

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

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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.

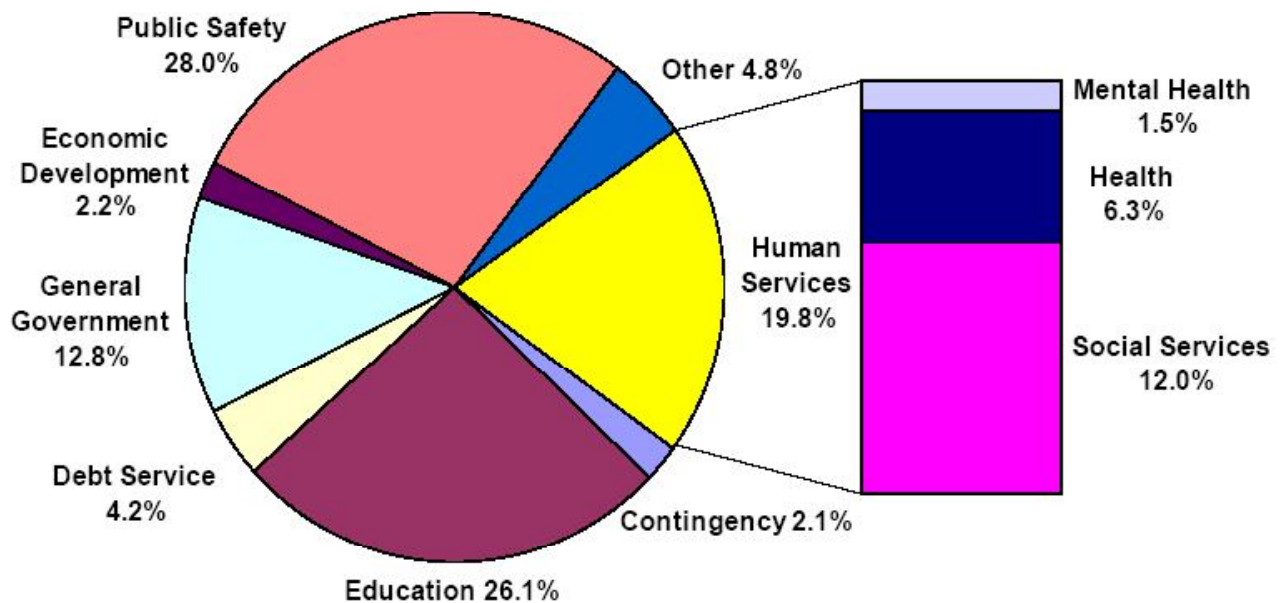
Public Safety

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.

