

**CLEVELAND COUNTY
NORTH CAROLINA**



**ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED JUNE 30, 2010**

COMPARATIVE INFORMATION TO PRIOR YEAR INCLUDED
SIMILAR TO GFOA'S RECOGNIZED FORMAT FOR A COMPREHENSIVE ANNUAL FINANCIAL REPORT

CLEVELAND COUNTY NORTH CAROLINA



ANNUAL FINANCIAL AND COMPLIANCE REPORT FOR THE YEAR ENDED JUNE 30, 2010

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

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Cleveland County, North Carolina
Annual and Financial Compliance Report
For the Year Ended June 30, 2010
I: PREFACE AND INTRODUCTION
A. Message from the County Manager

October 15, 2010

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

North Carolina General Statute (NCGS) 159-34(a) requires the County to contract with a certified public accountant to 1) have the financial records audited as soon as possible after the close of each year and 2) evaluate the County's performance with regard to compliance with all applicable federal and State regulations. The statute also requires that the auditor be permitted access to all records and other information upon request. In January 2010, the County entered a contract with Martin Starnes & Associates, CPAs, P.A. to conduct the audit for the fiscal year ended June 30, 2010. The auditor was permitted access to all requested information, and no significant deficiencies have been noted. As of the date of this letter, the auditor's work is virtually completed.

More importantly, as the foundation of the County's financial planning and control, the annually adopted budget gives direction to County departments. The remaining text below is excerpted from a message concerning the budget for the fiscal year ending June 30, 2011.

The Board of Commissioners met on March 25, 2010 to discuss and evaluate budget and capital project priorities for fiscal year 2010-2011. Our County has been facing challenging economic conditions that have negatively affected County revenues, but because of the Commissioners strong leadership and sound fiscal management, Cleveland County has been able to present a balanced budget with no tax increase and no reduction in County funded services.

General Fund Budget

The projected tax base for fiscal year 2010-2011 is \$6,550,000,000. This is a projected increase of \$115,000,000 in value over the previous year, which translates into \$635,835 in new revenue at a 57 cents tax rate and a 97% collection rate. Sales tax revenues are projected to slightly decrease this year, but will hopefully recover sometime in 2011. Overall service-related fee collections are expected to see a reduction in most departments. As fees for services decline, departments will be asked to work harder to control associated departmental expenses. With minimal increases in the property tax base, our current allocated funding levels will be difficult to sustain over time unless growth in the tax base and sales taxes increase to match our mandated spending requirements.

Human Services

The overall appropriation of County funding for the *Department of Social Services* is \$4,550,723 for an increase in funding of 7.78% over the previous year. This increase is primarily the result of a rise in the County's share of State-mandated costs. County funding will be increasing for

foster care services and State aid to counties for administration purposes will be decreasing. Due to the poor state of the economy, the volume of clients at Social Services is continuing to grow. The demand for services is likely to continue until the economy improves. This budget does include two new Income Maintenance Caseworker IIs for Social Services. If the County Commissioners had not approved a new computerized client services system a little over a year ago, we would be facing the need to add more staff to handle this increased workload; but as it stands, we are able to handle the increased volume of clients with very little change in staffing levels.

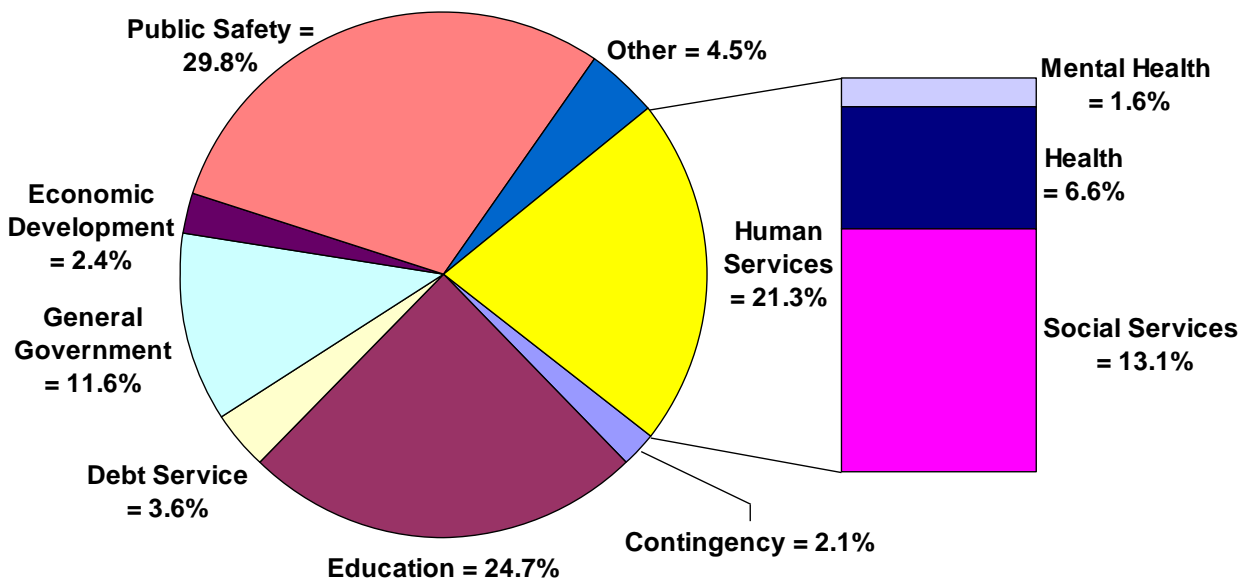
The *Health Department* budget reflects an overall increase of 1.83% for a total County appropriation of \$3,703,140. The Health Department is proposing to add four full-time Public Health Nurse IIs, one Public Health Nurse I, one Public Health Nurse II (50%), and one new Computing Support Technician. These positions are grant funded; therefore, when the grant expires the positions will be abolished. This budget also reflects a reduction in force of two Environmental Health Specialists (012.541.0039, 012.541.0055).

Landfill (Enterprise Fund)

The County moved into our newly constructed landfill in January 2010. We are currently in the process of closing the old landfill. The fee schedule for the landfill will be rising by \$3 per ton due to the increased environmental costs associated with the old unlined landfill that we took over from the City of Shelby which ceased operations in the 1970s. We are continuing to explore the recovery and beneficial uses of the methane gas produced by the landfill. A proposal will be presented later in the year on the potential uses of this gas as a renewable energy resource.

Cleveland County Expenditures

FY 2010-2011 Primary Fund By Function



Public Safety

The *Emergency Medical Services* Department budget is allocated a total of \$5,385,427. This department budget reflects an increase of .97%, with most of the additional funds consisting of part-time salaries, billing company fees, and minor equipment purchases. A new ambulance is also included in the budget.

The *Sheriff's Office* budget reflects a decline of 1.11% for a total appropriation of \$5,577,386. This budget includes the addition of 10 new Sheriff's vehicles to replace current high mileage vehicles. With the retirement of the incumbent Sheriff in December, further adjustments may be necessary when the new Sheriff takes office.

The Detention Center appropriation is increasing by 28.66% for a total allocation of \$3,068,155. Due to the 152-bed expansion at the Detention Center annex, it is necessary to hire a total of 14 new staff members. As a result in the increased population, food, laundry, utilities, and healthcare costs have risen in the new budget. We have been working closely with the Sheriff's Office administration to keep costs down as much as possible; but with the addition of new inmates, some increase in operational costs are unavoidable.

Volunteer Fire Service Districts

All fire service district tax rates will remain unchanged from last fiscal year. Fire departments continue to place an emphasis on the recruitment and retention of their volunteer members. It is often difficult to get volunteers during the day who are available to respond to calls, so in the near future we will need to explore the probability of having some paid staff during daytime hours.

Tax Administration

This budget proposes no change in the current property tax rate of 57 cents per \$100 of valuation. The tax rates for the County-wide school district and the County fire district will also remain at 15 cents and 3 cents, respectively. The early payment discount for taxpayers who pay during the month of August will remain at the current discount rate of one-half of 1%. With the addition of the Paralegal position, our tax collection rate remains strong in spite of the poor economy. Later this coming year, we will need to begin discussing the County's options for the next scheduled property revaluation.

Human Resources

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

In lieu of a pay increase, County employees will receive bonus vacation hours based on years of service. The years of service will be determined as of July 1, 2010. The bonus vacation hours may be used like any other vacation time. The hours will be pro-rated for part-time employees in permanently budgeted positions.

Years of Service	Bonus Vacation Hours
1-5	8
5-10	16
10-15	24
15-20	32
20-25	40
25-30	48
30+	56

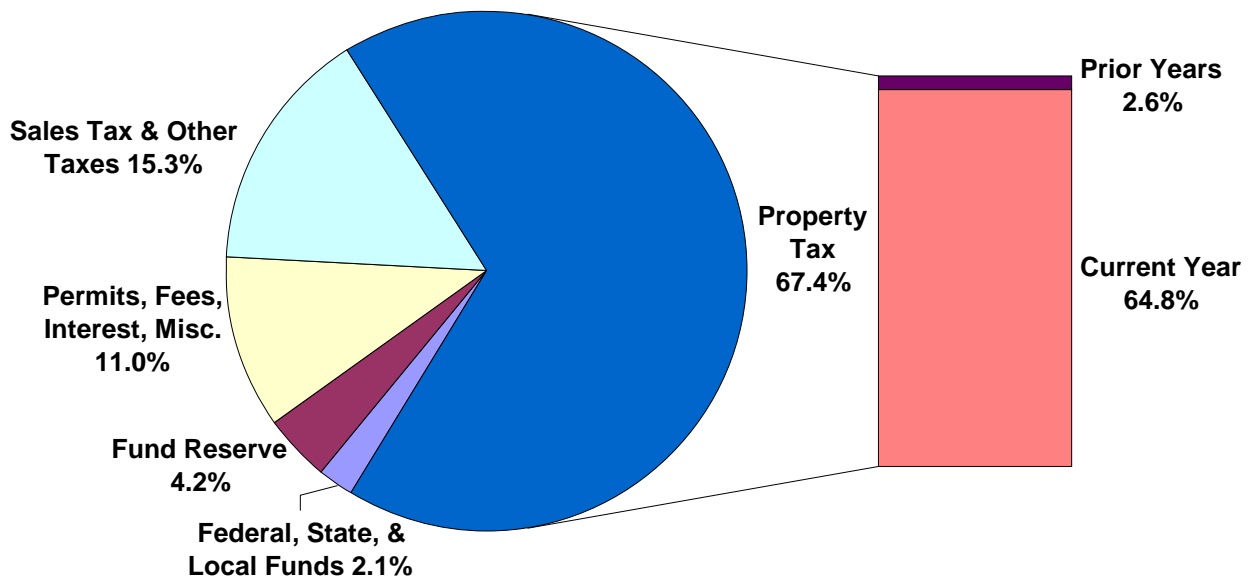
We will continue to offer employees health insurance options with an opportunity to select either a Health Savings Account (HSA) or a traditional PPO. Our health insurance costs continue to remain stable due primarily to the savings of the HSA plan. For next year, the premiums paid by the County on behalf of the employees will rise by 4%.

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

Due to the poor economy and the failure to reach targeted investment earnings, the North Carolina Local Government Employees' Retirement System Board of Trustees approved an increase in the employer contribution rate to 6.35% of payroll, which is a 1.55 percentage point increase above the current rate of 4.8%. This new rate will be effective July 1, 2010.

Cleveland County Revenues

FY 2010-2011 Primary Fund By Source



Veterans Services

As a result to the increased volume of veterans in the County, the Veterans Services office has been redesigned and moved to a new location in the basement of the County administrative building. In order to continue our priority in providing prompt and effective services for our County veterans, this budget has allocated a new Administrative Support Assistant to this department.

Public Schools

The current expenditures for the Cleveland County School System will remain the same as in the previous year. The County allocation in the budget totals \$24,133,213 with the overall funding equating to over \$1,679 per pupil. The increase in per pupil funding is due to an increase in the property tax base as well as a decrease in the number of students. Restricted capital projects funding will be the same as the previous year for a total of \$1.4 million.

CLEVELAND COUNTY						
SCHOOL FUNDING WORKSHEET (ACCRUAL BASIS)						
March 15, 2010						
FISCAL YEAR	2011	2010	2009	2008	2007	2006
	<i>projected</i>	<i>estimate</i>				
Current Expense	10,408,213	10,408,213	10,408,213	9,908,213	9,808,213	9,808,213
Capital Outlay	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Special Capital Projects	1,400,000	1,400,000	1,400,000	1,400,000	1,300,000	1,100,000
Supplemental Tax	10,325,000	10,200,000	10,099,060	9,215,690	9,091,504	8,972,776
Fines & Forfeitures	550,000	575,000	590,056	640,742	561,027	488,464
Sales Tax	2,440,500	2,679,000	3,282,542	4,022,266	4,035,765	3,828,164
Total Funding	27,123,713	27,262,213	27,779,872	27,186,911	26,796,509	26,197,617
Student Population	16,147	16,411	16,768	16,957	17,089	17,217
Per Pupil Funding	1,679.80	1,661.22	1,656.72	1,603.29	1,568.06	1,521.61
Annual Amount Change	18.58	4.50	53.43	35.23	46.44	70.64
Annual Percentage Change	1.12%	0.27%	3.33%	2.25%	3.05%	4.87%

The Board of Commissioners approved plans to build the new Shelby Middle School which is scheduled to open in the fall of 2011. Once completed, the old Shelby Middle School will be renovated to house the school administrative offices. There are also plans to renovate North Shelby School sometime in the near future.

Community College

The budget includes an allocation of \$1,415,129 in current expenditures for the Cleveland Community College. This appropriation includes increased funding due to the rise in student enrollment and for utilities and maintenance for new campus facilities. Funding for capital projects will remain unchanged.

Capital Projects

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

- Conference Center/Early College High School/Continuing Education facility - collaborating with Cleveland County Schools and Cleveland Community College to construct a multi-purpose facility. The design of the facility has been completed. The financing and other fundraising efforts are in progress.
- Shelby Middle School - working with the School Board to prepare for a new Shelby Middle School with plans to open in the fall of 2011.
- Detention Center Annex Expansion - construction is underway for this 152-bed expansion project with an estimated completion date of January 2011.
- Animal Shelter - final stages of an extensive animal shelter renovation and expansion are under construction.
- Foothills Commerce Center - working in a joint venture with the City of Shelby to develop an industrial park west of the City. Efforts continue with the exploration of funding sources to construct a shell building in the Park.
- Fuel Facility - worked with the City of Shelby on a joint project to save taxpayers by constructing a fuel facility for public vehicles. This facility, located on Grover Street, opened the first of May.
- Shelby - Cleveland County Regional Airport Terminal - working on a project with the City of Shelby to construct a new airport terminal to be completed later this year.

Economic Development/Tourism

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

The County has continued to place an emphasis on local travel and tourism within our community. This budget is allocating \$90,000 for travel and tourism with a majority of funding coming from the local occupancy tax. Cleveland County and the City of Shelby were recently awarded a four-year contract to host the American Legion World Series baseball tournament. As a result of the hard work of many dedicated volunteers, our community will see a tremendous economic benefit and national recognition. Destination Cleveland County recently received a \$1.5 million grant from the Economic Development Administration to assist with the development of the Scruggs Center. Once complete, this facility along with the Don Gibson Theatre will have a significant impact on the numbers of visitors to our County.

Conclusion

The County unemployment rate is currently 14.3%. Retail sales have continued to decline and local housing starts are currently very depressed. Despite declining revenues, this budget focuses on maintaining overall public expenditures at current levels. We are exploring all avenues to manage costs while providing exceptional quality services. Based on the

Commissioners' direction and leadership, we will continue to operate with no reduction in County-funded services and no increase in property taxes in the near future.

We look forward to continuing our focus on the recruitment of new businesses and the retention of our current businesses. Creating and retaining jobs for our citizens will help stabilize our local economy as well as assist with maintaining a stable tax rate. We are currently working on several economic development projects which if successful, will have a positive impact on our overall economy, and unemployment rate. Our County departments and staff will continue to work diligently to contain costs and manage our resources wisely while providing exceptional public services.

Respectfully submitted,

David C. Dear

David C. Dear
County Manager / Budget Officer


DESCRIPTION	FY 2010 BUDGET ORDINANCE	FY 2011 BUDGET ORDINANCE	AMOUNT CHANGE	% CHANGE
<u>GENERAL FUND CLASSIFICATION:</u>				
Primary Government Services	\$ 58,012,202	\$ 58,461,375	\$ 449,173	0.77%
Social Services and Public Assistance	22,870,944	23,425,299	554,355	2.42%
Public Health	11,848,900	12,270,614	421,714	3.56%
Employee Wellness	726,350	753,412	27,062	3.73%
Court Facilities	324,232	321,140	(3,092)	-0.95%
School Property Taxes	9,362,925	9,530,250	167,325	1.79%
Workers' Compensation	400,000	722,000	322,000	80.50%
Health Insurance	<u>608,552</u>	<u>630,000</u>	<u>21,448</u>	<u>3.52%</u>
TOTAL, INCLUDING TRANSFERS	104,154,105	106,114,090	1,959,985	1.88%
LESS INTERFUND TRANSFERS:	<u>(13,363,347)</u>	<u>(13,748,976)</u>	<u>(385,629)</u>	<u>2.89%</u>
TOTAL, EXCLUDING TRANSFERS	<u>90,790,758</u>	<u>92,365,114</u>	<u>1,574,356</u>	<u>1.73%</u>
<u>SPECIAL REVENUE FUND CLASSIFICATION:</u>				
Property Revaluation	25,800	-	(25,800)	-100.00%
Emergency Telephone (E911)	330,901	376,840	45,939	13.88%
County Fire Service District	<u>1,383,877</u>	<u>1,454,966</u>	<u>71,089</u>	<u>5.14%</u>
TOTAL, INCLUDING TRANSFERS	1,740,578	1,831,806	91,228	5.24%
LESS INTERFUND TRANSFERS:	<u>(11,000)</u>	<u>-</u>	<u>11,000</u>	<u>-100.00%</u>
TOTAL, EXCLUDING TRANSFERS	<u>1,729,578</u>	<u>1,831,806</u>	<u>102,228</u>	<u>5.91%</u>
<u>DEBT SERVICE FUND CLASSIFICATION:</u>				
TOTAL, INCLUDING TRANSFERS	3,825,526	4,782,136	956,610	25.01%
LESS INTERFUND TRANSFERS:	<u>(3,825,526)</u>	<u>(3,690,936)</u>	<u>134,590</u>	<u>-3.52%</u>
TOTAL, EXCLUDING TRANSFERS	<u>-</u>	<u>1,091,200</u>	<u>1,091,200</u>	<u>100.00%</u>
<u>CAPITAL PROJECT FUND CLASSIFICATION:</u>				
Capital Projects	1,841,000	1,406,000	(435,000)	-23.63%
County Capital Reserve	1,841,000	1,256,000	(585,000)	-31.78%
School Capital Reserve	<u>2,836,514</u>	<u>3,152,400</u>	<u>315,886</u>	<u>11.14%</u>
TOTAL, INCLUDING TRANSFERS	6,518,514	5,814,400	(704,114)	-10.80%
LESS INTERFUND TRANSFERS:	<u>(3,291,000)</u>	<u>(2,356,000)</u>	<u>935,000</u>	<u>-28.41%</u>
TOTAL, EXCLUDING TRANSFERS	<u>3,227,514</u>	<u>3,458,400</u>	<u>230,886</u>	<u>7.15%</u>
<u>ENTERPRISE FUND CLASSIFICATION:</u>				
TOTAL, INCLUDING TRANSFERS:	<u>5,975,785</u>	<u>8,980,518</u>	<u>3,004,733</u>	<u>50.28%</u>
TOTAL, INCLUDING TRANSFERS:	<u>5,975,785</u>	<u>8,980,518</u>	<u>3,004,733</u>	<u>50.28%</u>
TOTAL, INCLUDING TRANSFERS	122,214,508	127,522,950	5,308,442	4.34%
LESS INTERFUND TRANSFERS:	<u>(20,490,873)</u>	<u>(19,795,912)</u>	<u>694,961</u>	<u>-3.39%</u>
TOTAL, EXCLUDING TRANSFERS	<u>\$101,723,635</u>	<u>\$107,727,038</u>	<u>\$ 6,003,403</u>	<u>5.90%</u>

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
I: PREFACE AND INTRODUCTION
B. List of Principal County Officials**

BOARD OF COUNTY COMMISSIONERS

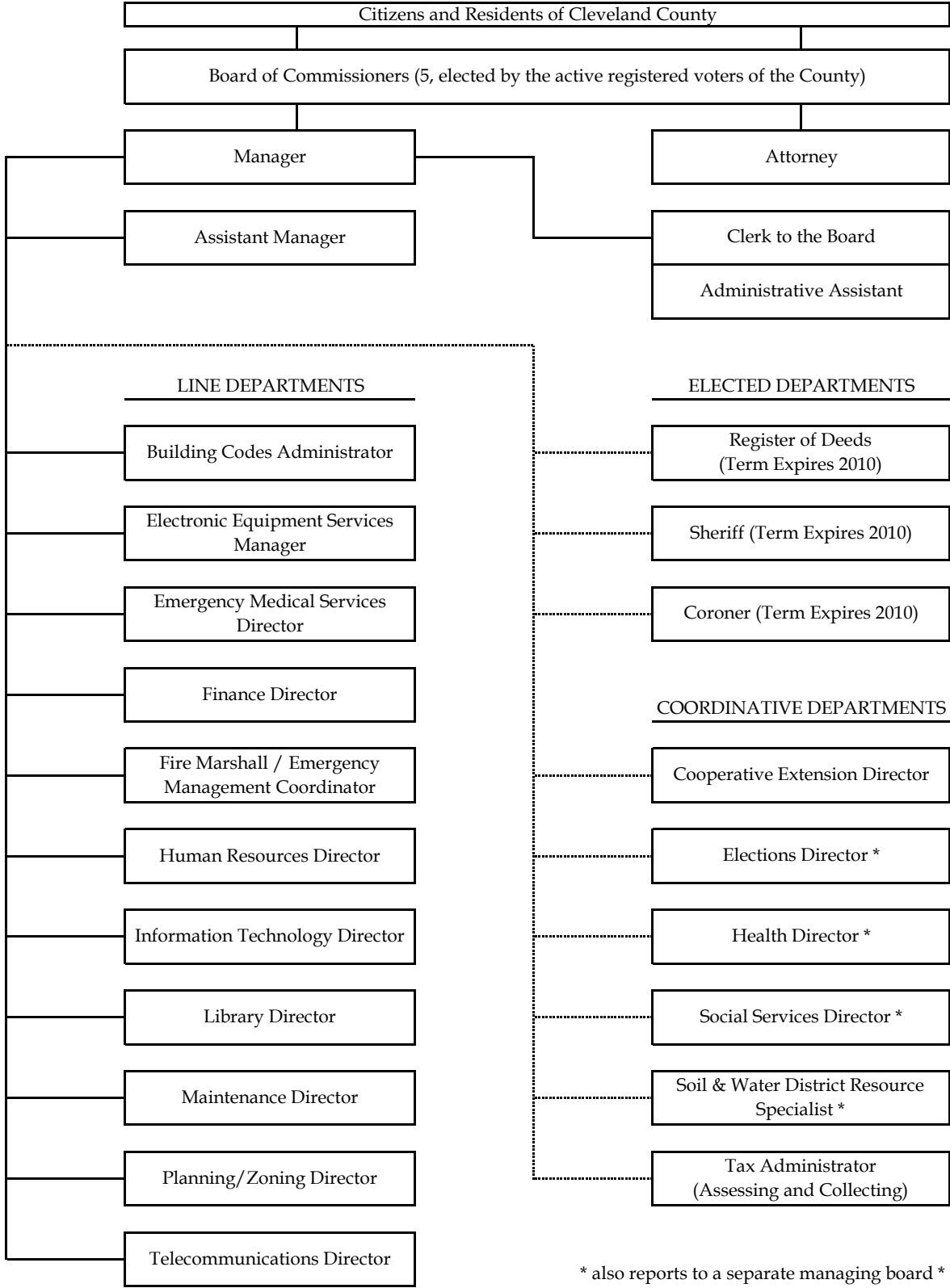
<p>MARY ACCOR Commissioner Term Expires 2012</p>		<p>JO BOGGS Commission Chair Term Expires 2010</p> 		<p>EDDIE HOLBROOK Commissioner Term Expires 2010</p>
<p>RONNIE HAWKINS Commissioner Term Expires 2012</p>			<p>JOHNNY HUTCHINS Commission Vice-Chair Term Expires 2012</p>	

