

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

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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

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

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Cleveland County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cleveland County, North Carolina, as of and for the year ended June 30, 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

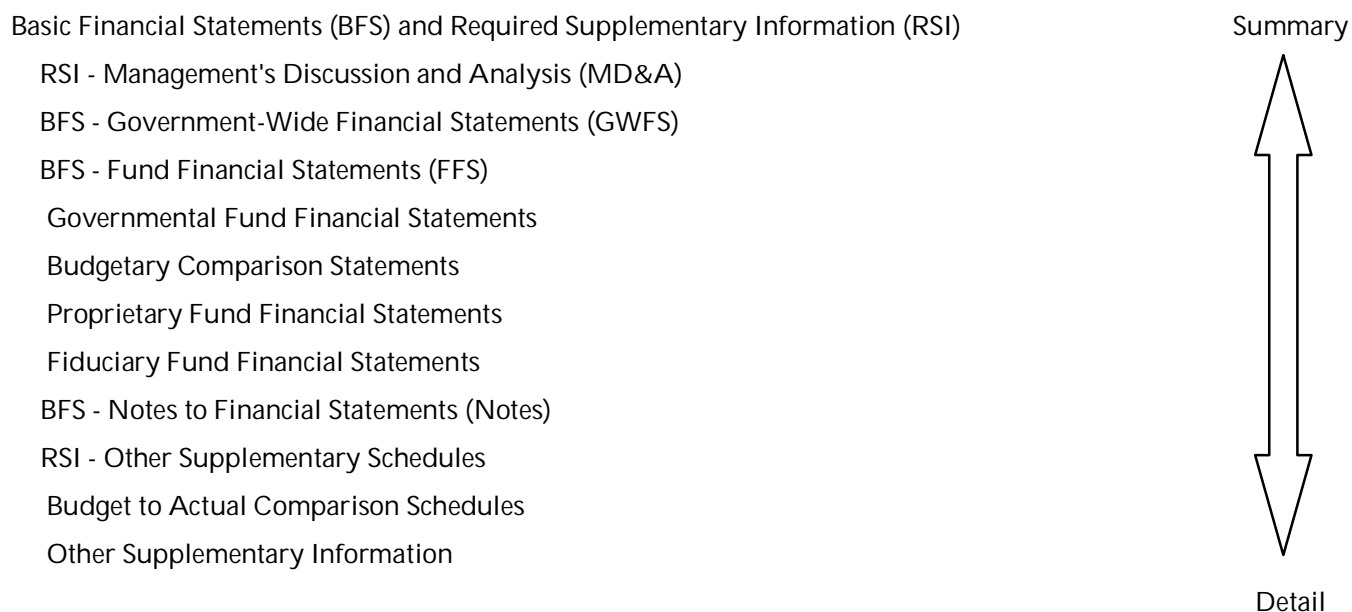


Figure 1. Level of Detail

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	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	(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	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	(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	<u>\$ 111,411,739</u>	<u>\$ 57,018,002</u>	<u>\$ 168,429,741</u>

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	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

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

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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)
2. Fund Financial Statements

	<u>Identifier</u>	<u>Page No.</u>
a. Governmental Funds: Balance Sheet	Exhibit II.C.2.a	41
a.i. Reconciliation of the 'Governmental Funds: Balance Sheet' to the 'Government-Wide Statement of Net Assets'	Exhibit II.C.2.a.i	42
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
g. Enterprise Fund: Statement of Revenues, Expenses, and Changes in Fund Net Assets	Exhibit II.C.2.g	49
h. Enterprise Fund: Statement of Cash Flows	Exhibit II.C.2.h	50
i. Fiduciary Funds: Statement of Fiduciary Net Assets	Exhibit II.C.2.i	51

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 foci and bases of accounting, specifically relating to the following reasons:</p>		
1. Whereas all cash proceeds from the disposal of capital assets are recognized as revenues in governmental funds, both cash and non-cash gains and losses from the disposal of a capital asset are recorded on the Statement of Net Assets. Net gains (losses) are:	(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	<u>\$ 1,705,914</u>	<u>\$ 24,779,862</u>

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>
a. Summary of Significant Accounting Policies	Note a	53
b. Detail Notes on Important Items	Note b	60
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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:

Member Category	No.
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	90

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	\$ 377,051	\$ (220,087)	\$ 156,964

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:

	General Obligation Bonds:		Other Long-Term Debt:		Capitalized Leases:		Total Debt Service:	
	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
							156,964	12,512
							\$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	5,879,239
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	5,308,267
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	\$ 17,819,518

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	<u>\$ 19,835</u>	<u>\$ 1,071,310</u>	<u>\$ 1,091,145</u>

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	<u>\$ 10,039,258.32</u>	<u>\$ 1,091,303.87</u>	<u>\$ 11,130,562.19</u>

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
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

	<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
<i>--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2005</i>						
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
<i>--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2005</i>						
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
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 LEOSSA 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

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

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2007

Present and Prospective Assets	
Present assets	\$ -
Present value of future (unfunded) accrued liability contributions	981,492
Total assets, as of December 31, 2007	<u>\$ 981,492</u>

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

Present retired members and beneficiaries	\$ 282,161
Present active members	699,331
Total liabilities, as of December 31, 2007	<u>\$ 981,492</u>

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR 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.