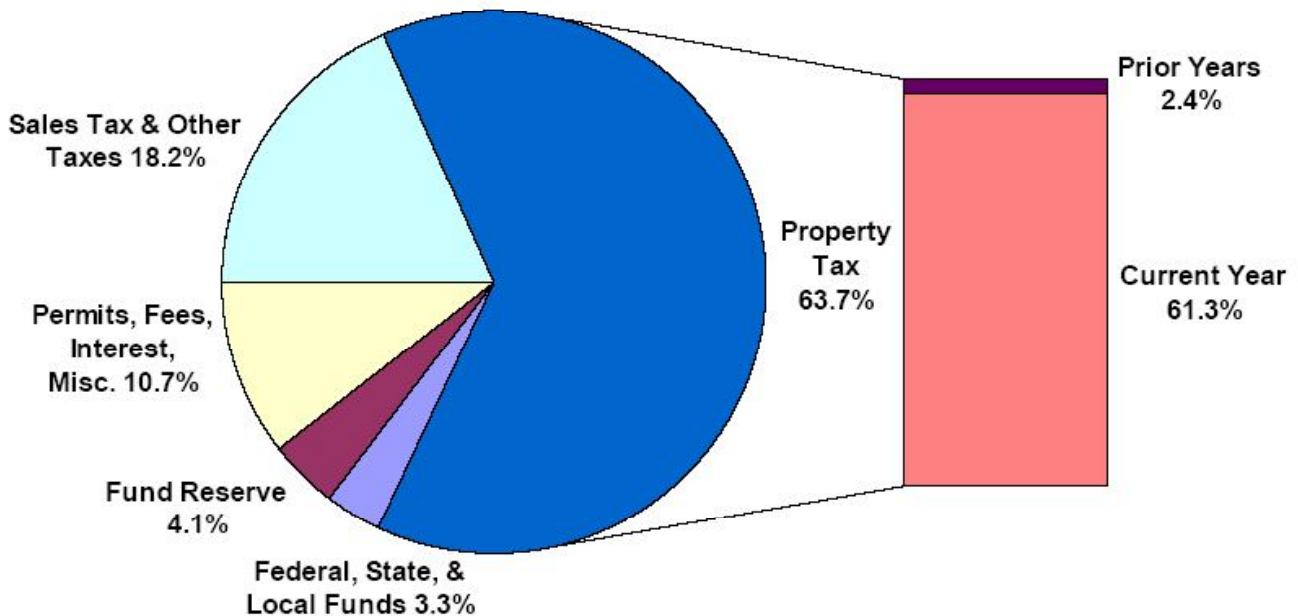
Fees

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	679,943	608,552	(71,391)	-10.50%
TOTAL, INCLUDING TRANSFERS	101,031,799	94,791,180	(6,240,619)	-6.18%
LESS INTERFUND TRANSFERS:	(17,510,210)	(13,363,347)	4,146,863	-23.68%
TOTAL, EXCLUDING TRANSFERS	83,521,589	81,427,833	(2,093,756)	-2.51%
<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	1,291,878	1,383,877	91,999	7.12%
TOTAL, INCLUDING TRANSFERS	13,774,398	13,940,017	165,619	1.20%
LESS INTERFUND TRANSFERS:	(11,000)	(11,000)	-	0.00%
TOTAL, EXCLUDING TRANSFERS	13,763,398	13,929,017	165,619	1.20%
<u>DEBT SERVICE FUND CLASSIFICATION:</u>				
TOTAL, INCLUDING TRANSFERS	3,334,178	3,825,526	491,348	14.74%
LESS INTERFUND TRANSFERS:	(3,334,178)	(3,825,526)	(491,348)	14.74%
TOTAL, EXCLUDING TRANSFERS	-	-	-	-100.00%
<u>CAPITAL PROJECT FUND CLASSIFICATION:</u>				
Capital Projects	1,566,000	1,841,000	275,000	17.56%
Capital Reserve	1,566,000	1,841,000	275,000	17.56%
TOTAL, INCLUDING TRANSFERS	3,132,000	3,682,000	550,000	17.56%
LESS INTERFUND TRANSFERS:	(2,710,000)	(3,291,000)	(581,000)	21.44%
TOTAL, EXCLUDING TRANSFERS	422,000	391,000	(31,000)	-7.35%
<u>ENTERPRISE FUND CLASSIFICATION:</u>				
TOTAL, INCLUDING TRANSFERS:	5,954,901	5,975,785	20,884	0.35%
TOTAL, INCLUDING TRANSFERS:	5,954,901	5,975,785	20,884	0.35%
TOTAL, INCLUDING TRANSFERS	127,227,276	122,214,508	(5,012,768)	-3.94%
LESS INTERFUND TRANSFERS:	(23,565,388)	(20,490,873)	3,074,515	13.05%
TOTAL, EXCLUDING TRANSFERS	\$ 103,661,888	\$ 101,723,635	\$ (1,938,253)	-1.87%

**Cleveland County, North Carolina
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I: PREFACE AND INTRODUCTION
B. List of Principal County Officials**