COUNTY OFFICIALS

<p>EDDIE BAILES Assistant Manager</p> <p>PAUL EZELL Building Codes Administrator</p> <p>MARK DELLINGER Electronic Equipment Services Manager</p> <p>JOE LORD Emergency Medical Services Director</p> <p>C. D. CREPPS Finance Director</p> <p>DEWEY COOK Fire Marshall / Emergency Management Coordinator</p> <p>ALEXIS PEARSON Human Resources Director</p> <p>MARTY GOLD Information Technology Director</p> <p>CAROL WILSON Library Director</p> <p>PETE MCFARLAND Maintenance Director</p> <p>BILL MCCARTER Planning/Zoning Director</p> <p>DAVID DODD Telecommunications Director</p>	<p>DAVID C. DEAR Manager</p> 	<p>BOB YELTON Attorney</p> <p>KERRI MELTON Clerk to the Board</p> <p>APRIL CROTTS Administrative Assistant</p> <p>BONNIE REECE (Term Expires 2010)</p> <p>RAYMOND HAMRICK Sheriff (Term Expires 2010)</p> <p>DWIGHT TESSNEER Coroner (Term Expires 2010)</p> <p>GREG TRAYWICK Cooperative Extension Director</p> <p>DEBRA BLANTON Elections Director *</p> <p>DOROTHEA WYANT Health Director *</p> <p>KAREN ELLIS Social Services Director *</p> <p>BEN ROBINSON Soil & Water District Resource Specialist *</p> <p>CHRIS GREEN (Assessing and Collecting)</p>
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* also reports to a separate managing board *

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
I: PREFACE AND INTRODUCTION
C. Organizational Chart**



* also reports to a separate managing board *

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
I: PREFACE AND INTRODUCTION
D. Introduction from the County Finance Director

October 15, 2010

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

County management hereby respectfully submits, and is responsible for the contents of, the *Annual Financial and Compliance Report For the Year Ended June 30, 2010* to the Cleveland County Board of Commissioners, residents of Cleveland County, and other readers. With this *Annual Financial and Compliance Report* of Cleveland County, North Carolina, management portrays the basic financial condition, and recent changes thereto, of the County government.

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

County's Responsibilities

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

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

designed both 1) to help protect the County's assets from loss, theft, or misuse and 2) to compile sufficient reliable information presented in this report as the County's official financial statements and related schedules such that the presented information complies with U.S. generally accepted accounting principles. While County management conducts its continuing assessment, the County asserts reasonable assurance, not absolute assurance, that its internal control over both 1) the effectiveness and efficiency of operations and 2) financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, as of June 30, 2010 was operating effectively.

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

Assertions

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

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

Description of Cleveland County

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

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

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

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

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

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

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

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

The local economy is diverse and without dependence on any one industry. Truck cabs, transmissions, armored vehicle plating, aircraft parts, ceramic capacitor material, electric motors, and production equipment are just a few of the items fabricated in Cleveland County. Cleveland County is home to numerous ISO 9000 certified companies and over one-fifth of the workforce is involved in manufacturing. And, the County offers a unique combination of assets to existing and new industry, such as an abundant and educated workforce, a highly diversified industrial base, a positive work ethic, cooperative educational programs from Cleveland Community College located in Shelby, organically grown food from Hallelujah Acres, ethanol (an alternative fuel for vehicles), and easy access to various types of transportation routes. The County has a broad diversity of manufacturing firms, of which more than 20 firms employ 100 or more persons.

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

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

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

central to recreational facilities located in nearby national parks (i.e. Kings Mountain) and State parks (i.e. South Mountain and Crowders Mountain in N.C. and Kings Mountain in S.C.).

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

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

Long-Term Financial Planning

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

titled the “Capital Improvement Program” (CIP). The plan addresses both 1) the projected costs of additional operating and capital needs and 2) the strategy to provide financial resources from which to pay the costs in the foreseeable future. Major items in the plan include improving public school facilities and constructing a multi-purpose community complex on the campus of Cleveland Community College. The first year of the plan reflects the items included in the County’s capital budget for the year ending June 30, 2011.

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

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

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

Summary

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

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

Respectfully submitted,

C D Crepps

C. D. Crepps
County Finance Director

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010**

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

	<u>Identifier</u>	<u>Page No.</u>
A. Report from the Independent Auditor	Subsection II.A	21
B. Management's Discussion and Analysis	Subsection II.B	23
C. Basic Financial Statements (includes Notes to Financial Statements)	Subsection II.C	37
D. Required Supplementary Information:	Subsection II.D	84
E. Other Supplementary Information	Subsection II.E.	126

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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, 2010, which collectively comprise the 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 provides 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, North Carolina, as of June 30, 2010, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund, School Capital Reserve Fund, and the County Capital Reserve Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Required Supplementary Information, and the Other Post-Employment Benefits-Retiree Health Plan Required Supplementary Information are not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors 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 thereon.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2010, 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 grant agreements, and other matters. The purpose of that 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 considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Cleveland County, North Carolina basic financial statements. The introductory section, other supplementary schedules, combining and individual nonmajor fund financial statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State Single Audit Implementation Act and is not a required part of the basic financial statements. The other supplemental schedules, 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, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 15, 2010

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2010
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
B. Management's Discussion and Analysis

Via this subsection entitled "Management's Discussion and Analysis," management of Cleveland County, North Carolina offer readers of this *Annual Financial and Compliance Report for the Fiscal Year Ended June 30, 2010* a narrative overview and analysis of the County's fiscal performance. This subsection follows "Subsection A: Report from the Independent Auditor" and serves as an introduction to "Section II: Financial Statements and Supplementary Information." To gain valuable insight, please read the following discussion in conjunction with the financial statements and supplementary information furnished in this section.

SIGNIFICANT FINANCIAL HIGHLIGHTS

- On a government-wide basis, assets exceeded liabilities at the close of the fiscal year by \$141,238,288. This amount is also referred to as total net assets.
- On a government-wide basis, total net assets increased by \$1,290,537 from last year, primarily due to greater reductions in spending due to the elimination in the County's share of Medicaid expenditures than reductions in revenues caused by a downturn in the economy and a decrease in the County's share of sales taxes.
- The ending fund balances of all governmental funds combined equals \$59,099,913, an increase of \$14,238,784 from the prior year. Of the total fund balance, \$28,387,287, or approximately 48.0%, 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 fiscal year, unreserved fund balance for the General Fund was \$15,838,392, or 20.5% of total General Fund expenditures, for the fiscal year.
- The County added \$7,310,189 (6.5%) to its total capital assets during the fiscal year to achieve an ending balance of \$120,203,351. A few building projects are underway.
- Total long-term liabilities increased by \$18,324,680 (63.1%) to \$47,382,714 during the fiscal year due to 1) issuing \$22,000,000 in new debt and 2) increases in estimated obligations for pensions and other post-employment benefits, 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. Non-major Governmental Funds Financial Statements,
5. Major Enterprise Fund Financial Schedule, and
6. Fiduciary Funds Financial Statement

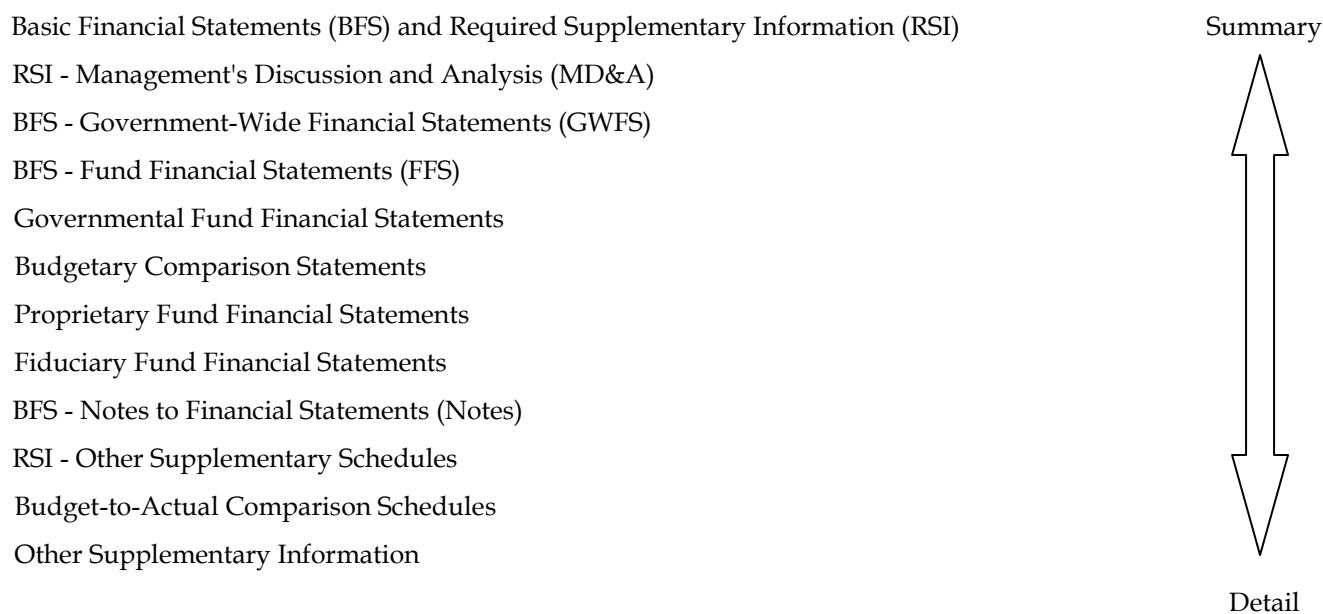


Figure 1. Level of Detail

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, II.C.2.d, and II.C.2.e),
3. Proprietary Fund Financial Statements (Exhibits II.C.2.f, II.C.2.g, and II.C.2.h), and
4. Fiduciary Fund Financial Statements (Exhibit II.C.2.i).

Like all other governmental entities in North Carolina, Cleveland County uses the fund concept to ensure and reflect compliance with finance-related legal requirements. Such requirements typically are derived from the North Carolina General Statutes, the Local Government Commission of North Carolina, the County's budget ordinance, or other parties interested in the County's finances. Also, Cleveland County uses fund accounting to control resources that are restricted in purpose and/or time. A fund is a grouping of assets and related debts that are used to maintain control over resources that have been segregated for specific activities or objectives. For an example, review the balance sheet of one or more funds in this report. (Find the larger individual funds, labeled as major funds, within the "Fund Financial Statements" part and the non-major funds within "Subsection D: Required Supplementary Information.")

Governmental Fund Financial Statements. Governmental funds are used to account for the same functions reported as governmental activities in the Government-Wide Financial Statements. The majority of the County's basic services are accounted for in governmental funds. Governmental funds are reported using an accounting method called "modified accrual basis of accounting." This method focuses on current financial resources. Therefore, governmental funds focus on what resources are left at year-end that will be available for spending in the next year. Accordingly, these funds measure the current financial position and changes in the current financial position. As a result, the Governmental Fund Financial Statements give readers a detailed short-term view that helps to determine whether working capital is sufficient to finance the County's programs. To aid the reader in gaining a long-term perspective, the relationship between governmental funds and governmental activities (reported in the Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities) is described in a reconciliation that is a part of the Governmental Fund Financial Statements.

Budgetary Comparison Statements. As required by North Carolina General Statutes Chapter 159, Cleveland County adopts an annual balanced budget ordinance, except where a project ordinance has been adopted, for each governmental fund. The process by which the budget ordinance becomes reality incorporates input from citizens, the Board of County Commissioners, and County management as to which services to provide and what resources will be used to fund the services provided. Cleveland County's budget and budgetary comparison statements are presented on the modified accrual basis of accounting. The budgetary comparison statements, provided for each major governmental fund for which an annual balanced budget ordinance is adopted, demonstrates by fund whether the County complied with the budget ordinance and how well the County performed in providing the services as planned when the budget was adopted. Each fund shown has four columns:

1. the original budget as adopted by the Board;
2. the final budget as amended by the Board;
3. the actual resources, charges to appropriations, and ending balances; and
4. the difference or variance between the final budget and the actual resources and charges.

Proprietary Fund Financial Statements. Cleveland County uses one type of proprietary fund called the Enterprise Fund. The Fund Financial Statements of the Enterprise Fund are used to report more details of the same function, solid waste collection, and disposal operations that are presented as business-type activities in the Government-Wide Financial Statements. Since the activities accounted for in enterprise funds are similar to for-profit operations, enterprise funds use the full accrual basis of accounting rather than the modified accrual basis of accounting that is used by governmental funds. Therefore, enterprise funds and other types of proprietary funds

provide both long-term and short-term financial information similar to that found in the Government-Wide Financial Statements.

Fiduciary Fund Financial Statements. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Cleveland County has numerous fiduciary funds, one of which is classified as a trust fund and the remaining fiduciary funds are classified as agency funds. Look for the Statement of Fiduciary Net Assets. Additional information on fiduciary funds can be found in “Subsection D: Required Supplementary Information.” Since fiduciary resources cannot be used to finance the County’s operations, fiduciary activities are not included in the Government-Wide Financial Statements.

Notes to Financial Statements

The notes provide a summary of significant accounting policies and additional details that are essential to a full understanding of the data provided in the Government-Wide Financial Statements and the Fund Financial Statements. For example, certain schedules provide details concerning capital assets and other schedules provide various details on long-term obligations. Other details and schedules regarding various items are also found.

Required Supplementary Information and Other Supplementary Information

These two subsections include certain information needed to discern Cleveland County’s current financial situation and its financial progress over recent years. The required supplementary information concerns, first, the County’s obligation to provide post-employment benefits and, second, more detailed results for each individual fund, both major and non-major 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, 2010, net assets increased by \$1,290,537 to \$141,238,288. Therefore, the County’s overall financial condition has regained its upward momentum after suffering a loss the previous year of \$1,587,573.

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, merchants, and creditors.

Table 1. Condensed Statement of Net Assets

Category	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
(amounts depicted in thousands of dollars)						
Current and other assets	\$ 53,188	\$ 66,612	\$ 7,498	\$ 6,787	\$ 60,686	\$ 73,399
Capital assets	99,410	107,003	13,483	13,200	112,893	120,203
Total assets	152,598	173,615	20,981	19,987	173,579	193,602
Current and other liabilities	4,173	4,861	400	121	4,573	4,982
Long-term liabilities	22,053	41,847	7,005	5,535	29,058	47,382
Total liabilities	26,226	46,708	7,405	5,656	33,631	52,364
Invested in capital assets, net	86,286	73,352	13,483	13,200	99,769	86,552
Restricted	11,131	13,034	-	-	11,131	13,034
Unrestricted	28,955	40,521	93	1,131	29,048	41,652
Total net assets	\$ 126,372	\$ 126,907	\$ 13,576	\$ 14,331	\$ 139,948	\$ 141,238

Table 2. Condensed Statement of Activities

Category	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
(amounts depicted in thousands of dollars)						
Revenues:						
Program revenues						
Charges for services	\$ 22,433	\$ 23,005	\$ 4,683	\$ 4,392	\$ 27,116	\$ 27,397
Program grants & contributions	29,797	24,774	360	297	30,157	25,071
General revenues						
Property and other taxes	48,661	46,097	-	-	48,661	46,097
Investment earnings	1,104	546	160	15	1,264	560
Total revenues	101,995	94,422	5,203	4,704	107,198	99,125
Program expenses:						
General government	9,095	9,028	-	-	9,095	9,028
Transportation	39	39	-	-	39	39
Public safety	20,436	21,698	-	-	20,436	21,698
Human services	39,265	33,914	-	-	39,265	33,914
Education	26,671	25,447	-	-	26,671	25,447
Econ. and phys. development	3,043	2,349	-	-	3,043	2,349
Cultural	1,272	1,103	-	-	1,272	1,103
Solid waste	-	-	8,267	3,614	8,267	3,614
Interest on long-term liabilities	697	644	-	-	697	644
Total expenses	100,518	94,222	8,267	3,614	108,785	97,836
Excess (deficiency) before transfers	1,477	200	(3,064)	1,090	(1,587)	1,290
Transfers	229	335	(229)	(335)	-	-
Change in net assets	1,706	535	(3,293)	755	(1,587)	1,290
Net assets, beginning	124,666	126,372	16,869	13,576	141,535	139,948
Net assets, ending	\$ 126,372	\$ 126,907	\$ 13,576	\$ 14,331	\$ 139,948	\$ 141,238

Table 3. Condensed Statement of Activities (Percentages)

Category	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Revenues:						
Program revenues						
Charges for services	21.99%	24.36%	90.01%	93.37%	25.30%	27.64%
Program grants and contributions	29.22%	26.24%	6.92%	6.31%	28.13%	25.29%
General revenues						
Property and other taxes	47.71%	48.82%	0.00%	0.00%	45.39%	46.50%
Investment earnings	1.08%	0.58%	3.07%	0.32%	1.18%	0.57%
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Program expenses:						
General government	9.05%	9.58%	0.00%	0.00%	8.36%	9.23%
Transportation	0.04%	0.04%	0.00%	0.00%	0.04%	0.04%
Public safety	20.33%	23.03%	0.00%	0.00%	18.78%	22.18%
Human services	39.06%	35.99%	0.00%	0.00%	36.09%	34.66%
Education	26.53%	27.01%	0.00%	0.00%	24.52%	26.01%
Economic and physical development	3.03%	2.49%	0.00%	0.00%	2.80%	2.40%
Cultural	1.27%	1.17%	0.00%	0.00%	1.17%	1.13%
Solid waste	0.00%	0.00%	100.00%	100.00%	7.60%	3.69%
Interest on long-term liabilities	0.69%	0.69%	0.00%	0.00%	0.64%	0.66%
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 principal on debt used to finance construction of school buildings before 2010. Since school buildings were titled to the Cleveland County Board of Education, these assets were not recorded as the County's capital assets and related loans were not included in the calculation of "invested in capital assets, net of related debt." As the principal of such debt increases or decreases, unrestricted net assets decreases or increases, respectively. Beginning with debt issued in 2010 for school buildings, the County will hold title until the loan is paid. Due to this arrangement, the outstanding principal on this and future debts used to finance construction of school buildings will be included in the calculation of "invested in capital assets, net of related debt." One of the typical primary positive influences on the County's total unrestricted governmental net assets has resulted from meeting debt service requirements of existing debt that was used to finance construction of school buildings (\$1,394,674 in most recent fiscal year).

Of total revenues, about 46.50% stems from property and other taxes, 25.29% from program grants and contributions, and 27.64% from charges for services. Of total expenses, about 34.66% is spent toward human service programs, 26.01% toward education programs, and 22.18% on public safety programs. To summarize, the County's total revenues are about \$99.1 million and total expenses are about \$97.8 for the year ended June 30, 2010, adding about \$1.3 million to the total net assets of the County. See Table 2 and Table 3 above.

Other indicators of the County's financial condition include the quick ratio, net assets ratio, debt-to-assets ratio, capital assets condition ratio, total margin ratio, percentage change in net assets, and debt service ratio. Calculations of these indicators for the current report are described below. Also, see Table 4 below for 7-year trend information.

