>N.C. Department of Health and Human Services</u>					
<u>Division of Child Development:</u>					
Smart Start Day Care		398	-	140,504	-
<u>Division of Public Health</u>					
General		1410-4110-0023	-	269,892	-
Public Health Nurse Training		1430-4301-0023	-	800	-
Communicable Disease		1451-4510-0023	-	5,465	-
Tuberculosis		1451-4551-0023	-	19,568	-
TB Medical Service		1451-4554-0023	-	1,529	-
Women's Preventive Health		1511-601X-FR23	-	8,702	-
School Nurse Funding Initiative		1535-5358-0023	-	146,490	-
Public Health Lab		1560-5602-0023	-	1,542	-
<u>Division of Social Services:</u>					
Blind Aid		-	-	112	-
State Adult Protective Services		098, 099	-	77,950	58,534
State Appropriation		447	-	81,102	-
Special Assistance Administration		414	-	-	69,546

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E. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
State Awards: (continued from previous page)					
<u>Office of Administration and Support</u>					
Community Care Project		-	\$ -	\$ 100,000	\$ -
Pediatric Obesity		-	-	15,000	-
Elevator Construction		-	-	150,000	-
E-Prescribe Initiative		-	-	25,000	-
<u>Office of Emergency Medical Services</u>					
EMS Toolkit		-	-	24,479	-
Support Trailers Project 5		-	-	71	-
SMAT III Sustainment Project 11		-	-	1,378	-
<u>Passed through the Cleveland County Partnership for Children:</u>					
Smart Start Services		-	-	165,404	-
<u>Total N. C. Department of Health and Human Services</u>			-	1,234,988	128,080
<u>N.C. Department of Transportation</u>					
<u>Rural Operating Assistance Program Cluster:</u>					
Elderly and Disabled Transportation Assistance		-	-	66,702	-
Rural General		-	-	76,081	-
Workfirst Transportation		-	-	20,674	-
<u>Total Rural Operating Assistance Program Cluster:</u>			-	163,457	-
<u>Total N.C. Department of Transportation</u>			-	163,457	-
<u>N.C. Office of Juvenile Justice</u>					
Juvenile Crime Prevention Council		-	-	287,368	-
<u>N.C. Office of State Budget:</u>					
Public School Building Capital Fund - ADM			-	574,641	3,372,943
Public School Building Capital Fund - Lottery			-	1,360,683	-
<u>Total N.C. Office of State Budget:</u>			-	1,935,324	3,372,943
<u>N.C. Office of State Controller:</u>					
Controlled Substances Tax		-	-	30,840	6,662
<u>N.C. Rural Economic Development Center</u>					
Clean Water Partner Infrastructure Study Grant		-	-	40,000	20,000
Sewer Improvements		2008-073-40401-107	-	190,920	20,000
PEG Channel Capital Equipment		2008-247-80315-102	-	24,594	24,594
<u>Total N.C. Rural Economic Development Center</u>			-	255,514	64,594
<u>Total State Awards</u>			-	5,321,379	5,790,509
<u>Total Federal and State Awards</u>			\$ 156,122,769	\$ 52,170,328	\$ 15,821,254

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

1. Basis of Presentation

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

2. Subrecipients

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

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Emergency Food Program (Commodities)					
Shelby Lions Club	10.569	-	\$ 236,726	\$ -	\$ -
Juvenile Crime Prevention Council					
Cleveland County Schools - Early Interventions			\$ -	\$ 77,851	\$ -
Communities in Schools - Teen Court/Restitution			-	26,617	-
Alexander Youth Network - Multi-systemic Therapy			-	9,926	-
Mediation Center - Juvenile Mediation			-	15,506	-
Total Juvenile Crime Prevention Council			\$ -	\$ 129,900	\$ -
Rural Operating Assistance Program					
Transportation Assistance of Cleveland County			\$ -	\$ 142,783	\$ -

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

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
<u>U.S. Department of Health and Human Services</u>					
<u>Passed-through the N.C. Department 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	-	\$ 132,682	\$ 7,805	\$ -
<u>U.S. Dept. of Housing and Urban Development</u>					
<u>Passed-through N.C. Dept of Commerce,</u>					
<u>thru Isothermal Planning and Development</u>					
Community Development Block Grant-Sewer	14.228	07-E-1740	186,722	-	-
Community Development Block Grant-Housi	14.228	07-C-1657	202,125	-	-
Total pass-thru grants awards from IPDC			\$ 521,529	\$ 7,805	\$ -

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E. Schedule of Expenditures of Federal and State Awards

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

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

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Women, Infants, and Children	10.557	-	\$ 2,160,954	\$ -	\$ -
Food Stamps	10.551	-	23,275,202	-	-
Medical Assistance	93.778	-	110,895,896	42,640,127	2,701,146
Participation in Budgeted County Expenditures					
IV-D Offset Fees-ESC	93.563	-	1,006	-	518
IV-D Offset Fees-Federal	93.563	-	9,327	-	4,805
Independent Living Links	93.674	-	-	-	-
Links Transitional Funds	93.674	-	4,812	-	-
IV-E Adoption Subsidy	93.659	-	492,313	93,685	127,853
Energy Assistance Payments	93.568	-	798,031	-	-
AFDC Payments and Penalties	93.560	-	(1,544)	(423)	(423)
AFDC Unemployed Parents Assistance	93.560	-	(233)	(64)	(64)
TANF Payments and Penalties	93.558	-	1,463,379	(149)	319
Child Welfare Services Adoption Subsidy	-	-	-	377,365	109,357
State-County/Special Assistance					
Domicillary Care Payments		-	-	1,346,748	1,346,748
Total participation in budgeted county expenditures			<u>2,767,093</u>	<u>1,817,162</u>	<u>1,589,113</u>
Total direct benefit payments			<u>\$ 139,099,145</u>	<u>\$ 44,457,289</u>	<u>\$ 4,290,259</u>

5. The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes:

Subsidized Child Care, Foster Care and Adoption.