BOARD OF COUNTY COMMISSIONERS

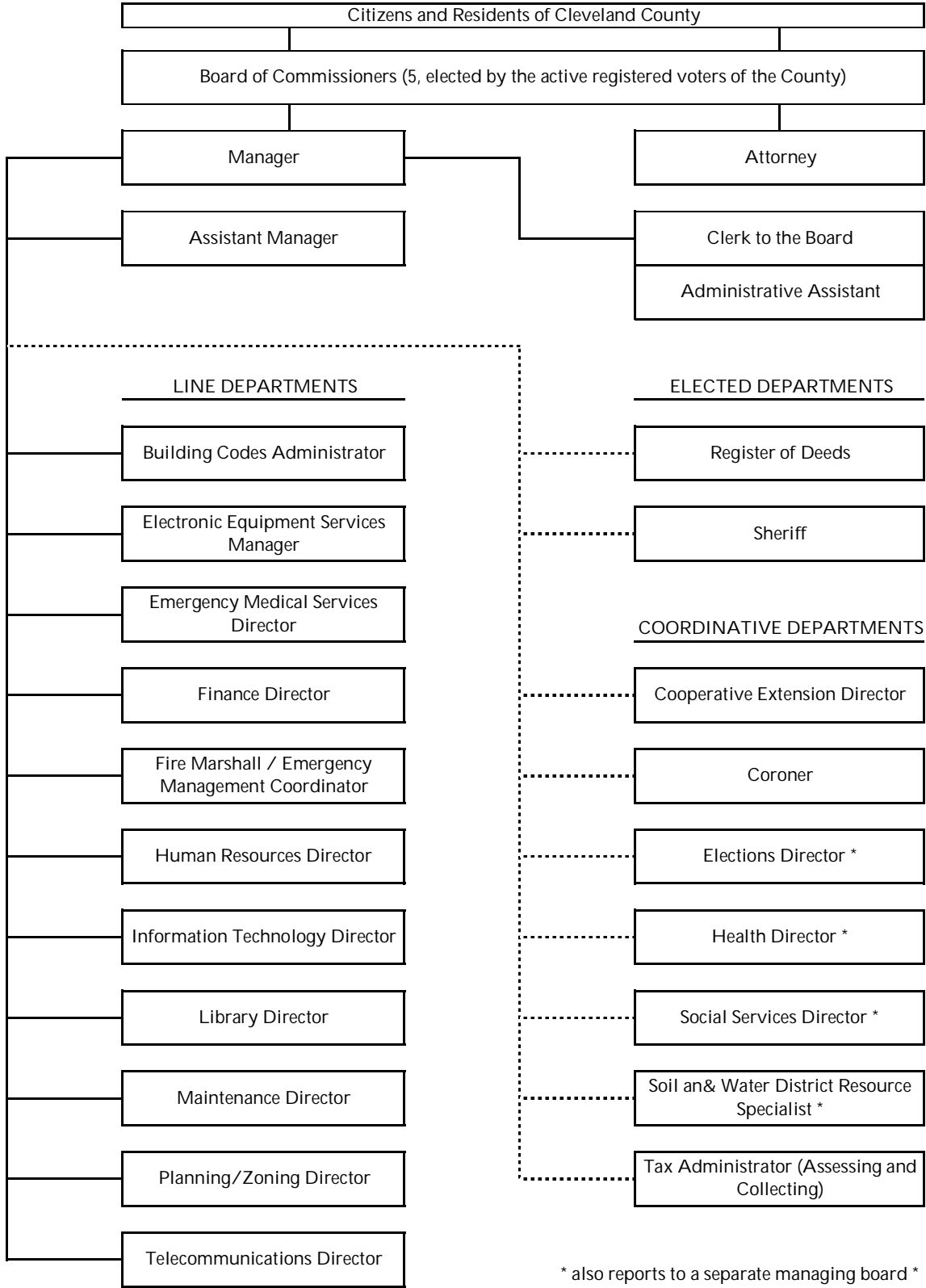
		JO BOGGS Commission Chair Term Expires 2010	
MARY ACCOR Commissioner Term Expires 2012			EDDIE HOLBROOK Commissioner Term Expires 2010
RONNIE HAWKINS Commissioner Term Expires 2012			JOHNNY HUTCHINS Commission Vice-Chair Term Expires 2012

COUNTY OFFICIALS

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

* 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

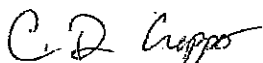
I express deep appreciation for the Board of Commissioners, County Manager, and other administrative staff for their interest and support in planning and conducting the financial affairs of the County.

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