1) Total margin ratio = total resource inflow divided by total resource outflow

- Total resource inflow = \$99,126,314, which is total general revenues and transfers (\$46,658,411) plus program revenues (\$27,397,037 + \$21,130,265 + \$3,940,601) of the County (from Exhibit II.C.1.b)
- Total resource outflow = \$97,835,777, which is total expenses of the County (from Exhibit II.C.1.b)
- Total margin ratio = \$99,126,314 / \$97,835,777 = 1.013

- 2) Percentage change in net assets = change in net assets divided by beginning net assets
- change in net assets = \$1,290,537 (from Exhibit II.C.1.b)
 - beginning net assets = \$139,947,751 (from Exhibit II.C.1.b)
 - percentage change in net assets = $\$1,290,537 / \$139,947,751 = 0.9\%$
- 3) Debt service ratio = principal payments and interest payments divided by total resource outflow and principal payments
- principal payments = $\$59,229 + \$3,191,642 = \$3,250,871$ (from Exhibits II.D.3.a and II.D.4.h)
 - interest payments = $\$9,135 + \$634,854 = \$643,989$ (from Exhibits II.D.3.a and II.D.4.h)
 - debt service ratio = $(\$3,250,871 + \$643,989) / (\$96,797,436 + \$3,250,871) = 0.039$
- 4) Quick ratio = cash and cash equivalents divided by current liabilities
- cash and cash equivalents = \$31,339,286 (from Exhibit II.C.1.a)
 - current liabilities = $\$3,158,628 + \$1,366,418 + \$226,341 + \$230,376 = \$4,981,783$ (from Exhibit II.C.1.a)
 - quick ratio = $\$31,339,286 / \$4,981,783 = 6.291$
- 5) Net assets ratio = unrestricted net assets divided by total liabilities
- unrestricted net assets = \$41,651,859 (from Exhibit II.C.1.a)
 - total liabilities = \$52,364,477 (from Exhibit II.C.1.a)
 - net assets ratio = $\$41,651,859 / \$52,364,477 = 0.795$
- 6) Debt-to-assets ratio = outstanding long-term liabilities divided by total assets
- outstanding long-term liabilities = \$47,382,714 (from Exhibit II.C.1.a)
 - total assets = \$193,602,765 (from Exhibit II.C.1.a)
 - debt-to-assets ratio = $\$47,382,714 / \$193,602,765 = 0.245$
- 7) Capital assets condition ratio = 1.000 less accumulated depreciation divided by capital assets being depreciated
- accumulated depreciation = $\$42,390,673 + \$6,919,142 = \$49,309,815$ (from Note b.A.5 on Capital Assets)
 - capital assets being depreciated = $\$127,408,523 + \$10,342,425 = \$137,750,948$ (from Note b.A.5 on Capital Assets)
 - capital assets condition ratio = $1.000 - (\$49,309,815 / \$137,750,948) = 0.642$

Table 4. 7-Year Trend of 7 Important Government-Wide Financial Indicators

Indicator Name / Result	2010	2009	2008	2007	2006	2005	2004
total margin ratio	1.013	0.985	1.243	1.110	1.180	1.085	1.141
percentage change in net assets	0.009	(0.011)	0.214	0.102	0.191	0.092	0.169
debt service ratio	0.039	0.030	0.049	0.053	0.057	0.061	0.066
quick ratio	6.291	7.657	8.916	10.663	9.510	9.326	7.332
net assets ratio	0.795	0.864	1.279	1.419	1.112	0.888	0.591
debt-to-assets ratio	0.245	0.167	0.122	0.132	0.170	0.224	0.258
capital assets condition ratio	0.642	0.651	0.676	0.637	0.646	0.624	0.649

Governmental Activities

Governmental activities increased the County's net assets by \$536,123, thereby adding to the overall increase in total net assets. 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. Donated equipment has been included as capital grants and contributions' 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 \$11,759,684 during the year. Part of this increase was offset by the increase of \$4,166,437 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 increased the County's net assets by \$754,414, thereby adding to the overall increase in total net assets. See both Table 2 and Table 3 above. Key elements of this increase are as follows:

- Partially reversing the amount of cash set aside last year for future closure and post-closure activities. Whereas the County was caught off guard last year with a significant last minute increase in the expected costs of closure and post-closure care of a landfill cell, the County has reviewed its situation and decided to only set aside cash for the closure costs, thereby reducing the amount of restricted cash and future liability by \$1,503,808.

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. The older landfill site remained open until January 2010. The County's budget for the year beginning July 1, 2010 includes an estimated amount for the closure activities of the older landfill site.

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, 2010*.

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 \$28.4 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 27.6% and total fund balance amounts to 57.5% of total expenditures. More financial indicators are shown in Table 5 below, preceded by a description of each indicator.

Further, reservations and designations of fund balance for special purposes have not had a significant effect 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, 2010, the County reported \$59,099,913 as the combined fund balance of all governmental funds. The total increase in the combined fund balance of all governmental funds of \$14,238,784 may be attributed to various causes. Primarily, the reason for this increase results from 1) spending loan proceeds that were unspent last year offset by the unspent proceeds of a \$22,000,000 installment purchase during the year, 2) continued accumulation of resources to fund future projects and to fund the purchase of planned assets, and 3) larger than anticipated decreases in sales taxes and other revenues due to economic factors.

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 \$15,838,392, while total fund balance reached \$23,582,078. The total decrease in the fund balance of the General Fund of \$1,139,570 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 national, regional, and local

economic factors. Unreserved fund balance represents 20.3% of total General Fund expenditures, while total fund balance represents 30.5% of that same amount, amounts that compare favorably with 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, 2010. The County plans to spend this cash to help finance current and future projects and the purchase of planned assets.

- 1) Operations ratio = (total revenues and transfers in less transfers in to capital projects-type funds) divided by (total expenditures and transfers out less proceeds from capital leases and installment financing and less transfers out from capital projects-type funds)
 - total revenues and transfers in = \$109,617,450, which is total revenues (\$94,533,373) plus transfers in (\$15,084,077) of the County's governmental funds (from Exhibit II.C.2.b)
 - transfers in to capital project-type funds = \$9,437,854, which is total transfers in to Capital Projects Fund (\$8,769,930) plus total transfers in to County Capital Reserve Fund (\$667,924) (from Exhibit II.E.02)
 - total expenditures and transfers out = \$117,459,761, which is total expenditures (\$102,710,743) plus transfers out (\$14,749,018) of the County's governmental funds (from Exhibit II.C.2.b)
 - proceeds from capital leases and installment financing = \$22,081,095 (from Exhibit II.C.2.b)
 - transfers out from capital projects-type funds = \$9,437,854, which is total transfers out from County Capital Reserve Fund (from Exhibit II.E.02)
 - operations ratio = $(\$109,617,450 - \$9,437,854) / (\$117,459,761 - \$22,081,095 - \$9,437,854) = 1.166$
- 2) % change in fund balance = change in fund balance divided by beginning fund balance
 - change in fund balance = \$14,238,784 (from Exhibit II.C.2.b)
 - beginning fund balance = \$44,861,129 (from Exhibit II.C.2.b)
 - percentage change in fund balance = $\$14,238,784 / \$44,861,129 = 31.7397\%$
- 3) Debt service ratio = principal payments and interest payments divided by (total expenditures and transfers out less proceeds from capital leases and installment financing and less transfers out from capital projects-type funds)
 - principal payments = \$3,250,871 (from Exhibit II.C.2.b)
 - interest payments = \$643,989 (from Exhibit II.C.2.b)
 - debt service ratio = $(\$3,250,871 + \$643,989) / (\$117,459,761 - \$22,081,095 - \$9,437,852) = 0.045$
- 4) Quick ratio = cash and investments divided by current liabilities (not including deferred revenues)
 - cash and cash equivalents = \$30,186,517 (from Exhibit II.C.2.a)
 - current liabilities (not including deferred revenues) = \$2,820,316 + \$217,856 + \$1,365,818 + \$765,400 + \$230,376 = \$5,399,766 (from Exhibit II.C.2.a)
 - quick ratio = $\$30,186,517 / \$5,399,766 = 5.590$
- 5) Available fund balance-to-expenditures ratio = available fund balance divided by (total expenditures and transfers out less proceeds from capital leases and installment financing and less transfers out from capital projects-type funds)
 - available fund balance = \$28,387,287 (from Exhibit II.C.2.a)
 - available fund balance-to-expenditures ratio = $\$28,387,287 / (\$117,459,761 - \$22,081,095 - \$9,437,852) = 0.330$
- 6) Debt-to-assessed value ratio = long-term debt divided by total assessed value used for property tax purposes
 - long-term debt = \$35,798,433 (from detail notes in Exhibit II.C.3.b.B.7.e)
 - total assessed value = \$6,645,082,154 (from Exhibit II.E.03)
 - debt-to-assessed value ratio = $\$35,798,433 / \$6,645,082,154 = 0.0054$
- 7) Intergovernmental ratio = intergovernmental revenues divided by (total revenues and transfers in less transfers in to capital projects-type funds)
 - intergovernmental revenues = \$21,352,564 (from Exhibit II.C.2.b)
 - intergovernmental ratio = $\$21,352,564 / (\$109,617,450 - \$9,437,854) = 0.213$

Table 5. 7-Year Trend of 7 Important Governmental Funds Financial Indicators

Indicator Name / Result	2010	2009	2008	2007	2006	2005	2004
operations ratio	1.166	0.955	1.034	1.007	0.990	1.007	0.979
% change in fund balance	0.317397	(0.000005)	0.164	0.038	(0.002)	0.049	0.012
debt service ratio	0.045	0.030	0.052	0.055	0.057	0.062	0.064
quick ratio	5.590	6.817	8.290	7.614	7.291	6.628	5.989
available fund balance-to-expenditures	0.330	0.318	0.356	0.292	0.294	0.292	0.274
debt-to-assessed value ratio	0.0054	0.0025	0.0021	0.0020	0.0028	0.0037	0.0050
intergovernmental ratio	0.213	0.214	0.222	0.224	0.211	0.180	0.190

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 \$1,130,529 and total net assets of this fund is \$14,330,720. 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, 2010 totals \$120,203,351 (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 (\$1,581,721 increase).
- Acquisition of capital assets other than equipment and vehicles through the purchase, major renovation, or received donation of land and buildings (\$11,251,999 increase)
- Increase in accumulated depreciation, including depreciation expense on equipment and vehicles of \$1,535,387 and on capital assets other than equipment and vehicles of \$2,930,910 (\$4,466,297 decrease to reported capital assets).
- Retirement and subsequent disposal of items sold, traded-in, made obsolete by newer equipment, or otherwise properly disposed (\$45,409 decrease for equipment and vehicles; \$185,029 decrease for capital assets other than equipment and vehicles; \$230,438 total decrease)

Table 6. Capital Assets, net of Accumulated Depreciation

Category	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
	(amounts depicted in thousands of dollars)					
Land and land improvements	\$ 12,113	\$ 13,783	\$ 9,531	\$ 9,777	\$ 21,644	\$ 23,560
Construction in progress	7,922	8,202	30	-	7,952	8,202
Buildings and improvements	74,887	75,342	1,274	819	76,161	76,161
Equipment (including vehicles)	3,085	3,118	1,459	1,691	4,544	4,809
Leasehold improvements	264	250	10	10	274	260
Infrastructure	1,139	6,308	1,179	903	2,318	7,211
Total capital assets, net	\$ 99,410	\$ 107,003	\$ 13,483	\$ 13,200	\$ 112,893	\$ 120,203

The County's investments in capital assets increased over 6.08% 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, 2010, Cleveland County had total indebtedness outstanding of \$35,798,433 all of which is debt backed by the full faith and credit of the County. During the year ended June 30, 2010, the change in total outstanding indebtedness was \$18,830,224 (or 111%). During the year, the County met all normal debt service requirements of (\$3,889,860) and issued new debt of \$22,000,000.

In 2003, when the County last issued debt by refinancing an existing general obligation bond issue, both Standard & Poor's and Moody's Investor Services reaffirmed the County's A and A1 bond ratings, respectively. The North Carolina Municipal Council issued a score of 83 out of 100 possible points. In spring 2010, Standard & Poor's upgraded the County from an A bond rating to A+ and Moody's Investor Services realigned the County from an A1 bond rating to Aa2 based on its review and restructure of bond ratings for all local government entities.

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 \$469,832,981. 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 7 following the discussion below for a summary of budget amendments by fund.

General Fund. Total amendments to the General Fund increased budgeted revenues by \$4,000,204, appropriations of fund balance by \$2,814,426, and incoming transfers from other funds by \$630,635. 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, or for school projects, 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. The County also added budget of \$81,095 to enter into a new capital lease for computer equipment. Major types of budgetary increases were made to account for the following:

- new, unspent, and higher than anticipated grant awards from the federal government,
- new, unspent, and higher than anticipated grant awards from the State government, and
- new grant award from the State lottery for various renovations at different school sites (\$615,000).

Schools Capital Reserve Fund. The budget amendments to the Schools Capital Reserve Fund increased revenues and expenditures by \$5,309,512 to account for requested withdrawal of proceeds from the State lottery for renovations made to several school buildings for various reasons and to appropriate funds to the County Capital Reserve Fund for use in the construction of a new middle school in Shelby and a new multi-purpose facility at the community college that will include the Early College High School.

County Capital Reserve Fund. Budget amendments to the County Capital Reserve Fund increased revenues and expenditures by \$37,475,965 primarily to account for continuing projects that were incomplete when the year

began (such as the renovation and expansion of the County's Detention Center Annex facility), to transfer additional funds from the General Fund that are being accumulated for future use (such as a new education facility that includes the Early College High School), and to acknowledge the use of funds from external sources (such as bond proceeds that will be used to finance the construction of a new middle school in Shelby).

Solid Waste Fund. In the County's sole Enterprise Fund, total amendments to the Solid Waste Fund increased revenues and expenditures by \$582,993 primarily to account for incomplete projects and orders from the prior year. The major amendments included the carry-forward budget for continued monitoring by engineering consulting firm and for the acquisition of a rebuilt compactor.

Non-major Funds. Total amendments to non-major 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 on the current year's reports), carry-forward budget of uncollected property taxes from prior years for the County-wide public schools district (\$863,229; 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 \$1,841,000.

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 (i.e. appropriations) are shown as budget amendments.

Table 7. Schedule of Budget Amendment Amounts by Fund

Fund	Original Adopted Budget	Amendments to Budget	Final Amended Budget
General Fund	\$ 83,240,097	\$ 7,526,360	\$ 90,766,457
Schools Capital Reserve Fund	2,836,514	5,309,512	8,146,026
County Capital Reserve Fund	1,841,000	37,475,965	39,316,965
Enterprise Fund	5,975,785	582,993	6,558,778
Non-major Funds	16,770,029	54,503,041	71,273,070
Totals	\$ 110,663,425	\$ 105,397,871	\$ 216,061,296

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. And, of course, the closure or reduction of activity also results in reduction of equipment and facilities subject to property taxation. In addition, lower personal spending has resulted in lower property taxes on personal vehicles.

With the sudden downturn in retail sales that began in late September 2008 and has not recovered locally, sales tax revenues were significantly below original estimates. However, the collection of property taxes remained consistent compared to prior years. The Cleveland County Board of Commissioners lowered the property 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 2011 increased by 5.90% from the prior year. The General Fund increased by only \$1,574,356, or 1.73%. Most of the increase stems from including \$3,000,000 for the closure of a landfill cell that stopped accepting waste in January 2010. For a look at the County's adopted budget for fiscal year 2011, review Subsection I.A, Message from the County Manager, found at the beginning of 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 2011 increased by 50.26% when compared to the prior year. This budget includes \$3,000,000 to close an older landfill cell that stopped accepting waste in January 2010.

In addition, to set aside cash for future obligations related to closure, post-closure care, and corrective action costs, the County has increased its fees collected for landfill activities. The County will continue to monitor its revenues from these fees and adjust the fee structure as needed.

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 and 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, 2010
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
C. Basic Financial Statements (includes Notes to Financial Statements)

	<u>Identifier</u>	<u>Page No.</u>
1. Government-Wide Financial Statements	Part II.C.1	38
2. Fund Financial Statements	Part II.C.2	42
3. Notes to Financial Statements	Part II.C.3	54

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 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, 2010
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
C. Basic Financial Statements (includes Notes to Financial Statements)
1. Government-Wide Financial Statements

	<u>Identifier</u>	<u>Page No.</u>
a. Government-Wide Statement of Net Assets	Exhibit II.C.1.a	39
b. Government-Wide Statement of Activities	Exhibit II.C.1.b	40

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

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

June 30, 2010

With Comparative Totals as of June 30, 2009

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2010	2009
ASSETS				
Cash and cash equivalents	\$ 30,186,517	\$ 1,152,769	\$ 31,339,286	\$ 34,987,739
Taxes receivable, net	2,483,892	-	2,483,892	3,007,755
Accounts receivable, net	30,784,808	401,108	31,185,916	9,015,023
Inventories	86,552	-	86,552	100,954
Prepaid items	152,308	371	152,679	197,054
Restricted cash	2,820,307	5,232,782	8,053,089	13,110,580
Deferred charges - issuance costs	-	-	-	10,168
Deferred charges - refunding	-	-	-	144,694
Loan receivable	98,000	-	98,000	112,000
Capital assets				
Land and construction in progress	21,985,310	9,776,908	31,762,218	29,596,294
Other capital assets, net of accumulated depreciation	85,017,850	3,423,283	88,441,133	83,296,868
Total capital assets	107,003,160	13,200,191	120,203,351	112,893,162
Total Assets	173,615,544	19,987,221	193,602,765	173,579,129
LIABILITIES				
Accounts payable and accrued expenses	3,038,172	120,456	3,158,628	3,125,110
Unearned revenues	1,365,818	600	1,366,418	1,046,912
Accrued interest payable	226,341	-	226,341	178,220
Due to other taxing units	230,376	-	230,376	219,230
Premium on bond issuance	-	-	-	3,872
Long-term liabilities				
Current portion of long-term liabilities	3,727,654	60,884	3,788,538	4,771,275
Non-current portion of long-term liabilities	38,119,615	5,474,561	43,594,176	24,286,759
Total long-term liabilities	41,847,269	5,535,445	47,382,714	29,058,034
Total Liabilities	46,707,976	5,656,501	52,364,477	33,631,378
NET ASSETS				
Invested in capital assets, net of related debt	73,352,330	13,200,191	86,552,521	99,768,917
Restricted net assets:				
Education	6,168,071	-	6,168,071	5,985,262
Human services	3,508,939	-	3,508,939	1,611,948
Public safety	3,326,318	-	3,326,318	3,381,263
Other purposes	30,580	-	30,580	152,089
Total restricted net assets	13,033,908	-	13,033,908	11,130,562
Unrestricted net assets	40,521,330	1,130,529	41,651,859	29,048,272
Total Net Assets	\$ 126,907,568	\$ 14,330,720	\$ 141,238,288	\$ 139,947,751

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, 2010
With Comparative Totals For the Year Ended June 30, 2009

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	\$ (9,027,646)	\$ 2,415,181	\$ 1,272,324	\$ 73,898	\$ (5,266,243)
Transportation	(39,464)	-	-	-	(39,464)
Public safety	(21,698,159)	5,134,699	1,076,840	601,747	(14,884,873)
Human services	(33,914,103)	5,175,178	18,147,393	15,191	(10,576,341)
Education	(25,446,822)	10,170,228	-	2,791,265	(12,485,329)
Economic and physical development	(2,348,461)	65,717	81,802	-	(2,200,942)
Cultural and recreational	(1,103,213)	43,813	263,787	450,000	(345,613)
Interest on long-term liabilities	(643,989)	-	-	-	(643,989)
Subtotal governmental activities	(94,221,857)	23,004,816	20,842,146	3,932,101	(46,442,794)
Business-type activities					
Solid Waste Collection and Disposal	(3,613,920)	4,392,221	288,119	8,500	1,074,920
Total primary government	\$ (97,835,777)	\$ 27,397,037	\$ 21,130,265	\$ 3,940,601	\$ (45,367,874)

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	
			2010	2009
NET PROGRAM REVENUES (EXPENSES)--FROM PRIOR PAGE				
Governmental activities				
General government	\$ (5,266,243)	\$ -	\$ (5,266,243)	\$ (5,540,034)
Transportation	(39,464)	-	(39,464)	(39,464)
Public safety	(14,884,873)	-	(14,884,873)	(13,222,475)
Human services	(10,576,341)	-	(10,576,341)	(15,951,414)
Education	(12,485,329)	-	(12,485,329)	(11,286,470)
Economic and physical development	(2,200,942)	-	(2,200,942)	(1,577,426)
Cultural and recreational	(345,613)	-	(345,613)	26,644
Interest on long-term liabilities	(643,989)	-	(643,989)	(697,162)
Subtotal governmental activities	(46,442,794)	-	(46,442,794)	(48,287,801)
Business-type activities				
Solid Waste Collection and Disposal	-	1,074,920	1,074,920	(3,224,740)
Total primary government	(46,442,794)	1,074,920	(45,367,874)	(51,512,541)
GENERAL REVENUES AND TRANSFERS				
Property taxes	38,289,687	-	38,289,687	38,618,389
Local option sales taxes	7,429,274	-	7,429,274	9,694,631
Other taxes and licenses	378,380	-	378,380	348,147
Investment earnings, general	546,517	14,553	561,070	1,263,801
Transfers:	335,059	(335,059)	-	-
Total general revenues and transfers	46,978,917	(320,506)	46,658,411	49,924,968
CHANGE IN NET ASSETS	536,123	754,414	1,290,537	(1,587,573)
Net assets -- beginning	126,371,445	13,576,306	139,947,751	141,535,324
Net assets -- ending	\$ 126,907,568	\$ 14,330,720	\$ 141,238,288	\$ 139,947,751

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Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
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	43
a.i. Reconciliation of the 'Governmental Funds: Balance Sheet' to the 'Government-Wide Statement of Net Assets'	Exhibit II.C.2.a.i	44
b. Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.C.2.b	45
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	46
c. General Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.c	47
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f. Enterprise Fund: Statement of Fund Net Assets	Exhibit II.C.2.f	50
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h. Enterprise Fund: Statement of Cash Flows	Exhibit II.C.2.h	52
i. Fiduciary Funds: Statement of Fiduciary Net Assets	Exhibit II.C.2.i	53

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, 2010
With Comparative Totals as of June 30, 2009

	Governmental Funds					
	General	Schools Capital Reserve	County Capital Reserve	Other Non-Major Funds	Totals	
					2010	2009
ASSETS						
Cash and cash equivalents	\$ 19,657,332	\$ 6,168,071	\$ 1,601,312	\$ 2,759,802	\$ 30,186,517	\$ 34,646,123
Taxes receivable, net	1,784,851	-	-	513,314	2,298,165	2,765,788
Accounts receivable, net	7,349,774	599,058	22,117,482	718,494	30,784,808	8,651,450
Due from other governmental funds	738,577	-	19,776	7,047	765,400	1,091,145
Inventories	86,552	-	-	-	86,552	100,954
Prepaid items	143,292	-	-	9,016	152,308	196,854
Restricted cash	-	-	2,820,307	-	2,820,307	6,317,640
Total assets	\$ 29,760,378	\$ 6,767,129	\$ 26,558,877	\$ 4,007,673	\$ 67,094,057	\$ 53,769,954
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued expenses	\$ 2,672,737	\$ -	\$ 2	\$ 147,577	\$ 2,820,316	\$ 2,689,757
Contract retainage	-	-	217,856	-	217,856	37,897
Unearned revenues	1,300,901	-	-	64,917	1,365,818	1,044,457
Deferred revenues	1,947,463	-	-	646,915	2,594,378	3,826,339
Due to other governmental funds	26,823	116,667	-	621,910	765,400	1,091,145
Due to other taxing units	230,376	-	-	-	230,376	219,230
Total liabilities	6,178,300	116,667	217,858	1,481,319	7,994,144	8,908,825
Fund balances						
Reserved fund balance:						
Encumbrances	31,804	-	-	-	31,804	309,446
Inventories	86,552	-	-	-	86,552	100,954
Prepaid items	143,292	-	-	4,016	147,308	196,854
Register of Deeds	(45,204)	-	-	-	(45,204)	(24,341)
State Statute	7,527,242	715,725	22,137,259	111,940	30,492,166	8,677,922
Unreserved designated fund balance:						
for future insurance claims	807,155	-	-	-	807,155	1,150,866
for subsequent year's expenditures	4,740,153	-	156,000	309,966	5,206,119	5,225,240
Unreserved undesignated fund balance:						
Non-major special revenue funds	-	5,934,737	-	2,234,033	8,168,770	7,952,968
Non-major capital projects funds	-	-	4,047,760	(133,601)	3,914,159	10,228,106
Total fund balances	23,582,078	6,650,462	26,341,019	2,526,354	59,099,913	44,861,129
Total liabilities and fund balances	\$ 29,760,378	\$ 6,767,129	\$ 26,558,877	\$ 4,007,673	\$ 67,094,057	\$ 53,769,954