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

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 LEOWSA 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
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 LEOSSA 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, 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:
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
<i>--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2008</i>						
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
<i>--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2008</i>						
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
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 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

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

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	\$ 15,565,951
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	\$ 15,565,951

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.

	Rate *	Amount
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%	\$ 1,377,628

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	\$ 1,640,468		
Contributions	(262,840)		
Change in net OPEB obligation	1,377,628		
Net OPEB Obligation, as of June 30, 2009			\$ 1,377,628

**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

	Number	Amount
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.

	Rate *	Amount
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 - Over (Under)	2008
	Budget	Actual		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	<u>7,897,115</u>	<u>9,529,871</u>	<u>1,632,756</u>	<u>9,497,364</u>
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	<u>404,035</u>	<u>1,877,515</u>	<u>1,473,480</u>	<u>1,010,381</u>
Total revenues	<u>82,660,641</u>	<u>82,827,452</u>	<u>166,811</u>	<u>80,754,665</u>
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	<u>3,135,260</u>	<u>2,447,616</u>	<u>(687,644)</u>	<u>2,144,952</u>
County Manager/administration				
Salaries/benefits	465,650	466,320	670	406,949
Other expenses	30,680	27,642	(3,038)	28,721
Subtotal County Manage administration	<u>496,330</u>	<u>493,962</u>	<u>(2,368)</u>	<u>435,670</u>
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	<u>600,669</u>	<u>594,110</u>	<u>(6,559)</u>	<u>567,893</u>
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	<u>1,360,229</u>	<u>1,343,665</u>	<u>(16,564)</u>	<u>1,226,179</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)				
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	90,354	88,136	(2,218)	81,943
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 inspections	<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	<u>1,029,365</u>	<u>987,012</u>	<u>(42,353)</u>	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	<u>420,320</u>	<u>409,057</u>	<u>(11,263)</u>	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	<u>908,783</u>	<u>863,191</u>	<u>(45,592)</u>	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	<u>334,887</u>	<u>290,805</u>	<u>(44,082)</u>	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	<u>438,907</u>	<u>386,057</u>	<u>(52,850)</u>	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	<u>535,792</u>	<u>200,614</u>	<u>(335,178)</u>	-
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	<u>1,253,008</u>	<u>1,019,738</u>	<u>(233,270)</u>	751,508
CODAP				
Salaries/benefits	226,745	227,641	896	168,261
Other expenses	33,587	28,050	(5,537)	18,779
Subtotal CODAP	<u>260,332</u>	<u>255,691</u>	<u>(4,641)</u>	187,040
Total Health Services	<u>12,497,466</u>	<u>11,556,679</u>	<u>(940,787)</u>	10,172,097
Total Human Services	<u>40,106,499</u>	<u>36,598,540</u>	<u>(3,507,959)</u>	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	<u>55,120</u>	<u>54,717</u>	<u>(403)</u>	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

(continued on next page)

Non-major Governmental Funds					
CDBG Housing Rehab	Debt Service	Capital Projects	Totals		
			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

(continued on next page)

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>	804,444
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>	1,198,487
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>	1,166,177
Excess of revenues over (under) expenditures	<u>(203,852)</u>	<u>(68,580)</u>	<u>135,272</u>	32,310
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>	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(68,580)</u>	<u>\$ (68,580)</u>	32,310
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

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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
E. Other Supplementary Information**

	<u>Identifier</u>	<u>Page No.</u>
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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
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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	Rate 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	<u>3,394,186</u>	<u>\$ 36,411,082</u>	<u>\$ 1,937,441</u>	<u>\$ (38,008,267)</u>	<u>\$ (422,675)</u>	<u>3,311,767</u>
	<u>(1,361,722)</u>	Less allowance for uncollectible ad valorem taxes receivable				<u>(1,160,504)</u>
	<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)					(299,773)
	<u>\$ 525,843</u>					<u>\$ 563,455</u>
		Less allowance for uncollectible ad valorem taxes receivable				
		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)	<u>\$ 9,986,375</u>

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)					(25,164)
	\$ 46,110					\$ 51,070
						Ad valorem taxes receivable, net

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