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, 2010

With Comparative Totals as of June 30, 2009

	2010	2009
Total fund balances of governmental funds	\$ 59,099,913	\$ 44,861,129
<p>The amount reported as total net assets of governmental activities in the Government-Wide Statement of Net Assets (Exhibit II.C.1.a) differs from the amount reported as total fund balances of governmental funds on the Governmental Funds: Balance Sheet (Exhibit II.C.2.a) due to the use of different measurement foci and bases of accounting, specifically relating to the following reasons:</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:	185,727	241,967
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
3. Governmental funds report expenditures for items that are treated as additions to long-term assets on the Statement of Net Assets. Total long-term assets is:	98,000	112,000
4. Governmental funds report expenditures for items that are treated as additions to capital assets on the Statement of Net Assets. Total capital assets before accumulated depreciation is:	149,393,833	137,634,149
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:	(42,390,673)	(38,224,236)
6. Whereas governmental funds record a deferred revenue (liability) for uncollected receivables because the monies are not available, uncollected receivables are recognized as revenues on the Statement of Activities when the monies are earned. The deferred revenue balance is:	2,594,378	3,826,339
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:	(226,341)	(178,220)
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.	(41,847,269)	(22,052,673)
Total net assets of governmental activities	<u>\$ 126,907,568</u>	<u>\$ 126,371,445</u>

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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	Governmental Funds					
	General	Schools Capital Reserve	County Capital Reserve	Other Non-Major Funds	Totals	
					2010	2009
REVENUES						
Ad valorem taxes	\$ 38,790,291	\$ -	\$ -	\$ 11,043,302	\$ 49,833,593	\$ 49,505,781
Other taxes	7,808,181	2,458,010	-	861,791	11,127,982	14,095,353
Unrestricted intergovernmental revenues	475,320	-	-	-	475,320	515,271
Restricted intergovernmental revenues	20,006,211	8,432	-	862,602	20,877,245	22,351,919
Licenses, fees, and permits	883,785	-	-	-	883,785	906,097
Sales and services	9,709,237	-	-	-	9,709,237	9,529,871
Investment earnings	546,868	234,823	54,924	39,311	875,926	1,595,774
Miscellaneous	454,408	-	14,000	281,877	750,285	1,898,522
Total revenues	78,674,301	2,701,265	68,924	13,088,883	94,533,373	100,398,588
EXPENDITURES						
General government	8,510,303	-	-	232,160	8,742,463	9,242,462
Transportation	39,464	-	-	-	39,464	39,464
Public safety	17,405,169	-	-	5,950,408	23,355,577	24,970,631
Human services	33,461,014	-	-	421,857	33,882,871	36,707,452
Education	11,748,342	-	-	10,170,229	21,918,571	21,881,589
Economic and physical development	1,610,052	-	-	1,495,548	3,105,600	3,815,918
Cultural and recreational	1,121,982	-	-	523,935	1,645,917	2,418,747
Schools capital outlay	3,400,000	-	-	2,725,420	6,125,420	4,883,122
Debt service, principal reduction	59,229	-	-	3,191,642	3,250,871	2,888,981
Debt service, interest and fees	9,135	-	-	634,854	643,989	499,364
Total expenditures	77,364,690	-	-	25,346,053	102,710,743	107,347,730
Excess (deficiency) of revenues over expenditures	1,309,611	2,701,265	68,924	(12,257,170)	(8,177,370)	(6,949,142)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,819,727	-	667,924	12,596,426	15,084,077	17,813,395
Transfers out	(4,350,003)	(2,836,514)	(7,478,773)	(83,728)	(14,749,018)	(17,584,459)
Installment financing issued	81,095	-	22,000,000	-	22,081,095	6,720,000
Total other financing sources (uses)	(2,449,181)	(2,836,514)	15,189,151	12,512,698	22,416,154	6,948,936
Net change in fund balances	(1,139,570)	(135,249)	15,258,075	255,528	14,238,784	(206)
FUND BALANCES						
Beginning fund balances	24,721,648	6,785,711	11,082,944	2,270,826	44,861,129	44,861,335
Ending fund balances	\$ 23,582,078	\$ 6,650,462	\$ 26,341,019	\$ 2,526,354	\$ 59,099,913	\$ 44,861,129

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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010	2009
Net change in fund balances of governmental funds	\$ 14,238,784	\$ (206)
<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:	(772,957)	(137,958)
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:	12,752,450	10,443,302
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:	(4,466,297)	(4,133,628)
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.	(964,372)	(1,553,483)
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.	(1,431,261)	1,116,704
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:	3,250,871	2,888,981
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)
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:	(22,081,095)	(6,720,000)
Total net change in net assets of governmental activities	<u>\$ 526,123</u>	<u>\$ 1,705,914</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, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance - Over (Under)
REVENUES				
Ad valorem taxes	\$ 36,901,374	\$ 36,903,474	\$ 38,790,291	\$ 1,886,817
Other taxes	8,794,000	8,794,000	7,808,181	(985,819)
Unrestricted intergovernmental revenues	457,000	457,000	475,320	18,320
Restricted intergovernmental revenues	20,311,734	24,096,199	20,006,211	(4,089,988)
Licenses, fees, and permits	917,400	917,400	883,785	(33,615)
Sales and services	8,248,147	8,298,683	9,709,237	1,410,554
Investment earnings	780,000	780,000	546,868	(233,132)
Miscellaneous	312,900	476,003	454,408	(21,595)
Total revenues	76,722,555	80,722,759	78,674,301	(2,048,458)
EXPENDITURES				
General government	9,769,903	9,529,641	8,510,303	(1,019,338)
Transportation	39,464	39,464	39,464	-
Public safety	16,836,660	17,832,934	17,405,169	(427,765)
Human services	35,131,539	37,754,069	33,461,014	(4,293,055)
Education	11,748,342	11,748,342	11,748,342	-
Economic and physical development	1,281,562	2,554,815	1,610,052	(944,763)
Cultural and recreational	1,110,246	1,192,999	1,121,982	(71,017)
Schools capital outlay	3,400,000	4,015,000	3,400,000	(615,000)
Debt service, principal reduction	59,272	59,272	59,229	(43)
Debt service, interest and fees	13,097	13,097	9,135	(3,962)
Total expenditures	79,390,085	84,739,633	77,364,690	(7,374,943)
Excess of revenues over (under) expenditures	(2,667,530)	(4,016,874)	1,309,611	5,326,485
OTHER FINANCING SOURCES (USES)				
Transfers in	1,873,290	2,503,925	1,819,727	(684,198)
Transfers out	(3,850,012)	(6,026,824)	(4,350,003)	1,676,821
Installment financing issued	-	81,095	81,095	-
Fund balance appropriated	4,644,252	7,458,678	-	(7,458,678)
Total other financing sources (uses)	2,667,530	4,016,874	(2,449,181)	(6,466,055)
Net change in fund balance	\$ -	\$ -	(1,139,570)	\$ (1,139,570)
FUND BALANCES				
Beginning fund balances			24,721,648	
Ending fund balances			<u>\$ 23,582,078</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, 2010

	Schools Capital Reserve Fund			
	Original Budget	Final Budget	Actual	Variance - Over (Under)
REVENUES				
Other taxes	\$ 2,236,514	\$ 2,236,514	\$ 2,458,010	\$ 221,496
Restricted intergovernmental revenues	600,000	615,000	8,432	(606,568)
Investment earnings	-	-	234,823	234,823
Total revenues	2,836,514	2,851,514	2,701,265	(150,249)
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,836,514)	(8,146,026)	(2,836,514)	5,309,512
Fund balance appropriated		5,294,512	-	(5,294,512)
Total other financing sources (uses)	(2,836,514)	(2,851,514)	(2,836,514)	15,000
Net change in fund balance	\$ -	\$ -	(135,249)	\$ (135,249)
FUND BALANCES				
Beginning fund balances			6,785,711	
Ending fund balances			<u>\$ 6,650,462</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, 2010

	County Capital Reserve Fund			Variance - Over (Under)
	Original Budget	Final Budget	Actual	
REVENUES				
Investment earnings	\$ -	\$ -	\$ 54,924	\$ 54,924
Miscellaneous	-	-	14,000	14,000
Total revenues	-	-	68,924	68,924
OTHER FINANCING SOURCES (USES)				
Transfers in	1,450,000	6,362,436	667,924	(5,694,512)
Transfers out	(1,841,000)	(39,316,965)	(7,478,773)	31,838,192
Installment financing issued	-	22,000,000	22,000,000	-
Fund balance appropriated	391,000	10,954,529	-	(10,954,529)
Total other financing sources (uses)	-	-	15,189,151	15,189,151
Net change in fund balance	\$ -	\$ -	15,258,075	\$ 15,258,075
FUND BALANCES				
Beginning fund balances			11,082,944	
Ending fund balances			<u>\$ 26,341,019</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, 2010

With Comparative Totals as of June 30, 2009

	Solid Waste Collection and Disposal	
	Totals	
	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,152,769	\$ 341,616
Accounts receivable, net	401,108	363,573
Prepaid items	371	200
Total current assets:	<u>1,554,248</u>	<u>705,389</u>
Non-current assets		
Restricted cash	<u>5,232,782</u>	6,792,940
Capital assets		
Land, land improvements, and construction in progress	9,776,908	9,561,193
Other capital assets, net of accumulated depreciation	3,423,283	3,922,056
Total capital assets	<u>13,200,191</u>	<u>13,483,249</u>
Total non-current assets	<u>18,432,973</u>	<u>20,276,189</u>
Total assets	<u>19,987,221</u>	<u>20,981,578</u>
LIABILITIES		
Current liabilities		
Accounts payable	120,456	397,456
Unearned revenues / customer deposits	600	2,455
Compensated absences	60,884	43,229
Total current liabilities	<u>181,940</u>	<u>443,140</u>
Non-current liabilities		
Accrued landfill closure and post-closure care costs	5,232,782	6,792,940
Net OPEB obligation for retirees' healthcare coverage	162,550	93,582
Compensated absences	79,229	75,610
Total non-current liabilities	<u>5,474,561</u>	<u>6,962,132</u>
Total liabilities	<u>5,656,501</u>	<u>7,405,272</u>
NET ASSETS		
Invested in capital assets	13,200,191	13,483,249
Unrestricted net assets	1,130,529	93,057
Total net assets	<u>\$ 14,330,720</u>	<u>\$ 13,576,306</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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	Solid Waste Collection and Disposal	
	Totals	
	2010	2009
OPERATING REVENUES		
Household user fees	\$ 1,446,245	\$ 1,418,467
Departmental fees	2,945,976	3,264,252
Other operating revenue	316,481	239,908
Total operating revenues	4,708,702	4,922,627
OPERATING EXPENSES		
Salaries / benefits	1,865,858	1,860,463
Other expenses	2,586,906	2,607,652
Depreciation	664,964	649,260
Landfill closure and post-closure care	(1,503,808)	3,150,208
Total operating expenses	3,613,920	8,267,583
Operating income (loss)	1,094,782	(3,344,956)
NON-OPERATING REVENUES AND EXPENSES		
Share of State's white goods and scrap tire taxes	423,888	188,407
Intergovernmental revenues, restricted	48,945	(35,581)
Investment earnings	14,553	160,189
Loss on disposal of capital assets	(501,195)	(32,610)
Total non-operating revenues and expenses	(13,809)	280,405
Income before contributions and transfers	1,080,973	(3,064,551)
Capital contributions	8,500	-
Transfer from(to) governmental funds (i.e. General Fund)	(335,059)	(228,936)
Change in net assets	754,414	(3,293,487)
Net assets, beginning	13,576,306	16,869,793
Net assets, ending	\$ 14,330,720	\$ 13,576,306

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, 2010
With Comparative Totals For the Year Ended June 30, 2009

	Solid Waste Collection and Disposal	
	Totals	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from household user fees	\$ 1,446,245	\$ 1,418,467
Cash received from customers	2,907,560	3,307,404
Cash received from sale of waste and recyclable materials	316,319	239,851
Cash received from other operations	162	57
Cash paid to employees for services	(1,775,616)	(1,755,697)
Cash paid for goods and services	(3,062,523)	(3,431,800)
Net cash flows from operating activities	(167,853)	(221,718)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Government grants	48,945	(35,581)
Transfer to governmental funds (General Fund)	(335,059)	(228,936)
Net cash flows from non-capital financing activities	(286,114)	(264,517)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(874,601)	(2,962,957)
Government grant for capital purchase	8,500	-
Proceeds on disposal of capital assets	132,622	-
Share of State's white goods and scrap tire taxes	423,888	188,407
Net cash flows from capital and related financing activities	(309,591)	(2,774,550)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	14,553	160,189
Net cash flows from investing activities	14,553	160,189
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(749,005)	(3,100,596)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: beginning balance	7,134,556	10,235,152
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: ending balance	\$ 6,385,551	\$ 7,134,556
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,094,782	\$ (3,344,956)
The amount reported as operating income (loss) (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	(37,535)	45,556
2. Decrease (increase) in prepayments	(171)	(25)
3. Increase (decrease) in accounts payable and contract retainages	(474,472)	(826,502)
4. Increase (decrease) in customer deposits	(1,855)	(25)
5. Increase (decrease) in accrued compensatory leave and retirement benefits	90,242	104,766
6. Increase (decrease) in accrued landfill closure and post-closure care costs	(1,503,808)	3,150,208
7. Depreciation expense (not a cash expenditure, no effect on cash flow)	664,964	649,260
Net cash flows from operating activities	\$ (167,853)	\$ (221,718)

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, 2010
With Comparative Totals as of June 30, 2009

	Agency Funds	
	Totals	
	2010	2009
ASSETS		
Cash and cash equivalents	\$ 69,655	\$ 153,467
Taxes receivable, net	37,589	41,795
Accounts receivable, net	1,793,585	1,960,745
Intergovernmental receivable	230,376	219,230
Total assets	\$ 2,131,205	\$ 2,375,237
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued expenses	243,503	320,363
Due to other taxing units	1,887,702	2,054,874
Total liabilities	\$ 2,131,205	\$ 2,375,237

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, 2010
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
C. Basic Financial Statements (includes Notes to Financial Statements)
3. Notes to Financial Statements

	<u>Identifier</u>	<u>Page No.</u>
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e. Hospital Lease Agreement	Note e	82
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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, 2010
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, 2010, the County reported its second annual actuarial study 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 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 non-major 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 non-major funds in the Fund Financial Statements. Combining and individual fund statements may be found on the pages following these Notes to Financial Statements.

Also, the County reports the following major enterprise fund:

Solid Waste Fund. This fund accounts for the operation, maintenance, and development of the County 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 specific inmates; 3) the Rescue Squad Fund, which accounts for monies that the County holds for the benefit of five rescue squad 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 2009 through February 2010 apply to the fiscal year ended June 30, 2010. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. The taxes for vehicles registered from March 2010 and afterward and due on or after July 1, 2010 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 in the agency funds.

Sales taxes collected and held on behalf of the County by the State for sales occurring prior to year-end 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 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, the Schools 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 and to carryforward unspent budget for continuing projects. However, except for ongoing projects, 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 \$22,000,000 of limited obligation bonded 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 and building improvements, \$100,000; computer equipment, electronic items, firearms, furniture, other equipment, utility trailers, and vehicles, \$5,000; and land, land improvements, and buildings at \$0. The cost of normal maintenance and repairs that do neither add to the value of the asset nor materially extend the estimated life of the asset are not capitalized.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives:

Capital Asset Category	Estimated 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 all at once. 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, 2010, the County's deposits had a carrying amount of \$39,472,654 and a bank balance of \$40,533,840. Of the bank balance, \$203,018 was covered by federal depository insurance, \$24,300,076 in certificates of deposit was covered by collateral held under the Dedicated Method, and the remaining \$4,859,183 in interest-bearing deposits was covered by collateral held under the Pooling Method. Also at June 30, 2010, Cleveland County had \$11,271 cash on hand. During the year, the County met its cash flow needs from its deposits and matured investments; the County did not use any short-term borrowings.

The County had a carrying amount of \$24,300,076 in certificates of deposit. Of this balance, \$10,139,476 was scheduled to mature within 3 months, \$14,160,600 was scheduled to mature within 3 to 12 months, and \$-0- 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, 2010, the County's investment balances and maturities were as follows:

Investment type	Fair Market	Due to Mature Within:		
	Value	up to 1 year	1 to 2 years	2 to 3 years
Federal government agencies	\$ -	\$ -	\$ -	\$ -
NCCMT -- Cash Portfolio	10,313,394	n/a	n/a	n/a
Total investments	\$ 10,313,394	\$ -	\$ -	\$ -

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, 2010, 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, 2010, 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, 2010 was \$-0- and (\$-0-), 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, 2010, the County held 26.12% of its deposits and investments with the North Carolina Capital Management Trust, 61.54% 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 verifies 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, 2010:

<u>Tax Year Levied</u>	<u>Additional Tax</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,458,998	\$ -	\$ 1,458,998
2009	1,472,763	84,684	1,557,447
2008	1,487,187	219,360	1,706,547
2007	1,177,880	279,747	1,457,627
Total	\$ 5,596,828	\$ 583,791	\$ 6,180,619

4. Receivables

Receivables reported on the Government-Wide Financial Statements and Fund Financial Statements at June 30, 2010 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	\$ 11,435,077	\$ 2,864,256	\$ 14,299,333
Schools Capital Reserve Fund	599,058	-	599,058
County Capital Reserve Fund	22,117,482	-	22,117,482
Nonmajor governmental funds	718,494	818,237	1,536,731
Accrued interest (government-wide reporting)	-	562,219	562,219
Total receivables	34,870,111	4,244,712	39,114,823
General Fund	(4,085,303)	(1,079,405)	(5,164,708)
Nonmajor governmental funds	-	(304,923)	(304,923)
Accrued interest (government-wide reporting)	-	(376,492)	(376,492)
Total allowances for uncollectible accounts	(4,085,303)	(1,760,820)	(5,846,123)
Total Governmental Activities	\$ 30,784,808	\$ 2,483,892	\$ 33,268,700
Business-Type Activities:			
Solid Waste Fund	\$ 420,887	\$ 236,114	\$ 657,001
Allowances for uncollectible accounts	(19,779)	(236,114)	(255,893)
Total Business-Type Activities	\$ 401,108	\$ -	\$ 401,108

5. Capital Assets

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

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
General government	\$ 7,729,048	\$ 272,345	\$ (23,384)	\$ 4,206	\$ 7,982,215
Public Safety	26,908,154	5,274,239	(298,398)	(549,472)	31,334,683
Human Services	93,392,616	2,978,655	-	(6,499)	96,364,772
Education	152,420	2,628,760	(31,625)	-	2,749,555
Economic and Physical Dev.	2,919,471	698,330	(169,024)	-	3,448,777
Cultural and Recreational	6,532,440	981,391	-	-	7,513,831
Total capital assets	137,634,149	12,833,720	(522,271)	(551,765)	149,393,833
Less accumulated depreciation:					
General government	(2,198,793)	(321,981)	7,378	(12,716)	(2,526,112)
Public Safety	(11,509,290)	(1,491,794)	281,614	8,399	(12,711,071)
Human Services	(23,293,494)	(2,505,576)	-	12,344	(25,786,726)
Education	(34)	(2,807)	2,841	-	-
Economic and Physical Dev.	(53,534)	(18,121)	-	-	(71,655)
Cultural and Recreational	(1,169,091)	(126,018)	-	-	(1,295,109)
Total accumulated deprec.	(38,224,236)	(4,466,297)	291,833	8,027	(42,390,673)
Total capital assets, net	\$ 99,409,913	\$ 8,367,423	\$ (230,438)	\$ (543,738)	\$107,003,160

Capital asset activity, by asset class, for the year ended June 30, 2010 was as follows for Governmental Activities:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated					
Land and land improvements	\$ 12,113,248	\$ 1,854,627	\$ (185,029)	\$ -	\$13,782,846
Construction in Progress	7,921,853	6,523,695	-	(6,243,084)	8,202,464
Subtotal	20,035,101	8,378,322	(185,029)	(6,243,084)	21,985,310
Capital assets being depreciated					
Buildings and improvements	104,650,920	2,580,439	-	558,937	107,790,296
Equipment (including vehicles)	11,101,987	1,581,721	(337,242)	15,870	12,392,336
Leasehold improvements	425,178	-	-	-	425,178
Infrastructure	1,420,963	293,238	-	5,116,512	6,830,713
Subtotal	117,599,048	4,455,398	(337,242)	5,691,319	127,408,523
Total capital assets	137,634,149	12,833,720	(522,271)	(551,765)	149,393,833
Less accumulated depreciation					
Buildings and improvements	(29,763,289)	(2,676,502)	-	(8,819)	(32,448,610)
Equipment (including vehicles)	(8,017,310)	(1,535,387)	291,833	16,846	(9,244,018)
Leasehold improvements	(161,574)	(14,172)	-	-	(175,746)
Infrastructure	(282,063)	(240,236)	-	-	(522,299)
Total accumulated deprec.	(38,224,236)	(4,466,297)	291,833	8,027	(42,390,673)
Total capital assets, net	\$ 99,409,913	\$ 8,367,423	\$ (230,438)	\$ (543,738)	\$107,003,160

All business-type activities relate to the environmental protection expenditure function. Capital asset activity, by asset class, for the year ended June 30, 2010 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	\$ 9,531,398	\$ 215,715	\$ -	\$ 29,795	\$ 9,776,908
Construction in Progress	29,795	-	-	(29,795)	-
Subtotal	9,561,193	215,715	-	-	9,776,908
Capital assets being depreciated					
Buildings and building improvements	1,415,515	60,473	-	(500,173)	975,815
Equipment (including vehicles)	4,705,920	606,914	(111,332)	17,955	5,219,457
Leasehold improvements	16,518	-	-	-	16,518
Infrastructure	4,130,636	-	-	-	4,130,636
Subtotal	10,268,589	667,387	(111,332)	(482,218)	10,342,426
Total capital assets	19,829,782	883,102	(111,332)	(482,218)	20,119,334
Less accumulated depreciation on					
Buildings and building improvements	(141,149)	(24,130)	-	8,819	(156,460)
Equipment (including vehicles)	(3,247,451)	(364,908)	100,381	(16,846)	(3,528,824)
Leasehold improvements	(6,277)	(551)	-	-	(6,828)
Infrastructure	(2,951,656)	(275,375)	-	-	(3,227,031)
Total accumulated depreciation	(6,346,533)	(664,964)	100,381	(8,027)	(6,919,143)
Total capital assets, net	\$ 13,483,249	\$ 218,138	\$ (10,951)	\$ (490,245)	\$ 13,200,191

6. Construction Commitments

The County is involved with the following incomplete construction/renovation projects as of June 30, 2010:

Project Name	Spent-to-date	Remaining Commitments
Detention Center Annex Expansion / Renovation	\$ 4,147,274	\$ 2,692,545
Animal Shelter Renovation	128,945	16,084
New Middle School in Shelby, NC	1,363,238	24,553,470
Multi-Purpose Facility at Community College	641,270	4,498,200
Total	\$ 6,280,727	\$ 31,760,299

B. Liabilities

1. Payables

Payables at the Government-Wide and Fund level at June 30, 2010 were as shown in the following table.

	Vendors	Employee Benefits	Cash Held in Trust	Insurance Claims *	Total
Governmental Activities:					
General Fund	\$ 1,817,493	\$ 114,288	\$ -	\$ 740,956	\$ 2,672,737
County Capital Reserve Fund	217,858	-	-	-	217,858
Nonmajor governmental funds	147,577	-	-	-	147,577
Total Governmental Activities	\$ 2,182,928	\$ 114,288	\$ -	\$ 740,956	\$ 3,038,172
Business-Type Activities:					
Solid Waste Fund	\$ 120,456	\$ -	\$ -	\$ -	\$ 120,456
Fiduciary Activities:					
Agency Funds	\$ 173,848	\$ -	\$ 69,655	\$ -	\$ 243,503

* The estimated liability for outstanding losses from health insurance coverage, dental plan, and workers' compensation coverage includes \$740,956 for incurred, but not reported, claims.

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The State-wide 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 rate effective in the year ended June 30, 2010 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. In year ending June 30, 2011, the County's contribution rates have increased to 6.44% and 6.41% for employees not engaged in law enforcement and for law enforcement officers, respectively. The County's normal benefit contributions to LGERS for the year ended June 30, 2010 is \$1,337,248. The contributions made by the County equaled the required contributions for each year. For trend information, see Exhibit III.E.5 in Subsection E of Section III of this report.

Death Benefit. The County has elected to provide death benefits (also known as term life insurance) to employees through the Death Benefit Plan for members of the LGERS, a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in LGERS, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the LGERS at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, subject to a minimum of

\$25,000 and a maximum of \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.08% and 0.14% of covered payroll, respectively. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2010, the County made contributions to the State for death benefits of \$24,324. 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, 2010, the LEOSSA's membership consisted of:

Member Category	No.
Retirees currently receiving benefits	4
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members:	
Vested	55
Non-vested	30
Total members	89

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, 2008) and through June 30, 2010, the County had no assets to pay future liabilities. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,353,424. The annual payroll of active employees covered under this plan (covered payroll) was \$3,417,424, and the ratio of the UAAL to the covered payroll was 39.604%. 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, 2010 is \$60,798. 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, 2008 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 current rate is 3.6453% of annual covered payroll. The remaining amortization period at December 31, 2008 was 22 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, 2010 are \$125,616 and \$382,590, 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, 2010 were \$244,474, which consisted of \$174,476 from the County and \$69,998 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, 2010 were \$1,647,960, which consisted of \$1,219,198 from the County and \$428,762 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, 2010, the County's required and actual contributions were \$5,259. 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-nine 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. This report includes results from the second actuarial study of the plan, thus, comparative information from prior years is limited. At December 31, 2009 (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	7	52
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members:		
Vested	8	83
Non-vested and eligible for LGERS benefits	64	250
Non-vested and non-eligible for LGERS benefits	39	259
Total members	118	644

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, 2009), the County had no assets to pay future liabilities. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$13,359,447. The annual payroll of active employees covered under this plan (covered payroll) was \$28,517,138, and the ratio of the UAAL to the covered payroll was 46.847%. For multi-year 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, 2010, the County made payments for claims due to post-employment healthcare coverage of \$121,916. 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, 2009 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, 2009 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, 2010 are \$1,383,964 and \$2,415,969, 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 permit 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, 2010, the County subtracted \$1,560,158 from the reserve fund. The County has also met the requirements of a local government financial test that is one option under State and federal laws and regulations that help determine if a unit is financially able to meet closure and post-closure care requirements. The County has elected to use the reserve fund to meet its obligations at the closure of the existing landfill facilities and the local government financial test to prove its ability to afford post-closure care and corrective action costs, as needed.

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 \$5,232,782 reported as landfill closure and post-closure care liability at June 30, 2010 represents a cumulative amount reported to-date. The County is required to contribute to the reserve at least \$233,986 annually hereafter until the total balance accumulated reaches \$5,838,673. 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 activities in the year ended June 30, 2010 and the fact that the County closed an existing municipal solid waste facility in the winter of 2009/2010 and expects to close the current construction and demolition facility in 2018. Post-closure care and corrective action costs, if any, are not included in this calculation. 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	\$ 81,614	\$ -
Other accounts, net	996,402	162,612
Taxes receivable, net	222,885	1,784,851
Subtotal	1,300,901	1,947,463
Public Schools Fund, taxes receivable, net	58,508	468,820
Fire District Fund, taxes receivable, net	6,409	44,494
Capital Projects Fund, grant receivables	-	133,601
Total Governmental Activities	\$ 1,365,818	\$ 2,594,378
Solid Waste Collection and Disposal Fund		
Prepaid fees not yet earned	\$ 600	\$ -
Total Business-Type Activities	\$ 600	\$ -

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 \$610,007 for incurred and unpaid claims as of June 30, 2010. 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, 2010. 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, 2010 is \$350,000 per occurrence. The estimated liability for outstanding losses includes \$100,000 for incurred and unpaid claims as of June 30, 2010. 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, 2009	June 30, 2010
General Fund		
Health insurance coverage	\$ 537,813	\$ 610,007
Dental plan	30,949	30,949
Workers' compensation coverage	100,000	100,000
Total	\$ 668,762	\$ 740,956

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, 2010, 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 (see 'Net Present Value' in table below) 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 2009 and required 60 monthly payments of \$1,494. Another agreement to lease computer equipment for the Social Services Department was executed in June 2007 and requires 60 monthly payments of \$1,464. And, an agreement to lease imaging and related computer equipment for the Register of Deeds' office was executed in November 2007 and requires 60 monthly payments of \$2,864.

In each of these agreements, 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, along with interest payments scheduled for the ensuing year, are recorded in the Government-Wide Statement of Net Assets.

At June 30, 2010, the County's leased equipment had a value of:

Governmental Activities	Recorded Value of Asset	Accumulated Depreciation	Net Present Value
Computer equipment (Social Services)	\$ 75,075	\$ (42,722)	\$ 32,353
Imaging equipment (Register of Deeds)	155,601	(51,429)	104,172
Computer equipment (Info. Tech.)	81,095	(13,677)	67,418
Total	<u>\$ 311,771</u>	<u>\$ (107,828)</u>	<u>\$ 203,943</u>

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

b. General Obligation and Limited 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 has entered contracts to help finance the costs of implementing a Public Safety Communication System in 2007 and the costs of expanding and renovating the Detention Center Annex Expansion in 2009 through direct loans from a financial institution. Similarly, the County sold limited obligation bonds to investors to finance the construction of a new middle school in Shelby and such bonds are considered a variation of the installment purchase loan. When due, principal and interest payments are appropriated in the County's Debt Service Fund. The face value of the outstanding bonds/loans 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. Prior to 2010, the public schools and the community college, however, held title to these constructed assets. Beginning with debt that the County issued in 2010, the County will hold title until the loan is paid.

At June 30, 2010, Cleveland County had an amount of bonds authorized but un-issued of \$-0- and a legal debt margin of \$469,832,981. During the year, the County did not use short-term borrowings or interest rate swaps.

The County's general obligation bonds, installment purchase loans, and contractual obligations payable at June 30, 2010 are comprised of the following individual issues:

General Obligation Bonds	Outstanding at June 30, 2010
\$3,100,000 - Community College Bonds, Series 1998; due in annual installments of \$100,000 to \$250,000 through June 1, 2017; interest from 4.60% to 4.70%	\$ 1,600,000
Limited Obligation Bonds	
\$22,000,000 - New Middle School in Shelby, Series 2010A&B; due in annual installments of \$1,080,000 to \$1,140,000 through March 2030; interest from 1.30% to 6.10%; interest payments partially subsidized by federal government	22,000,000
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%	5,200,000
\$6,720,000 - Detention Center Annex Expansion Project, Series 2009; due in semi-annual installments of \$224,000 through April 2024; interest at 3.57%	6,272,000
Subtotal	<u>11,472,000</u>
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 (\$634,599) per contract with City of Shelby are due in annual installments of \$16,312 to \$41,944 through May 1, 2029; interest at 5.00%	547,603
Total	<u>\$ 35,619,603</u>

Annual debt service requirements to maturity for the County's general obligation bonds, other long-term debt (comprised of installment purchase loans and contractual obligations), and capitalized leases are as follows:

	<i>General Obligation Bonds:</i>		<i>Other Long-Term Debt:</i>		<i>Capitalized Leases:</i>		<i>Total Debt Service:</i>	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$2,325,000	\$148,700	\$ 866,642	\$ 481,154	\$ 59,229	\$ 9,135	\$ 3,250,871	\$ 638,989
2011	250,000	74,950	1,947,677	1,165,379	63,274	6,585	2,260,951	1,246,914
2012	250,000	63,450	1,948,196	1,390,386	65,606	3,619	2,263,802	1,457,456
2013	250,000	51,700	1,948,972	1,360,737	30,975	1,270	2,229,947	1,393,707
2014	250,000	39,950	1,954,749	1,285,635	17,486	442	2,222,235	1,326,027
2015	250,000	28,200	1,955,526	1,221,697	1,489	5	2,207,015	1,249,902
Sum 5 yrs.	1,250,000	258,250	9,755,120	6,403,834	178,830	11,921	11,183,950	6,674,006
Next 5 yrs. (2016 to 2020)	350,000	21,150	9,791,091	5,007,360	-	-	10,141,091	5,028,510
Next 5 yrs. (2021 to 2025)	-	-	8,781,231	2,905,899	-	-	8,781,231	2,905,899
Next 5 yrs. (2026 to 2030)	-	-	5,692,161	1,009,640	-	-	5,692,161	1,009,640
Sum	\$1,600,000	\$279,400	\$34,019,603	\$15,326,733	\$178,830	11,921	35,798,433	15,618,055
							178,830	11,921
							<u>\$35,619,603</u>	<u>\$15,606,133</u>

Less capitalized Leases

Total long-term debt

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, 2010, there were seven series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$23,695,000 million. Neither the County, the Authority, the State, nor any political subdivision, thereof, is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

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, 2010 was as follows for business-type activities.

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Difference (or Expense)
Vacation Leave (accrued)	\$ 88,953	\$ 69,597	\$ (65,339)	\$ 93,211	\$ 4,258
Holiday leave (accrued)	16,480	51,936	(48,978)	19,438	2,958
Compensatory leave (accrued)	13,407	26,467	(12,410)	27,464	14,057
Subtotal (accrued)	118,839	148,000	(126,727)	140,113	21,273
Compensatory leave (unaccrued)	4,532	5,030	(2,491)	7,071	2,539
Sick leave (unaccrued)	96,977	56,657	(61,771)	91,863	(5,114)
Subtotal (unaccrued)	101,509	61,687	(64,262)	98,934	(2,575)
Grand Totals	\$ 220,348	\$ 209,687	\$ (190,989)	\$ 239,047	\$ 18,698

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)	\$ 2,343,287	\$ 1,854,714	\$ (1,908,443)	\$ 2,289,558	\$ (53,728)
General Government	298,022	241,994	(246,872)	293,144	(4,878)
Public Safety	811,477	606,123	(636,604)	780,996	(30,481)
Human Services	1,159,842	955,933	(974,452)	1,141,323	(18,519)
Cultural (Library)	43,843	26,543	(26,404)	43,982	139
Other	30,102	24,121	(24,110)	30,113	11
Subtotal	2,343,287	1,854,714	(1,758,903)	2,289,558	(53,728)
Holiday Leave (accrued)	670,152	1,450,647	(1,449,791)	671,008	854
General Government	3,205	156,118	(152,608)	6,715	3,510
Public Safety	665,278	554,541	(557,580)	662,239	(3,041)
Human Services	1,669	702,489	(702,104)	2,054	385
Cultural (Library)	-	24,186	(24,186)	-	-
Other	-	13,313	(13,313)	-	-
Subtotal	670,152	1,450,647	(1,449,791)	671,008	854
Compensatory Leave (accrued)	469,207	427,241	(444,186)	452,262	(16,945)
General Government	41,462	23,928	(25,265)	40,125	(1,337)
Public Safety	221,438	174,057	(148,609)	246,885	25,448
Human Services	194,728	214,381	(257,214)	151,895	(42,833)
Cultural (Library)	11,295	12,869	(11,160)	13,004	1,709
Other	285	2,006	(1,938)	353	68
Subtotal	469,207	427,241	(444,186)	452,262	(16,945)
Subtotal (accrued)	3,482,646	3,732,602	(3,802,420)	3,412,828	(69,818)
Compensatory Leave (unaccrued)	523,341	347,537	(375,494)	495,384	(27,957)
General Government	187,052	84,710	(77,777)	193,985	6,933
Public Safety	86,688	21,684	(43,757)	64,615	(22,073)
Human Services	239,262	224,671	(240,084)	223,849	(15,413)
Cultural (Library)	10,124	13,153	(10,891)	12,386	2,262
Other	215	3,319	(2,985)	549	334
Subtotal	523,341	347,537	(375,494)	495,384	(27,957)
Sick Leave (unaccrued)	2,644,321	1,421,777	(1,463,830)	2,602,267	(42,054)
General Government	343,763	170,311	(172,036)	342,038	(1,725)
Public Safety	912,364	444,206	(449,661)	906,909	(5,455)
Human Services	1,309,426	766,352	(800,023)	1,275,755	(33,671)
Cultural (Library)	47,405	26,385	(27,405)	46,385	(1,020)
Other	31,362	14,523	(14,705)	31,180	(182)
Subtotal	2,644,321	1,421,777	(1,463,830)	2,602,267	(42,054)
Subtotal (unaccrued)	3,167,662	1,769,314	(1,839,324)	3,097,651	(70,011)
Grand Totals	\$ 6,650,308	\$ 5,501,916	\$ (5,641,744)	\$ 6,510,479	\$ (139,829)

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, 2010:

Governmental Activities	Next Year Interest Payable	Next Year Obligation	Future Year Obligation	Total
G.O. Bonds (non-capital related)	\$ 74,950	\$ 250,000	\$ 1,350,000	\$ 1,674,950
L.O. Bonds (non-capital related)	716,871	1,080,000	20,920,000	22,716,871
Bank Financed Loans	424,272	848,000	10,624,000	11,896,272
Contractual Obligations	24,236	19,677	527,926	571,839
Totals	1,240,329	2,197,677	33,421,926	36,859,932
Capitalized Leases	6,585	63,274	115,556	185,414
Net Pension Obligation	-	-	382,590	382,590
Net OPEB Obligation	-	-	2,253,419	2,253,419
Accrued (earned, unpaid) Leave	-	1,466,703	1,946,125	3,412,828
Totals	\$ 1,246,914	\$ 3,727,654	\$ 38,119,615	\$ 43,094,183
Business-Type Activities				
Landfill closure/post-closure care	\$ -	\$ -	\$ 5,232,782	\$ 5,232,782
Net OPEB Obligation	-	-	162,550	162,550
Accrued (earned, unpaid) Leave	-	60,884	79,229	140,113
Totals	\$ -	\$ 60,884	\$ 5,474,561	\$ 5,535,445

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance
G.O. Bonds (capital related)	\$ 680,326	\$ -	\$ (680,326)	\$ -
G.O. Bonds (non-capital related)	3,244,674	-	(1,644,674)	1,600,000
L.O. Bonds (non-capital related)	-	22,000,000	-	22,000,000
Bank Financed Loans	12,320,000	-	(848,000)	11,472,000
Contractual Obligations	566,245	-	(18,642)	547,603
Capitalized Leases	156,964	81,095	(59,229)	178,830
Net Pension Obligation	317,772	64,818	-	382,590
Net OPEB Obligation	1,284,046	969,373	-	2,253,419
Accrued (earned, unpaid) Leave	3,482,646	3,732,602	(3,802,420)	3,412,828
Totals	\$ 22,052,673	\$ 26,847,888	\$ (7,053,291)	\$ 41,847,269
By purpose:				
County	\$ 13,000,326	\$ -	\$ (1,528,326)	\$ 11,472,000
Community College	1,850,000	-	(250,000)	1,600,000
Public Schools (K-12)	1,394,674	22,000,000	(1,394,674)	22,000,000
Waterline	566,245	-	(18,642)	547,603
Equipment--Capitalized Leases	156,964	81,095	(59,229)	178,830
Employment/Post-employment	5,084,464	4,766,793	(3,802,420)	6,048,837
Totals	\$ 22,052,673	\$ 26,847,888	\$ (7,053,291)	\$ 41,847,269
Business-Type Activities				
Landfill closure/post-closure care	\$ 6,792,940	\$ -	\$ (1,560,158)	\$ 5,232,782
Net OPEB Obligation	93,582	68,968	-	162,550
Accrued (earned, unpaid) Leave	118,839	148,000	(126,727)	140,113
Totals	\$ 7,005,361	\$ 216,968	\$ (1,686,885)	\$ 5,535,445

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, 2010 consists of the following:

Activity Description	Amount
From General Fund to Debt Service Fund for payments on outstanding long-term debt	\$ 2,389,982
From General Fund to Capital Projects Fund for current capital projects activity	1,291,157
From General Fund to County Capital Reserve Fund to accumulate resources for future capital projects	667,924
From General Fund to Solid Waste Fund for medical insurance on employees	940
Subtotal from General Fund	4,350,003
From Schools Capital Reserve Fund to General Fund for current capital projects activity of the school system	1,400,000
From Schools Capital Reserve Fund to Debt Service Fund for payments on outstanding long-term debt used for construction of school buildings	1,436,514
Subtotal from Schools Capital Projects Fund	2,836,514
From Revaluation Fund to General Fund to discontinue use of this Special Revenue Fund	15,412
From Emergency Telephone Fund to General Fund for a portion of costs of personnel involved in supporting fund activities	68,316
From County Capital Reserve Fund to Capital Projects Fund for current capital projects activity of the County	7,478,773
From Solid Waste Fund to General Fund for a portion of costs of personnel involved in supporting fund activities and for workers' compensation	335,999
Total interfund activity	\$ 15,085,017

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, 2010 is as follows:

Reporting Fund	Due from General Fund	Due from Other Funds	Due to Other Funds
Governmental Funds			
General Fund	\$ -	\$ 738,577	\$ 26,823
School Capital Reserve Fund	-	-	116,667
Revaluation Fund	-	-	15,412
Emergency Telephone Fund	-	-	13
Fire District Fund	7,047	-	-
Debt Service Fund	-	-	5,000
Capital Projects Fund	-	-	601,484
County Capital Reserve Fund	19,776	-	-
Total interfund balances	\$ 26,823	\$ 738,577	\$ 765,400

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, 2010 consists of the following:

Governmental Activities	Beginning Balance	Activity	Ending Balance
General government	\$ -24,340.51	\$ -20,863.94	\$ -45,204.45
Register of Deeds Automation Fund (3.994.19)	-24,340.51	-20,863.94	-45,204.45
Public safety	3,381,262.60	-54,944.70	3,326,317.90
E911 Service Cash (FD26)	1,433,371.72	290,074.94	1,723,446.66
Fire Districts Cash (FD28)	1,054,364.85	-227,366.29	826,998.56
Unspent Dare Program Donations	4,851.60	547.19	5,398.79
Unspent Sheriff Donations	12,007.89	-7,768.11	4,239.78
Unspent K9 Donations	6,449.53	3,306.16	9,775.69
Unspent K9 Fundraisers	1,556.78	0.00	1,556.78
Unspent Reading Fathers Donations	7.50	0.00	7.50
Unspent Emergency Management Donations	0.00	40.73	40.73
Unspent EMS Donations	404.12	50.00	454.12
Unspent Federal Forfeiture Monies	555,168.44	-85,082.11	470,086.33
Unspent State Forfeiture Monies	313,080.17	-28,747.21	284,332.96
Human services	1,611,947.87	1,896,991.05	3,398,387.92
Unspent grants to Social Services	15.66	3,630.26	3,645.92
Unspent earnings from Health Department	1,611,932.21	1,893,360.79	3,394,742.00
Education	5,985,261.99	182,808.84	6,168,070.83
Public Schools Capital Projects Cash (FD21)	5,985,261.99	182,808.84	6,168,070.83
Economic and physical development	43,714.44	9,552.55	53,266.99
Unspent Coop Exp Special Project	15,395.75	9,499.47	24,895.22
Unspent Soil Conservation Special Project	28,318.69	53.08	28,371.77
Culture and recreation	132,715.80	352.86	133,068.66
Unspent Library Donations	132,715.80	352.86	133,068.66
Total	\$ 11,130,562.19	\$ 2,013,896.66	\$ 13,033,307.85

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 this account at June 30, 2010 consists of the following:

Governmental Activities	Beginning Balance	Activity	Ending Balance
Capital assets	\$ 137,634,149	\$ 11,759,684	\$ 149,393,833
Adjustments			
Depreciation on capital assets	(38,224,236)	(4,166,437)	(42,390,673)
Bonds issued for capital purposes, current portion	(1,528,326)	(399,674)	(1,928,000)
Leases issued for capital equipment, current portion	(45,552)	(17,722)	(63,274)
Bonds issued for capital purposes, future portion	(11,472,000)	(20,072,000)	(31,544,000)
Leases issued for capital equipment, future portion	(111,412)	(4,144)	(115,556)
Premium on bonds issued for capital purposes	(847)	847	-
Deferred charges on bonds issued for capital purposes	33,892	(33,892)	-
Subtotal adjustments	(51,348,481)	(24,693,022)	(76,041,503)
Invested in capital assets, net of related debt	\$ 86,285,668	\$ (12,933,338)	\$ 73,352,330

Unrestricted net assets is the remainder of net assets not classified as either restricted or invested in capital assets, net of related debt.

E. Occupancy Taxes

Under State law, all occupancy taxes shall be spent for tourism promotion and other economic development activities. To meet that purpose, all occupancy taxes are distributed to Cleveland County Chamber, which is a separate non-profit entity.

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 \$1,340,129 for operating purposes and an additional \$60,000 for capital purposes during the fiscal year ended June 30, 2010 to Cleveland Community College.

The County paid an additional \$450 to CCC for training courses and course materials for employees; and, \$317 was sent on behalf of clients to assist with tuition.

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 \$35,800 to CCC for the fiscal year ended June 30, 2010. 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, \$1,600,000 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, 2010. The County paid an additional \$25,034 to IPDC to coordinate and administer the Community Development Block Grant awards for a Housing Rehab project and \$25 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, 2010:

<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 & 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	-	\$ 122,866	\$ 7,225
<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>\$ 511,713</u>	<u>\$ 7,225</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, Children	10.557	-	\$ 2,024,649	\$ -
Medical Assistance	93.778	-	119,823,589	41,345,802
Participation in Budgeted County Expenditures				
IV-D Offset Fees - ESC	93.563	-	930	(45)
IV-D Offset Fees - Federal	93.563	-	6,146	-
Links Transitional Funds	93.674	-	7,384	-
IV-E Adoption Subsidy	93.659	-	669,292	134,915
Energy Assistance Payments	93.568	-	976,121	-
AFDC Payments and Penalties	93.560	-	(943)	(258)
AFDC Unemployed Parents Assistance	93.560	-	(99)	-
TANF Payments and Penalties	93.558	-	1,463,158	(21)
Child Welfare Services Adoption Subsidy		-	-	427,560
State-County / Special Assistance Domiciliary Care Payments		-	-	1,212,847
Total participation in budgeted county expenditures			<u>3,168,707</u>	<u>1,774,998</u>
Total direct benefit payments			<u>\$ 126,016,945</u>	<u>\$ 43,120,799</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, the Capital Projects Fund has 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. Significant Effects of Subsequent Events

In August 2010 and in September 2010, the County entered contracts through direct loans from a financial institution to help finance the costs of the construction of a new multi-purpose facility at Cleveland Community College. The beginning budget for the County's Debt Service Fund for the subsequent year included estimated amounts for principal and interest payments. These loans are considered to be installment purchase loans. The first loan qualifies as Recovery Zone Economic Development Bonds, and the second loan is classified as Qualified School Construction Bonds. Principal payments for the two loans are due in semi-annual installments of \$421,733 and \$164,365 through September 2025. Interest rates are 4.90% and 4.95%; interest payments will be partially subsidized by the federal government.

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
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	85
2. Retirees Healthcare Coverage Financial Schedules	Part II.D.2	90
3. Major Governmental Funds Financial Statements	Part II.D.3	95
4. Non-major Governmental Funds Financial Statements	Part II.D.4	107
5. Major Enterprise Fund Financial Schedule	Part II.D.5	120
6. Fiduciary Funds Financial Statement	Part II.D.6	123

The Required Supplementary Information concerns, first, the County's obligation to provide pension benefits to its law enforcement officers through the Law Enforcement Officers' Special Separation Allowance (LEOSSA) and, second, more detailed results for each individual fund, both major and non-major funds, by comparing actual results with the budgetary estimates and limitations.

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
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	86
b. LEOSSA Schedule of Employer Contributions	Exhibit II.D.1.b	86
c. Notes to LEOSSA Financial Schedules	Exhibit II.D.1.c	87

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, 2010

Year Ended December 31	Actuarial Value of Assets	AAL* - Projected Unit Credit	Unfunded AAL*	Funded Ratio	Covered Payroll	Ratio of Unfunded AAL to Covered Payroll
--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2005						
2009	\$ -	\$ 1,353,424	\$ 1,353,424	0.000%	\$ 3,417,424	39.604%
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%	2,067,519	-
1998	-	-	-	0.000%	2,163,522	-

* 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, 2010

Fiscal Year Ended June 30	Actual Contributions	Annual Required Contributions	Percentage Contributed	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2005						
2010	\$ 60,798	\$ 122,596	49.592%	\$ 125,616	48.400%	\$ 382,590
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	-	-	-	-	-

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010

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, 2010

The actuarial valuation for the fiscal year ended 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 below.

ANNUAL PAYROLL FOR THE PERIOD ENDED DECEMBER 31, 2008

	Number	Amount
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 ENDED JUNE 30, 2010

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

	Rate *	Amount
1) Value of benefits earned during the current year	1.6965%	\$ 55,923
2) Portion of value earned and not contributed in previous years	2.0226%	66,673
Total annual required contribution	3.7190%	<u>\$ 122,596</u>

NET PENSION OBLIGATION (AND ANNUAL PENSION COST) FOR THE YEAR ENDED JUNE 30, 2010

Net Pension Obligation, as of June 30, 2009		\$ 317,772
Annual required contribution	\$ 122,596	
Adjustment to annual required contribution	(20,018)	
Interest on net pension obligation	23,038	
Annual pension cost	<u>\$ 125,616</u>	
Contributions	(60,798)	
Change in net pension obligation		64,818
Net Pension Obligation, as of June 30, 2010		<u>\$ 382,590</u>

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
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 ENDING JUNE 30, 2011

The actuarial valuation for the fiscal year ending June 30, 2011 is based on the annual payroll for law enforcement officers in the calendar year ended December 31, 2009. 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, 2009

	Number	Amount
1) Active members - current annual compensation	87	\$ 3,417,424
2) Retired members - current annual benefits	4	41,374
Total annual payroll		\$ 3,458,798

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2009

Present and Prospective Assets	
Present assets	\$ -
Present value of future (unfunded) accrued liability contributions	1,353,424
Total assets, as of December 31, 2009	\$ 1,353,424
Accrued Actuarial Liabilities = present value of benefits payable in respect of:	
Present retired members and beneficiaries	\$ 157,023
Present active members	1,196,401
Total liabilities, as of December 31, 2009	\$ 1,353,424

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2011

The annual required contribution for the year ending June 30, 2011 is calculated as of December 31, 2009. 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	2.3986%	\$ 81,971
2) Portion of value earned and not contributed in previous years	2.1203%	72,458
Total annual required contribution	4.5189%	\$ 154,429

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010

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, 2010	June 30, 2011
Valuation Date	Dec 31, 2008	Dec 31, 2009
Remaining Amortization Period	22 years	21 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%	5.00%
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	Non-Vested Plan Members	Total Plan Members
2010	4	-	55	30	89
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

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

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
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	91
b. RHC Schedule of Employer Contributions	Exhibit II.D.2.b	91
c. Notes to RHC Financial Schedules	Exhibit II.D.2.c	92

The displays here comply with the applicable provision of accounting requirements under Governmental Accounting Standards Board Statements Number 43 and 45.

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

For the Year Ended June 30, 2010

Year Ended December 31	Actuarial Value of Assets	AAL* - Projected Unit Credit	Unfunded AAL*	Funded Ratio	Covered Payroll	Ratio of Unfunded AAL to Covered Payroll
--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2008						
2009	\$ -	\$ 13,359,447	\$ 13,359,447	0.000%	\$ 28,517,138	46.847%
2008	-	15,565,951	15,565,951	0.000%	27,113,877	57.410%

* 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, 2010

Fiscal Year Ended June 30	Actual Contributions	Annual Required Contributions	Percentage Contributed	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2008						
2010	\$ 121,916	\$ 1,377,628	8.850%	\$ 1,383,964	8.809%	\$ 2,415,969
2009	223,707	1,377,628	16.239%	1,377,628	16.239%	1,153,921

Cleveland County, North Carolina
Annual Financial and Compliance Report
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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, 2010

The actuarial valuation for the fiscal year ended 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 below.

ANNUAL PAYROLL FOR THE PERIOD ENDED DECEMBER 31, 2008

	Number	Amount
1) Active members - current annual compensation	692	\$ 27,113,877
2) Retired members - current annual benefits	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 ENDING JUNE 30, 2010

The annual required contribution for the year ended 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 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, 2010

Net OPEB Obligation, as of June 30, 2009		\$	1,153,921
Annual required contribution	\$ 1,377,628		
Adjustment to annual required contribution	(39,821)		
Interest on net OPEB obligation	46,157		
Annual OPEB cost	\$ 1,383,964		
Contributions	(121,916)		
Change in net OPEB obligation			1,262,048
Net OPEB Obligation, as of June 30, 2010		\$	2,415,969

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
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, 2011

The actuarial valuation for the fiscal year ending June 30, 2011 is based on the annual payroll for all employees in the calendar year ended December 31, 2009. 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, 2009

	Number	Amount
1) Active members - current annual compensation	703	\$ 28,517,138
2) Retired members - current annual benefits	59	-
Total annual payroll		\$ 28,517,138

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2009

Present and Prospective Assets		
Present assets		\$ -
Present value of future (unfunded) accrued liability contributions		13,359,447
Total assets, as of December 31, 2009		\$ 13,359,447
Accrued Actuarial Liabilities = present value of benefits payable in respect of:		
Present retired members and beneficiaries		\$ 3,533,894
Present active members		9,825,553
Total liabilities, as of December 31, 2009		\$ 13,359,447

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2011

The annual required contribution for the year ending June 30, 2011 is calculated as of December 31, 2009. 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	2.5033%	\$ 713,861
2) Portion of value earned and not contributed in previous years	1.6167%	461,030
Total annual required contribution	4.1199%	\$ 1,174,891

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
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, 2010	June 30, 2011
Valuation Date	Dec 31, 2008	Dec 31, 2009
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	2017
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	Non-Vested Plan Members	Total Plan Members
2010	59	-	91	612	762
2009	55	-	114	578	747

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

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
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	96
b. Schools Capital Reserve Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)	Exhibit II.D.3.b	105
c. County Capital Reserve Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (added details)	Exhibit II.D.3.c	106

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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
REVENUES				
Ad Valorem Taxes				
Current year	\$ 35,579,115	\$ 36,325,175	\$ 746,060	\$ 36,089,386
Prior years	1,083,285	1,897,221	813,936	1,845,778
Penalties, interest, and advertising, net	241,074	567,895	326,821	603,022
Subtotal Ad Valorem Taxes	<u>36,903,474</u>	<u>38,790,291</u>	<u>1,886,817</u>	<u>38,538,186</u>
Other Taxes				
Local option sales tax	8,325,000	7,429,274	(895,726)	9,694,631
Occupancy tax	196,000	174,322	(21,678)	173,819
Heavy equipment tax	-	20,349	20,349	11,847
Rental tax	23,000	25,160	2,160	23,803
Privilege license	-	4,450	4,450	3,555
Register of Deeds excise stamp	250,000	154,626	(95,374)	144,905
Subtotal Other Taxes	<u>8,794,000</u>	<u>7,808,181</u>	<u>(985,819)</u>	<u>10,052,560</u>
Intergovernmental Revenues, unrestricted				
Video programming services	350,000	353,206	3,206	405,285
Payments in lieu of taxes	12,000	12,535	535	10,635
Sheriff court fees	50,000	43,088	(6,912)	44,798
Jail fees	35,000	56,743	21,743	44,349
Safe road taxes	10,000	9,748	(252)	10,204
Subtotal Intergovernmental Revenues, unrestricted	<u>457,000</u>	<u>475,320</u>	<u>18,320</u>	<u>515,271</u>
Intergovernmental Revenues, restricted				
County program grants	2,894,003	1,485,239	(1,408,764)	2,188,395
Social services program grants	17,646,985	15,419,278	(2,227,707)	14,485,735
Health program grants	3,153,479	2,904,376	(249,103)	3,378,518
Court facilities fees	201,732	190,573	(11,159)	211,208
Other grants	200,000	6,745	(193,255)	40,000
Subtotal Intergovernmental Revenues, restricted	<u>24,096,199</u>	<u>20,006,211</u>	<u>(4,089,988)</u>	<u>20,303,856</u>
Subtotal Intergovernmental Revenues	<u>24,553,199</u>	<u>20,481,531</u>	<u>(4,071,668)</u>	<u>20,819,127</u>
Licenses, Fees, and Permits				
Board of election fees	-	7,411	7,411	254
Register of Deeds' fees and permits	425,000	374,198	(50,802)	400,084
Marriage licenses	-	14,575	14,575	16,250
Street sign fees	-	500	500	625
Civil, pistol, and concealed weapons permits	140,000	158,252	18,252	180,370
Inmate fees	-	6,062	6,062	4,220
Emergency management fees	-	480	480	1,199
Building permit and inspection fees	200,000	190,738	(9,262)	187,767
Hazardous material licenses	-	-	-	246
Zoning permits and fees	29,000	28,868	(132)	19,165
Soil conservation signs	-	11	11	22
Environmental health permits	123,400	102,690	(20,710)	95,895
Subtotal Licenses, Fees, and Permits	<u>917,400</u>	<u>883,785</u>	<u>(33,615)</u>	<u>906,097</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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
REVENUES (continued from previous page)				
Sales and Services				
Rents, concessions, and parking	\$ 1,474,000	\$ 1,489,059	\$ 15,059	\$ 1,486,071
Contracted revenues	1,087,073	1,017,277	(69,796)	905,986
County program fees	1,057,138	1,448,136	390,998	1,344,827
Social Services Department fees	34,685	23,045	(11,640)	22,847
Health Department fees	421,587	518,939	97,352	462,130
Medicaid / Medicare service fees	4,224,200	5,212,781	988,581	5,308,010
Subtotal Sales and Services	<u>8,298,683</u>	<u>9,709,237</u>	<u>1,410,554</u>	<u>9,529,871</u>
Investment Earnings	780,000	546,868	(233,132)	1,104,096
Miscellaneous				
Contributions / donations	224,503	206,652	(17,851)	1,493,891
ABC net revenues	85,000	66,572	(18,428)	97,527
Vending and phone commissions	61,500	65,863	4,363	69,056
Sale of used surplus equipment and vehicles	25,000	49,454	24,454	81,567
Insurance proceeds	50,000	35,673	(14,327)	33,276
Miscellaneous State refunds to County	-	22,669	22,669	47,854
Paving assessments	-	3,447	3,447	13,125
Miscellaneous others	30,000	4,078	(25,922)	41,219
Subtotal Miscellaneous	<u>476,003</u>	<u>454,408</u>	<u>(21,595)</u>	<u>1,877,515</u>
Total Revenues	<u>80,722,759</u>	<u>78,674,301</u>	<u>(2,048,458)</u>	<u>82,827,452</u>
EXPENDITURES				
General Government				
Commissioners (including grants received and awarded)				
Salaries / benefits	372,042	367,801	(4,241)	359,317
Other expenses	2,612,585	1,836,046	(776,539)	2,048,575
Capital outlay	-	-	-	39,724
Subtotal Commissioners	<u>2,984,627</u>	<u>2,203,847</u>	<u>(780,780)</u>	<u>2,447,616</u>
County Manager / Administration				
Salaries / benefits	507,186	505,077	(2,109)	466,320
Other expenses	29,980	26,752	(3,228)	27,642
Subtotal County Manager / Administration	<u>537,166</u>	<u>531,829</u>	<u>(5,337)</u>	<u>493,962</u>
Finance & Purchasing				
Salaries / benefits	525,993	520,766	(5,227)	528,405
Other expenses	77,225	68,663	(8,562)	65,705
Subtotal Finance and Purchasing	<u>603,218</u>	<u>589,429</u>	<u>(13,789)</u>	<u>594,110</u>
Tax Administration (assessing, listing, and collection)				
Salaries / benefits	1,111,315	1,098,798	(12,517)	1,094,926
Other expenses	267,716	245,136	(22,580)	248,739
Subtotal Tax Administration	<u>1,379,031</u>	<u>1,343,934</u>	<u>(35,097)</u>	<u>1,343,665</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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Legal / County attorney				
Other expenses	\$ 97,237	\$ 101,506	\$ 4,269	\$ 69,066
Capital outlay	95,672	91,207	(4,465)	595,422
Subtotal Legal / County Attorney	<u>192,909</u>	<u>192,713</u>	<u>(196)</u>	<u>664,488</u>
Elections				
Salaries / benefits	365,629	313,104	(52,525)	312,688
Other expenses	230,119	197,595	(32,524)	174,908
Subtotal Elections	<u>595,748</u>	<u>510,699</u>	<u>(85,049)</u>	<u>487,596</u>
Register of Deeds (including Automation)				
Salaries / benefits	324,058	320,864	(3,194)	329,258
Other expenses	63,870	49,545	(14,325)	53,496
Subtotal Register of Deeds	<u>387,928</u>	<u>370,409</u>	<u>(17,519)</u>	<u>382,754</u>
Information Technology				
Salaries / benefits	394,000	391,369	(2,631)	386,327
Other expenses	92,985	84,115	(8,870)	89,655
Capital outlay	81,095	81,095	-	50
Subtotal Information Technology	<u>568,080</u>	<u>556,579</u>	<u>(11,501)</u>	<u>476,032</u>
Human Resources				
Salaries / benefits	358,785	356,077	(2,708)	345,495
Other expenses	22,103	20,908	(1,195)	19,069
Capital outlay	25,000	24,000	(1,000)	-
Subtotal Human Resources	<u>405,888</u>	<u>400,985</u>	<u>(4,903)</u>	<u>364,564</u>
Facilities Maintenance				
Salaries / benefits	456,316	451,573	(4,743)	442,737
Other expenses	953,603	954,679	1,076	980,687
Capital outlay	28,011	28,010	(1)	10,205
Subtotal Facilities Maintenance	<u>1,437,930</u>	<u>1,434,262</u>	<u>(3,668)</u>	<u>1,433,629</u>
Juvenile Crime Prevention Council Admin., Other expenses:	4,383	4,088	(295)	1,411
Subtotal JCPC Administration	<u>4,383</u>	<u>4,088</u>	<u>(295)</u>	<u>1,411</u>
Communities in Schools, other expenses	58,500	58,500	-	58,500
Emergency and Contingency, other expenses	50,001	31,001	(19,000)	17,060
Court Facilities				
Salaries / benefits	95,832	93,564	(2,268)	130,492
Other expenses	228,400	188,464	(39,936)	215,249
Subtotal Court Facilities	<u>324,232</u>	<u>282,028</u>	<u>(42,204)</u>	<u>345,741</u>
Total General Government	<u>9,529,641</u>	<u>8,510,303</u>	<u>(1,019,338)</u>	<u>9,111,128</u>
Transportation				
TACC, other expenses	39,464	39,464	-	39,464
Total Transportation	<u>39,464</u>	<u>39,464</u>	<u>-</u>	<u>39,464</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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Public Safety				
Sheriff (including Schools Resource Officers)				
Salaries / benefits	\$ 5,095,533	\$ 5,049,000	\$ (46,533)	\$ 5,022,899
Other expenses	774,170	718,839	(55,331)	702,671
Capital outlay	254,353	254,352	(1)	288,007
Subtotal Sheriff	<u>6,124,056</u>	<u>6,022,191</u>	<u>(101,865)</u>	<u>6,013,577</u>
Law Enforcement and Other Public Safety Grants				
Other expenses	78,082	65,248	(12,834)	34,893
Capital outlay	42,391	41,142	(1,249)	7,558
Subtotal Public Safety Grants	<u>120,473</u>	<u>106,390</u>	<u>(14,083)</u>	<u>42,451</u>
Criminal Justice Partnership (Day Reporting Center)				
Salaries / benefits	46,857	45,896	(961)	57,305
Other expenses	59,339	51,366	(7,973)	48,368
Subtotal Criminal Justice Partnership	<u>106,196</u>	<u>97,262</u>	<u>(8,934)</u>	<u>105,673</u>
Federal and State Forfeited Property				
Other expenses	99,536	73,597	(25,939)	120,382
Capital outlay	183,178	183,049	(129)	164,520
Subtotal Federal and State Forfeited Property	<u>282,714</u>	<u>256,646</u>	<u>(26,068)</u>	<u>284,902</u>
Detention Centers				
Salaries / benefits	1,527,804	1,509,710	(18,094)	1,509,503
Other expenses	974,430	982,478	8,048	1,112,960
Capital outlay	31,256	30,452	(804)	4,719
Subtotal Detention Centers	<u>2,533,490</u>	<u>2,522,640</u>	<u>(10,850)</u>	<u>2,627,182</u>
Emergency Management				
Salaries / benefits	211,973	209,864	(2,109)	210,122
Other expenses	184,346	174,641	(9,705)	76,928
Capital outlay	-	-	-	32,102
Subtotal Emergency Management	<u>396,319</u>	<u>384,505</u>	<u>(11,814)</u>	<u>319,152</u>
Emergency Medical Services				
Salaries / benefits	4,263,271	4,229,052	(34,219)	4,311,606
Other expenses	901,911	839,762	(62,149)	843,767
Capital outlay	487,658	486,665	(993)	191,172
Subtotal Emergency Medical Services	<u>5,652,840</u>	<u>5,555,479</u>	<u>(97,361)</u>	<u>5,346,545</u>
Rescue Squads, other expenses	151,530	94,814	(56,716)	88,136
E911 Communications				
Salaries / benefits	905,400	895,326	(10,074)	896,420
Other expenses	55,089	28,849	(26,240)	38,922
Subtotal E911 Communications	<u>960,489</u>	<u>924,175</u>	<u>(36,314)</u>	<u>935,342</u>
Electronic Maintenance				
Salaries / benefits	224,901	223,319	(1,582)	225,220
Other expenses	163,950	129,471	(34,479)	135,956
Subtotal Electronic Maintenance	<u>388,851</u>	<u>352,790</u>	<u>(36,061)</u>	<u>361,176</u>
Inspections				
Salaries / benefits	353,722	350,128	(3,594)	347,076
Other expenses	36,198	28,016	(8,182)	30,986
Capital outlay	14,713	14,713	-	-
Subtotal Inspections	<u>404,633</u>	<u>392,857</u>	<u>(11,776)</u>	<u>378,062</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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Coroner				
Salaries / benefits	\$ 31,606	\$ 31,051	\$ (555)	\$ 31,374
Other expenses	66,882	65,943	(939)	75,646
Subtotal Coroner	98,488	96,994	(1,494)	107,020
Hazardous Materials, other expenses	20,855	20,460	(395)	20,361
Animal/Rabies Control				
Salaries / benefits	435,309	429,671	(5,638)	386,427
Other expenses	156,691	148,295	(8,396)	128,757
Capital outlay	-	-	-	25,790
Subtotal Animal/Rabies Control	592,000	577,966	(14,034)	540,974
Total Public Safety	17,832,934	17,405,169	(427,765)	17,170,553
Human Services				
Miscellaneous				
Pathways, other expenses	891,758	891,738	(20)	891,738
Veteran Services				
Salaries / benefits	66,910	66,382	(528)	65,067
Other expenses	6,454	5,350	(1,104)	5,934
Subtotal Veteran Services	73,364	71,732	(1,632)	71,001
Council on Aging, other expenses	140,035	140,035	-	140,035
Social Services:				
Administration				
Salaries / benefits	975,452	963,214	(12,238)	909,190
Other expenses	821,401	669,016	(152,385)	738,120
Capital outlay	90,000	89,010	(990)	19,007
Subtotal Administration	1,886,853	1,721,240	(165,613)	1,666,317
Title XX				
Salaries / benefits	4,197,204	3,955,833	(241,371)	3,955,061
Other expenses	527,495	464,005	(63,490)	458,401
Subtotal Title XX	4,724,699	4,419,838	(304,861)	4,413,462
Outside Poor, other expenses	7,658,895	6,138,681	(1,520,214)	5,508,781
Income Maintenance				
Salaries / benefits	4,141,160	3,891,598	(249,562)	3,878,157
Other expenses	860,243	363,474	(496,769)	355,656
Capital outlay	-	-	-	2,528
Subtotal Income Maintenance	5,001,403	4,255,072	(746,331)	4,236,341
Special Assistance, Salaries / benefits	42,321	41,697	(624)	40,902
Aid to Blind, other expenses	12,496	12,384	(112)	7,087
IVD Child Support				
Salaries / benefits	1,179,807	1,106,491	(73,316)	1,136,482
Other expenses	11,833	8,464	(3,369)	36,468
Capital outlay	-	-	-	996
Subtotal IVD Child Support	1,191,640	1,114,955	(76,685)	1,173,946
Smart Start, Salaries / benefits	83,234	81,956	(1,278)	75,644
Public Assistance, other expenses	3,785,890	3,499,006	(286,884)	6,816,607
Total Social Services	24,387,431	21,284,829	(3,102,602)	23,939,087

(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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Health services				
Administration				
Salaries / benefits	\$ 955,381	\$ 912,828	\$ (42,553)	\$ 903,494
Other expenses	705,666	598,095	(107,571)	677,834
Capital outlay	-	-	-	359,800
Subtotal Administration	<u>1,661,047</u>	<u>1,510,923</u>	<u>(150,124)</u>	<u>1,941,128</u>
Smart Start				
Salaries / benefits	70,935	68,438	(2,497)	123,864
Other expenses	46,169	36,374	(9,795)	32,310
Subtotal Smart Start	<u>117,104</u>	<u>104,812</u>	<u>(12,292)</u>	<u>156,174</u>
AIDS				
Salaries / benefits	148,991	113,459	(35,532)	167,455
Other expenses	95,159	57,776	(37,383)	82,999
Subtotal AIDS	<u>244,150</u>	<u>171,235</u>	<u>(72,915)</u>	<u>250,454</u>
Tuberculosis/Communicable Diseases				
Salaries / benefits	140,518	139,461	(1,057)	94,747
Other expenses	20,046	22,699	2,653	18,477
Subtotal Tuberculosis/Communicable Diseases	<u>160,564</u>	<u>162,160</u>	<u>1,596</u>	<u>113,224</u>
Adult Health				
Salaries / benefits	545,356	539,525	(5,831)	532,013
Other expenses	341,974	323,113	(18,861)	260,729
Capital outlay	23,006	3,100	(19,906)	-
Subtotal Adult Health	<u>910,336</u>	<u>865,738</u>	<u>(44,598)</u>	<u>792,742</u>
School Health				
Salaries / benefits	1,042,046	993,094	(48,952)	998,272
Other expenses	133,212	114,212	(19,000)	96,885
Capital outlay	9,910	9,910	-	-
Subtotal School Health	<u>1,185,168</u>	<u>1,117,216</u>	<u>(67,952)</u>	<u>1,095,157</u>
Health Promotions				
Salaries / benefits	99,739	98,677	(1,062)	98,284
Other expenses	83,392	73,469	(9,923)	75,617
Subtotal Health Promotions	<u>183,131</u>	<u>172,146</u>	<u>(10,985)</u>	<u>173,901</u>
Nutrition Grant				
Salaries / benefits	-	-	-	137,043
Other expenses	-	-	-	60,009
Subtotal Nutrition Grant	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,052</u>
Child Health				
Salaries / benefits	474,719	469,713	(5,006)	453,102
Other expenses	68,242	57,092	(11,150)	69,197
Subtotal Child Health	<u>542,961</u>	<u>526,805</u>	<u>(16,156)</u>	<u>522,299</u>
Maternal Health				
Salaries / benefits	1,826,088	1,743,281	(82,807)	1,790,826
Other expenses	124,750	112,813	(11,937)	111,557
Subtotal Maternal Health	<u>1,950,838</u>	<u>1,856,094</u>	<u>(94,744)</u>	<u>1,902,383</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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Family Planning				
Salaries / benefits	\$ 624,775	\$ 519,202	\$ (105,573)	\$ 748,946
Other expenses	260,795	244,944	(15,851)	238,066
Capital outlay	11,550	11,550	-	-
Subtotal Family Planning	<u>897,120</u>	<u>775,696</u>	<u>(121,424)</u>	<u>987,012</u>
Women - Infants - Children				
Salaries / benefits	440,650	406,743	(33,907)	356,900
Other expenses	89,982	62,611	(27,371)	52,157
Subtotal Women - Infants - Children	<u>530,632</u>	<u>469,354</u>	<u>(61,278)</u>	<u>409,057</u>
Environmental Health				
Salaries / benefits	728,563	722,252	(6,311)	810,085
Other expenses	66,175	45,521	(20,654)	53,106
Subtotal Environmental Health	<u>794,738</u>	<u>767,773</u>	<u>(26,965)</u>	<u>863,191</u>
Other Public Health Grants				
Salaries / benefits	193,789	184,853	(8,936)	195,420
Other expenses	216,419	180,498	(35,921)	95,385
Capital outlay	199,889	154,735	(45,154)	-
Subtotal Other Public Health Grants	<u>610,097</u>	<u>520,086</u>	<u>(90,011)</u>	<u>290,805</u>
Dental Clinic				
Salaries / benefits	310,435	295,776	(14,659)	242,246
Other expenses	105,293	61,154	(44,139)	107,877
Capital outlay	-	-	-	35,934
Subtotal Dental Clinic	<u>415,728</u>	<u>356,930</u>	<u>(58,798)</u>	<u>386,057</u>
Nurse Family Partnership				
Salaries / benefits	356,152	324,954	(31,198)	121,360
Other expenses	265,055	74,698	(190,357)	79,254
Subtotal Nurse Family Partnership	<u>621,207</u>	<u>399,652</u>	<u>(221,555)</u>	<u>200,614</u>
Carolina Access				
Salaries / benefits	734,631	713,455	(21,176)	606,797
Other expenses	471,943	405,711	(66,232)	397,692
Capital outlay	-	-	-	15,249
Subtotal Carolina Access	<u>1,206,574</u>	<u>1,119,166</u>	<u>(87,408)</u>	<u>1,019,738</u>
CODAP				
Salaries / benefits	185,250	165,783	(19,467)	227,641
Other expenses	44,836	11,111	(33,725)	28,050
Subtotal CODAP	<u>230,086</u>	<u>176,894</u>	<u>(53,192)</u>	<u>255,691</u>
Total Health Services	<u>12,261,481</u>	<u>11,072,680</u>	<u>(1,188,801)</u>	<u>11,556,679</u>
Total Human Services	<u>37,754,069</u>	<u>33,461,014</u>	<u>(4,293,055)</u>	<u>36,598,540</u>
Debt Service				
Principal reduction	59,272	59,229	(43)	46,115
Interest and fees	13,097	9,135	(3,962)	8,602
Total Debt Service	<u>72,369</u>	<u>68,364</u>	<u>(4,005)</u>	<u>54,717</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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Education				
Public Schools				
Current expenses	\$ 10,408,213	\$ 10,408,213	\$ -	\$ 10,408,213
Schools capital outlay	4,015,000	3,400,000	(615,000)	4,760,683
Subtotal Public Schools	14,423,213	13,808,213	(615,000)	15,168,896
Community College				
Other expenses	1,340,129	1,340,129	-	1,342,692
Capital outlay	-	-	-	31,624
Subtotal Community College	1,340,129	1,340,129	-	1,374,316
Total Education	15,763,342	15,148,342	(615,000)	16,543,212
Economic and Physical Development				
Planning and Zoning				
Salaries / benefits	276,267	274,158	(2,109)	272,342
Other expenses	80,206	76,721	(3,485)	74,268
Capital outlay	-	-	-	1,760
Subtotal Planning and Zoning	356,473	350,879	(5,594)	348,370
Economic Development, other expenses	1,243,882	612,810	(631,072)	1,059,195
Cooperative Extension				
Salaries / benefits	223,964	223,733	(231)	245,091
Other expenses	74,674	50,621	(24,053)	50,332
Capital outlay	-	-	-	21,014
Subtotal Cooperative Extension	298,638	274,354	(24,284)	316,437
Forestry, other expenses	66,932	65,396	(1,536)	47,586
Soil conservation				
Salaries / benefits	75,717	74,663	(1,054)	66,357
Other expenses	12,909	9,463	(3,446)	7,910
Subtotal Soil Conservation	88,626	84,126	(4,500)	74,267
Waterline and sewer maintenance				
Other expenses	220,000	(40,939)	(260,939)	246,325
Capital outlay	280,264	263,426	(16,838)	58,575
Subtotal Waterline and Sewer Maintenance	500,264	222,487	(277,777)	304,900
Total Economic and Physical Development	2,554,815	1,610,052	(944,763)	2,150,755
Cultural				
Library System				
Salaries / benefits	696,004	687,724	(8,280)	682,049
Other expenses	402,639	351,310	(51,329)	327,903
Capital outlay	-	-	-	5,360
Subtotal Library System	1,098,643	1,039,034	(59,609)	1,015,312
Broad River Greenway				
Other expenses	64,356	60,950	(3,406)	75,514
Capital outlay	-	-	-	1,055,617
Subtotal Broad River Greenway	64,356	60,950	(3,406)	1,131,131
Historic Courthouse, other expenses	30,000	21,998	(8,002)	12,304
Total Cultural	1,192,999	1,121,982	(71,017)	2,158,747

(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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Total Expenditures	\$ 84,739,633	\$ 77,364,690	\$ (7,374,943)	\$ 83,827,116
Excess of Revenues Over (Under) Expenditures	(4,016,874)	1,309,611	5,326,485	(999,664)
OTHER FINANCING SOURCES (USES)				
Transfers In				
from Special Revenue fund - Schools Capital Reserve	2,015,000	1,400,000	(615,000)	2,760,683
from Special Revenue fund - Revaluation	15,414	15,412	(2)	-
from Special Revenue fund - Emergency Telephone	69,318	68,316	(1,002)	66,144
from Enterprise fund	404,193	335,999	(68,194)	235,059
Transfers Out				
to Special Revenue fund - Revaluation	(11,000)	-	11,000	(11,000)
to Special Revenue fund - Emergency Telephone	-	-	-	(45,790)
to Debt Service Fund	(2,390,012)	(2,389,982)	30	(1,786,044)
to Capital Projects fund - Capital Projects	(1,957,888)	(1,291,157)	666,731	(1,636,282)
to Capital Projects fund - Capital Reserve	(1,667,924)	(667,924)	1,000,000	(2,394,000)
to Enterprise Fund	-	(940)	(940)	(6,123)
Installment Financing Issued	81,095	81,095	-	-
Fund Balance Appropriated	7,458,678	-	(7,458,678)	-
Total Other Financing Sources (Uses)	4,016,874	(2,449,181)	(6,466,055)	(2,817,353)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ -	(1,139,570)	\$ (1,139,570)	(3,817,017)
FUND BALANCES				
Beginning Fund Balances		24,721,648		28,538,665
Ending Fund Balances		<u>\$ 23,582,078</u>		<u>\$ 24,721,648</u>

(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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
REVENUES				
Local Option Sales Taxes, restricted portions of Articles 40 and 42				
Other taxes	\$ 2,236,514	\$ 2,458,010	\$ 221,496	\$ 3,142,521
Investment earnings	-	118,135	118,135	158,084
Subtotal	<u>2,236,514</u>	<u>2,576,145</u>	<u>339,631</u>	<u>3,300,605</u>
State Corporate Income Taxes				
Intergovernmental revenues	-	-	-	565,542
Investment earnings	-	9	9	9,099
Subtotal	<u>-</u>	<u>9</u>	<u>9</u>	<u>574,641</u>
State Education Lottery Proceeds				
Intergovernmental revenues	615,000	8,432	(606,568)	1,238,534
Investment earnings	-	116,679	116,679	122,149
Subtotal	<u>615,000</u>	<u>125,111</u>	<u>(489,889)</u>	<u>1,360,683</u>
Total revenues	<u>2,851,514</u>	<u>2,701,265</u>	<u>(150,249)</u>	<u>5,235,929</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	(4,694,512)	-	4,694,512	(1,000,000)
To Debt Service Fund	(1,436,514)	(1,436,514)	-	(971,833)
Subtotal	<u>(7,531,026)</u>	<u>(2,836,514)</u>	<u>4,694,512</u>	<u>(3,371,833)</u>
State Corporate Income Taxes				
Transfers out				
To Debt Service Fund	-	-	-	(575,751)
State Education Lottery Proceeds				
Transfers out				
To General Fund	(615,000)	-	615,000	(1,360,683)
Fund balance appropriated, local option sales taxes	5,294,512	-	(5,294,512)	-
Total other financing sources (uses)	<u>(2,851,514)</u>	<u>(2,836,514)</u>	<u>15,000</u>	<u>(5,308,267)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(135,249)</u>	<u>\$ (135,249)</u>	<u>(72,338)</u>
FUND BALANCES				
Local Option Sales Taxes, restricted portions of Articles 40 and 42				
Beginning fund balances		6,785,344		6,856,572
Ending fund balances		<u>6,524,975</u>		<u>6,785,344</u>
State Corporate Income Taxes				
Beginning fund balances		367		1,477
Ending fund balances		<u>376</u>		<u>367</u>
State Education Lottery Proceeds				
Beginning fund balances		-		-
Ending fund balances		<u>125,111</u>		<u>-</u>
Total Combined				
Beginning fund balances		6,785,711		6,858,049
Ending fund balances		<u>\$ 6,650,462</u>		<u>\$ 6,785,711</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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ -	\$ 54,924	\$ 54,924	\$ 136,641
Miscellaneous	-	14,000	14,000	14,000
Total revenues	-	68,924	68,924	150,641
OTHER FINANCING SOURCES (USES)				
Transfers in				
From General Fund	1,667,924	667,924	(1,000,000)	2,394,000
From Schools Capital Reserve Fund	4,694,512	-	(4,694,512)	1,000,000
Transfers out				
To Capital Projects Fund	(39,316,965)	(7,478,773)	31,838,192	(6,330,809)
Installment financing issued				
For Shelby Middle School Project	22,000,000	22,000,000	-	6,720,000
Fund balance appropriated	10,954,529	-	(10,954,529)	-
Total other financing sources (uses)	-	15,189,151	15,189,151	3,783,191
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	15,258,075	\$ 15,258,075	3,933,832
FUND BALANCES				
Beginning fund balances		11,082,944		7,149,112
Ending fund balances		<u>\$ 26,341,019</u>		<u>\$ 11,082,944</u>

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
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	108
b. Non-major Governmental Funds: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.D.4.b	110
c. Public Schools Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.4.c	112
d. Community College Bond Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.d	113
d. Revaluation Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.4.d	113
e. Emergency Telephone Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.4.e	114
f. County Fire Service District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.4.f	115
g. Community Development Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (since project inception)	Exhibit II.D.4.g	116
h. Debt Service Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.4.h	117
i. Capital Projects Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (since project inception)	Exhibit II.D.4.i	118

The Non-major Governmental Funds Financial Statements include the combining balance sheet and combining statement of revenues, expenditures, and changes in fund balance for non-major special revenue funds, debt service fund, and capital projects funds that comprise the other governmental, non-major funds column in the Basic Financial Statements. The individual fund financial statements follow the combining statements.

The primary purpose of Special Revenue Funds is to account for the proceeds of designated revenue sources that are restricted by law or administrative action for specific purposes. Items c through h from the list above represent different Special Revenue Funds.

The purpose of the Capital Projects and Capital Reserve Funds is to account for the financial resources segregated for the acquisition or construction of major general capital assets and facilities. The budgets within these funds are adopted for the life of the project. Under the project accounting concept, project expenditures and revenues are accumulated until the year in which the project is completed.

Cleveland County, North Carolina
a. Non-major Governmental Funds: Combining Balance Sheet

June 30, 2010
With Comparative Totals as of June 30, 2009

Non-Major Governmental Fund:					
	Public Schools	Revaluation	Emergency Telephone	Fire District	
ASSETS					
Cash and cash equivalents	\$ 193,945	\$ 15,412	\$ 1,723,447	\$ 826,998	
Taxes receivable, net	468,820	-	-	44,494	
Accounts receivable, net	-	-	51,082	53,811	
Due from other funds	-	-	-	7,047	
Prepaid items	-	-	4,016	-	
Total assets	\$ 662,765	\$ 15,412	\$ 1,778,545	\$ 932,350	
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 135,387	\$ -	\$ 73	\$ -	
Contract retainage	-	-	-	-	
Unearned revenues	58,508	-	-	6,409	
Deferred revenues	468,820	-	-	44,494	
Due to other funds	-	15,412	14	-	
Total liabilities	662,715	15,412	87	50,903	
Fund balances:					
Reserved fund balance					
Encumbrances	-	-	-	-	
Prepaid items	-	-	4,016	-	
State Statute	-	-	51,082	60,858	
Unreserved designated fund balance for subsequent year's expenditures	-	-	-	309,966	
Unreserved undesignated fund balance					
Special revenue funds	50	-	1,723,360	510,623	
Capital projects funds	-	-	-	-	
Total fund balances	50	-	1,778,458	881,447	
Total liabilities and fund balances	\$ 662,765	\$ 15,412	\$ 1,778,545	\$ 932,350	

(continued on next page)

Non-Major Governmental Funds						
CDBG Housing Rehab	Debt Service	Capital Projects	Totals			
			2010	2009		
\$ -	\$ -	\$ -	\$ 2,759,802	\$ 2,679,671		
-	-	-	513,314	614,525		
-	-	613,601	718,494	428,398		
-	-	-	7,047	19,835		
-	5,000	-	9,016	-		
\$ -	\$ 5,000	\$ 613,601	\$ 4,007,673	\$ 3,742,429		
\$ -	\$ -	\$ 12,117	\$ 147,577	\$ 428,017		
-	-	-	-	8,029		
-	-	-	64,917	55,235		
-	-	133,601	646,915	969,331		
-	5,000	601,484	621,910	10,991		
-	5,000	747,202	1,481,319	1,471,603		
-	-	-	-	77,824		
-	-	-	4,016	-		
-	-	-	111,940	89,305		
-	-	-	309,966	250,730		
-	-	-	2,234,033	1,967,706		
-	-	(133,601)	(133,601)	(114,739)		
-	-	(133,601)	2,526,354	2,270,826		
\$ -	\$ 5,000	\$ 613,601	\$ 4,007,673	\$ 3,742,429		

(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, 2010

With Comparative Totals For the Year Ended June 30, 2009

Non-Major Governmental Fund:				
	Public Schools	Revaluation	Emergency Telephone	Fire District
REVENUES				
Ad valorem taxes	\$ 10,170,228	\$ -	\$ -	\$ 873,074
Other taxes	-	-	637,280	224,511
Intergovernmental revenues, restricted	-	-	26,950	1,815
Investment earnings	-	29	26,462	12,820
Miscellaneous	-	-	-	-
Total revenues	10,170,228	29	690,692	1,112,220
EXPENDITURES				
General government	-	-	-	-
Public safety	-	-	275,977	1,355,096
Human services	-	-	-	-
Education	10,170,229	-	-	-
Economic and physical development	-	-	-	-
Cultural	-	-	-	-
Schools capital outlay	-	-	-	-
Debt service, principal reduction	-	-	-	-
Debt service, interest and fees	-	-	-	-
Total expenditures	10,170,229	-	275,977	1,355,096
Excess of revenues over (under) expenditures	(1)	29	414,715	(242,876)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(15,412)	(68,316)	-
Total other financing sources (uses)	-	(15,412)	(68,316)	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1)	(15,383)	346,399	(242,876)
FUND BALANCES				
Beginning fund balances	51	15,383	1,432,059	1,124,323
Ending fund balances	\$ 50	\$ -	\$ 1,778,458	\$ 881,447

(continued on next page)

Non-Major Governmental Funds					
CDBG Housing Rehab	Debt Service	Capital Projects	Totals		
			2010	2009	
\$ -	\$ -	\$ -	\$ 11,043,302	\$	10,967,595
-	-	-	861,791		900,272
293,837	-	540,000	862,602		243,987
-	-	-	39,311		65,705
-	-	281,877	281,877		7,007
293,837	-	821,877	13,088,883		12,184,566
-	-	232,160	232,160		131,334
-	-	4,319,335	5,950,408		7,800,078
-	-	421,857	421,857		108,912
-	-	-	10,170,229		10,099,060
107,586	-	1,387,962	1,495,548		1,665,163
-	-	523,935	523,935		260,000
-	-	2,725,420	2,725,420		122,439
-	3,191,642	-	3,191,642		2,842,866
-	634,854	-	634,854		490,762
107,586	3,826,496	9,610,669	25,346,053		23,520,614
186,251	(3,826,496)	(8,788,792)	(12,257,170)		(11,336,048)
-	3,826,496	8,769,930	12,596,426		11,357,509
-	-	-	(83,728)		(66,144)
-	3,826,496	8,769,930	12,512,698		11,291,365
186,251	-	(18,862)	255,528		(44,683)
(186,251)	-	(114,739)	2,270,826		2,315,509
\$ -	\$ -	\$ (133,601)	\$ 2,526,354	\$	2,270,826

(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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year	\$ 9,362,925	\$ 9,559,002	\$ 196,077	\$ 9,490,115
Prior years	863,229	496,899	(366,330)	477,048
Penalties and interest	-	114,327	114,327	131,898
Total revenues	10,226,154	10,170,228	(55,926)	10,099,061
EXPENDITURES				
Education				
Consolidated school system	10,226,154	10,170,229	(55,925)	10,099,060
Total expenditures	10,226,154	10,170,229	(55,925)	10,099,060
Net change in fund balance	\$ -	(1)	\$ (1)	1
FUND BALANCES				
Beginning fund balances		51		50
Ending fund balances		<u>\$ 50</u>		<u>\$ 51</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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ -	\$ 29	\$ 29	\$ 75
Total revenues	-	29	29	75
EXPENDITURES				
General government:				
Postage	4,793	-	(4,793)	-
Advertising	1,800	-	(1,800)	-
Contracted services	3,793	-	(3,793)	-
Total expenditures	10,386	-	(10,386)	-
Excess of revenues over (under) expenditures	(10,386)	29	10,415	75
OTHER FINANCING SOURCES (USES)				
Transfers in:				
From General Fund	11,000	-	(11,000)	11,000
Transfers out:				
To General Fund	(15,414)	(15,412)	2	-
Fund balance appropriated	14,800	-	(14,800)	-
Total other financing sources (uses)	10,386	(15,412)	(25,798)	11,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(15,383)	\$ (15,383)	11,075
FUND BALANCES				
Beginning fund balances		15,383		4,308
Ending fund balances		\$ -		\$ 15,383

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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
REVENUES				
System subscriber/surcharge fees	\$ 330,901	\$ 637,280	\$ 306,379	\$ 612,647
Other intergovernmental revenues	-	26,950	26,950	26,762
Investment earnings	-	26,462	26,462	35,028
Miscellaneous	-	-	-	56
Total revenues	330,901	690,692	359,791	674,493
EXPENDITURES				
Public safety:				
Telecommunications	158,010	115,344	(42,666)	117,044
Professional services	78,424	78,211	(213)	50,618
Grants	49,001	49,001	-	48,659
Other	53,972	33,421	(20,551)	25,379
Capital outlay, equipment	-	-	-	98,628
Total public safety expenditures	339,407	275,977	(63,430)	340,328
Excess of revenues over (under) expenditures	(8,506)	414,715	423,221	334,165
OTHER FINANCING SOURCES (USES)				
Transfers in				
From General Fund	-	-	-	45,790
Transfers out				
To General Fund	(69,318)	(68,316)	1,002	(66,144)
Fund balance appropriated	77,824	-	(77,824)	-
Total other financing sources (uses)	8,506	(68,316)	(76,822)	(20,354)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	346,399	\$ 346,399	313,811
FUND BALANCES				
Beginning fund balances		1,432,059		1,118,248
Ending fund balances		<u>\$ 1,778,458</u>		<u>\$ 1,432,059</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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year	\$ 820,800	\$ 818,191	\$ (2,609)	\$ 818,405
Prior years	26,730	44,624	17,894	39,921
Penalties and interest	10,000	10,259	259	10,208
Total ad valorem taxes	857,530	873,074	15,544	868,534
Other taxes, local option sales taxes	260,000	224,511	(35,489)	287,625
Intergovernmental revenues, restricted grants	-	1,815	1,815	8,445
Investment earnings	20,000	12,820	(7,180)	30,602
Total revenues	1,137,530	1,112,220	(25,310)	1,195,206
EXPENDITURES				
Public safety				
Supplies	4,015	788	(3,227)	715
Repairs on equipment	1,750	-	(1,750)	-
Contracted and professional services	7,200	1,190	(6,010)	1,261
Insurance	69,913	52,119	(17,794)	55,810
Awards to volunteer fire departments	1,300,999	1,300,999	-	1,206,000
Total expenditures	1,383,877	1,355,096	(28,781)	1,263,786
Excess of revenues over (under) expenditures	(246,347)	(242,876)	3,471	(68,580)
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	246,347	-	(246,347)	-
Total other financing sources (uses)	246,347	-	(246,347)	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	(242,876)	\$ (242,876)	(68,580)
FUND BALANCES				
Beginning fund balances		1,124,323		1,192,903
Ending fund balances		\$ 881,447		\$ 1,124,323

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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, federal CDBG-HR Grant	\$ 400,000	\$ 305,837	\$ 93,837	\$ 399,674
Intergovernmental revenues, federal CDBG-SI Grant	200,000	-	200,000	200,000
Total revenues	600,000	305,837	293,837	599,674
EXPENDITURES				
Economic and physical development				
Community Development Block Grant - Housing Rehab (CDBG-HR)				
Administration	43,500	35,727	5,050	40,777
Housing rehabilitation	356,500	263,455	95,442	358,897
Community Development Block Grant - Sewer Improvements (CDBG-SI)				
Public facilities and improvement - sewer	200,000	192,906	7,094	200,000
Total expenditures	600,000	492,088	107,586	599,674
Excess of revenues over (under) expenditures	\$ -	\$ (186,251)	186,251	\$ -
FUND BALANCES				
Beginning fund balances			(186,251)	
Ending fund balances			\$ -	

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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
EXPENDITURES				
Debt service				
Principal retirement	\$ 3,191,642	\$ 3,191,642	\$ -	\$ 2,842,866
Interest	629,884	629,854	(30)	487,310
Fees	5,000	5,000	-	3,452
Total expenditures	3,826,526	3,826,496	(30)	3,333,628
OTHER FINANCING SOURCES (USES)				
Transfers in				
From General Fund	2,390,012	2,389,982	(30)	1,786,044
From Schools Capital Reserve Fund	1,436,514	1,436,514	-	1,547,584
Total other financing sources (uses)	3,826,526	3,826,496	(30)	3,333,628
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	-	\$ -	-
FUND BALANCES				
Beginning fund balances		-		-
Ending fund balances		\$ -		\$ -

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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, restricted	\$ 2,659,920	\$ 1,084,920	\$ 540,000	\$ 1,624,920
Miscellaneous	-	6,951	281,877	288,828
Total revenues	2,659,920	1,091,871	821,877	1,913,748
EXPENDITURES				
General government:				
Computer replacement program	272,252	156,649	31,235	187,884
Vehicle fueling station	200,000	-	200,000	200,000
Various other projects	925	-	925	925
Subtotal	473,177	156,649	232,160	388,809
Public safety				
Communications Equipment Project	8,487,443	7,784,817	308,093	8,092,910
Jail Annex Expansion	7,720,675	885,218	3,742,486	4,627,704
E911 Dispatch Equipment	312,700	3,485	-	3,485
EMS Base Station - Location TBD	16,729	-	-	-
Animal Shelter Building Renovations	350,276	100,275	177,063	277,338
Courtroom Improvements	74,940	-	68,750	68,750
Courthouse Annex	38,914	-	22,943	22,943
Subtotal	17,001,677	8,773,795	4,319,335	13,093,130
Human services				
Health Complex Building/Parking Renovations	1,574,237	1,333,403	238,455	1,571,858
County Office Building Renovations	239,723	34,346	183,402	217,748
Subtotal	1,813,960	1,367,749	421,857	1,789,606
Education				
Early College High School (5-Year Diploma/Degree)	3,675,983	120,796	524,378	645,174
Shelby Middle School	26,694,512	-	2,141,042	2,141,042
Community College Grant	60,000	-	60,000	60,000
Subtotal	30,430,495	120,796	2,725,420	2,846,216
Economic and physical development				
Foothills Commerce Center - West Shelby	1,353,000	-	696,085	696,085
Industrial Park - Washburn Switch Road	1,186,794	1,102,151	84,641	1,186,792
Industrial Park - US Highway 74 Business	838,563	729,654	28,936	758,590
Kings Mountain Gateway Trails	695,000	174,738	468,862	643,600
Industrial Park - US Highway 29	631,884	614,943	21,903	636,846
American Legion World Series	87,535	-	87,535	87,535
Subtotal	4,792,776	2,621,486	1,387,962	4,009,448
Cultural and recreational				
Historic Courthouse Renovation	1,250,000	500,000	250,000	750,000
Upper Cleveland Sports Facility	512,842	10,000	273,935	283,935
Subtotal	1,762,842	510,000	523,935	1,033,935
Total expenditures	56,274,927	13,550,475	9,610,669	23,161,144
Excess of revenues over (under) expenditures	(53,615,007)	(12,458,604)	(8,788,792)	(21,247,396)

(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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	Project Authorization	Prior Years	Current Year	Total to Date
(continued from previous page)				
Excess of revenues over (under) expenditures (repeated from prior page)	(53,615,007)	(12,458,604)	(8,788,792)	(21,247,396)
OTHER FINANCING SOURCES (USES)				
Transfers in				
From General Fund	6,058,047	4,088,001	1,291,157	5,379,158
From Capital Reserve Fund	47,556,960	8,255,864	7,478,773	15,734,637
Total other financing sources (uses)	53,615,007	12,343,865	8,769,930	21,113,795
 Excess of revenues and other financing sources over (under) expenditures and other financing uses	 \$ -	 \$ (114,739)	 (18,862)	 \$ (133,601)
FUND BALANCES				
Beginning fund balances			(114,739)	
Ending fund balances			<u>\$ (133,601)</u>	

(continued from previous page)

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
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	121

The County's sole Enterprise Fund is the Solid Waste Disposal and Collection Fund. This Fund is used to account for the operations in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public be recovered through user charges.

The following schedule presents the results of operations for the Enterprise Fund on the modified accrual basis for comparison to the legally adopted budget. In accordance with generally accepted accounting principles, the end of the schedule includes a reconciliation of the modified accrual basis to the full accrual basis.

Cleveland County, North Carolina

a. Solid Waste Disposal and Collection Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis

For the Year Ended June 30, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
REVENUES				
Operating revenues				
Household user fees	\$ 1,415,713	\$ 1,446,245	\$ 30,532	\$ 1,418,467
Departmental fees	3,150,000	2,945,095	(204,905)	3,261,848
Miscellaneous	131,287	316,481	185,194	239,908
Total operating revenues	<u>4,697,000</u>	<u>4,707,821</u>	<u>10,821</u>	<u>4,920,223</u>
Non-operating revenues				
Other taxes	155,000	423,888	268,888	188,407
Intergovernmental revenues	65,000	48,945	(16,055)	(35,581)
Interest earned	100,000	14,553	(85,447)	160,189
Total non-operating revenues	<u>320,000</u>	<u>487,386</u>	<u>167,386</u>	<u>313,015</u>
Total revenues	<u>5,017,000</u>	<u>5,195,207</u>	<u>178,207</u>	<u>5,233,238</u>
EXPENDITURES				
Administration and operating expenditures				
Salaries and benefits	1,832,822	1,775,616	(57,206)	1,755,697
Supplies and materials	59,415	51,889	(7,526)	45,671
Uniforms	8,280	8,083	(197)	7,984
Travel and training	11,350	9,827	(1,523)	9,364
Utilities, telecommunications, and postage	104,913	82,184	(22,729)	86,468
Repairs and maintenance	245,516	236,671	(8,845)	237,202
Advertising	4,500	3,376	(1,124)	4,086
Laundry and dry cleaning	19,312	12,582	(6,730)	19,690
Rent	23,640	20,367	(3,273)	9,111
Contracted services	365,181	300,205	(64,976)	346,647
Insurance	80,400	80,400	-	80,300
Garbage	995,608	900,917	(94,691)	958,794
Professional and legal services	231,662	192,950	(38,712)	172,576
Solid waste disposal tax to State	268,100	248,497	(19,603)	246,255
Automotive fuels and supplies	447,150	426,973	(20,177)	370,298
Miscellaneous	18,862	11,104	(7,758)	10,802
Total administration and operating expenditures	<u>4,716,711</u>	<u>4,361,641</u>	<u>(355,070)</u>	<u>4,360,945</u>
Capital outlay	1,337,874	874,601	(463,273)	2,962,957
Total expenditures	<u>6,054,585</u>	<u>5,236,242</u>	<u>(818,343)</u>	<u>7,323,902</u>
Excess of revenues over (under) expenditures	<u>(1,037,585)</u>	<u>(41,035)</u>	<u>996,550</u>	<u>(2,090,664)</u>

(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, 2010

With Comparative Totals For the Year Ended June 30, 2009

	2010		Variance - Over (Under)	2009
	Budget	Actual		Actual
(continued from previous page)				
Excess of revenues over (under) expenditures (repeated from prior page)	(1,037,585)	(41,035)	996,550	(2,090,664)
OTHER FINANCING SOURCES (USES)				
Transfer to General Fund	(404,193)	(335,999)	68,194	(235,059)
Transfer from General Fund	-	940	940	6,123
Fund balance appropriated	1,541,778	-	(1,541,778)	-
Total other financing sources (uses)	1,137,585	(335,059)	(1,472,644)	(228,936)
Excess of operating revenues and other financing sources over (under) operating expenditures and other financing uses	\$ 100,000	\$ (376,094)	\$ (476,094)	\$ (2,319,600)
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)		\$ (376,094)		\$ (2,319,600)
Capital outlay expenditures		883,101		2,962,957
Depreciation expense		(664,964)		(649,260)
Non-cash gain (loss) on disposals of capital assets		(501,195)		(32,610)
Change in accrued retirement benefits		(68,968)		(93,582)
Change in accrued leave earned expense		(21,274)		(11,184)
Landfill closure and post-closure care expense		1,503,808		(3,150,208)
Change in net assets (full accrual basis)		\$ 754,414		\$ (3,293,487)
Another Difference in Reporting under Modified Accrual (MA) Basis versus Full Accrual (FA) Basis				
Departmental fees (modified accrual basis)		\$ 2,945,095		\$ 3,261,848
Bad debt expense (reduces departmental fees revenue under MA basis)		881		2,404
Departmental fees (full accrual basis)		\$ 2,945,976		\$ 3,264,252

(continued from previous page)

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
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	124

The County's fiduciary funds are used to account for resources received and held by the County as the trustee or for which the County acts as agent. The fiduciary funds are:

Fines and Forfeitures Agency Fund

Inmate Agency Fund

Property Tax Agency Fund

Rescue Squad Agency Fund

Social Services Agency Fund

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

Law Enforcement Officers Special Separation Allowance

Cleveland County, North Carolina

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

For the Year Ended June 30, 2010

	Beginning Balance 2009	Additions	Deductions	Ending Balance 2010
Fines and Forfeitures Agency Fund				
Assets				
Intergovernmental receivable *	\$ 8,763	\$ 594,414	\$ (598,402)	\$ 4,775
Liabilities				
Due to other taxing units - State of North Carolina *	\$ 8,763	\$ 44,628	\$ (48,616)	\$ 4,775
Due to other taxing units - Cleveland County Board of Education	-	589,642	(589,642)	-
Total liabilities	\$ 8,763	\$ 634,270	\$ (638,258)	\$ 4,775
Inmate Agency Fund				
Assets				
Cash and cash equivalents	\$ 10,232	\$ 179,209	\$ (186,176)	\$ 3,265
Intergovernmental receivable	1,511	255,654	(255,370)	1,795
Total assets	\$ 11,743	\$ 434,863	\$ (441,546)	\$ 5,060
Liabilities				
Accounts payable	\$ 11,743	\$ 277,425	\$ (284,108)	\$ 5,060
Property Tax Agency Fund				
Assets				
Taxes receivable	\$ 41,795	\$ 424,588	\$ (428,794)	\$ 37,589
Accounts receivable	1,018,237	12,359,920	(12,527,080)	851,077
Intergovernmental receivable	208,956	13,067,986	(13,053,136)	223,806
Total assets	\$ 1,268,988	\$ 25,852,494	\$ (26,009,010)	\$ 1,112,472
Liabilities				
Accounts payable	\$ 165,385	\$ 15,332,800	\$ (15,326,132)	\$ 172,053
Due to other taxing units	1,103,603	13,091,340	(13,254,524)	940,419
Total liabilities	\$ 1,268,988	\$ 28,424,140	\$ (28,580,656)	\$ 1,112,472
Rescue Squad Agency Fund				
Assets				
Cash and cash equivalents	\$ 102,510	\$ 118,739	\$ (211,736)	\$ 9,513
Accounts receivable	942,508	-	-	942,508
Total assets	\$ 1,045,018	\$ 118,739	\$ (211,736)	\$ 952,021
Liabilities				
Accounts payable	\$ 102,510	\$ 9,436	\$ (102,433)	\$ 9,513
Due to other taxing units	942,508	-	-	942,508
Total liabilities	\$ 1,045,018	\$ 9,436	\$ (102,433)	\$ 952,021

(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, 2010

	Beginning Balance 2009	Additions	Deductions	Ending Balance 2010
(continued from previous page)				
Social Services Agency Fund				
Assets				
Cash and cash equivalents	\$ 40,725	\$ 391,033	\$ (374,881)	\$ 56,877
Liabilities				
Accounts payable	\$ 40,725	\$ 391,033	\$ (374,881)	\$ 56,877
TOTALS, All Agency Funds				
Assets				
Cash and investments	\$ 153,467	\$ 688,981	\$ (772,793)	\$ 69,655
Taxes receivable	41,795	424,588	(428,794)	37,589
Accounts receivable	1,960,745	12,359,920	(12,527,080)	1,793,585
Intergovernmental receivable	219,230	13,918,054	(13,906,908)	230,376
Total assets	\$ 2,375,237	\$ 27,391,543	\$ (27,635,575)	\$ 2,131,205
Liabilities				
Accounts payable	\$ 320,363	\$ 16,010,694	\$ (16,087,554)	\$ 243,503
Due to other taxing units	2,054,874	13,725,610	(13,892,782)	1,887,702
Total liabilities	\$ 2,375,237	\$ 29,736,304	\$ (29,980,336)	\$ 2,131,205

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, 2010
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	128
3. Analysis of Current Tax Levy - General Fund	Exhibit II.E.03	129
4. Schedule of Ad Valorem Taxes Receivable - General Fund (10)	Exhibit II.E.04	130
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6. Schedule of Ad Valorem Taxes Receivable - County Fire Service District Fund (28)	Exhibit II.E.06	132
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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, 2010

	Fund Number	Cash Distribution by Funds		Totals
		Amounts Presented on Statements *	Amounts Presented on Statements *	
Unrestricted cash and cash equivalents				
General Fund	10		\$ 19,657,332	
Special Revenue Funds:				
Public School Fund	20	\$ 193,945		
Schools Capital Reserve Fund	21	6,168,071		
Revaluation Fund	25	15,412		
Emergency Telephone Fund	26	1,723,447		
Fire District Fund	28	826,998	8,927,873	
County Capital Reserve Fund	41		1,601,312	
Enterprise Fund, unrestricted cash	54		1,152,769	
Agency Funds	70		69,655	
Total unrestricted cash and cash equivalents				\$ 31,408,941
Restricted cash and cash equivalents				
County Capital Reserve Fund, restricted cash	41		2,820,307	
Enterprise Fund, restricted cash	54		5,232,782	
Total restricted cash				8,053,089
Total cash and cash equivalents				<u>\$ 39,462,030</u>
		Purchase Value	Fair (Market) Value	Amounts Presented on Statements *
Cash				
In physical possession		\$ 11,141	\$ 11,141	\$ 11,141
In demand deposits		29,137,495	29,137,495	29,137,495
Total cash		<u>29,148,636</u>	<u>29,148,636</u>	<u>29,148,636</u>
Cash equivalents				
NC Capital Management Trust (money market accounts)		10,313,394	10,313,394	10,313,394
Total cash equivalents		<u>10,313,394</u>	<u>10,313,394</u>	<u>10,313,394</u>
Total cash and cash equivalents		<u>\$ 39,462,030</u>	<u>\$ 39,462,030</u>	<u>\$ 39,462,030</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, 2010

	Operating Transfers from				Total
	General Fund	Special Revenue Funds	County Capital Reserve Fund	Enterprise Fund	
Operating Transfers to					
General Fund	\$ -	\$ 1,483,728	\$ -	\$ 335,999	\$ 1,819,727
Debt Service Fund	2,389,982	1,436,514	-	-	3,826,496
Capital Projects Fund	1,291,157	-	7,478,773	-	8,769,930
County Capital Reserve Fund	667,924	-	-	-	667,924
Enterprise Fund	940	-	-	-	940
Total	\$ 4,350,003	\$ 2,920,242	\$ 7,478,773	\$ 335,999	\$ 15,085,017

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

For the Year Ended June 30, 2010

	County-Wide			Total Levy	
	Property Valuation	Rare per \$100	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy					
Property taxed at current year's rate	\$ 6,044,228,549	\$ 0.57000	\$ 34,452,103	\$ 32,270,592	\$ 2,181,511
Property taxed at prior year's rate	281,423,986	0.57000	1,604,117	93,810	1,510,307
Penalties (late charges)			60,882	60,882	-
Subtotals	6,325,652,535		36,117,101	32,425,284	3,691,818
Discoveries, Late Listings, and Other Supplements (including Public Service Companies)					
Public Service Companies	326,924,856	0.57000	1,863,472	1,863,472	-
Property taxed at current year's rate	19,047,860	0.57000	108,573	102,554	6,019
Property taxed at prior year's rate	390,563	0.57000	2,226	-	2,226
Subtotals	346,363,279		1,974,271	1,966,025	8,245
Abatements					
Property taxed at current year's rate	(24,242,803)	0.57000	(138,184)	(110,917)	(27,267)
Property taxed at prior year's rate	(2,690,857)	0.57000	(15,338)	-	(15,338)
Subtotals	(26,933,660)		(153,522)	(110,917)	(42,605)
Totals	\$ 6,645,082,154		37,937,850	34,280,393	3,657,457
Net Levy			37,937,850	34,280,393	3,657,457
Less Uncollected Taxes, Current Year, at June 30			(1,537,793)	(1,013,811)	(523,982)
Current Year's Taxes Collected			\$ 36,400,057	\$ 33,266,582	\$ 3,133,475
Current Levy Collection Percentage (current year's taxes collected / net levy)			95.947%	97.043%	85.674%

Secondary Market Disclosures

Assessed Valuations

Assessment ratio	100%		
Real property	\$ 4,983,714,807	\$ 0.57000	\$ 28,407,174
Personal property (current rate)	1,055,318,799	0.57000	6,015,317
Personal property (prior rate)	279,123,692	0.57000	1,591,005
Public Service Companies	326,924,856	0.57000	1,863,472
Penalties			60,882
Totals	\$ 6,645,082,154		37,937,850

In addition to the general County-wide levy, the County also levied the following on behalf of the County-wide school district and four separate fire districts.

Cleveland County Schools (County-wide school district)	9,983,359
County Fire Protection Service District (serves portion of County)	858,599
NCGS Chapter 69 Fire Protection Districts (separate rate for each district)	422,879
Totals	\$ 49,202,687

Cleveland County, North Carolina

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

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 36,117,101	\$ 1,974,271	\$ (36,400,057)	\$ (153,522)	\$ 1,537,793
2009	1,872,954	-	15,105	(1,469,953)	(24,366)	393,740
2008	419,987	-	4,694	(210,234)	(7,354)	207,093
2007	215,208	-	3,434	(75,626)	(4,857)	138,160
2006	164,379	-	1,372	(45,282)	(2,352)	118,117
2005	132,258	-	41	(29,480)	(284)	102,535
2004	124,686	-	33	(22,612)	(169)	101,937
2003	108,466	-	-	(16,771)	(149)	91,546
2002	109,464	-	-	(16,831)	(137)	92,495
2001	89,179	-	-	(9,844)	(152)	79,183
2000	73,767	-	-	(555)	(72,360)	852
older	1,419	-	-	(33)	(581)	805
Total	3,311,767	\$ 36,117,101	\$ 1,998,949	\$ (38,297,279)	\$ (266,283)	2,864,256
	(1,160,504)	Less allowance for uncollectible ad valorem taxes receivable				(1,079,405)
	<u>\$ 2,151,263</u>	Ad valorem taxes receivable, net				<u>\$ 1,784,851</u>

Reconciliation with Revenues

Total reported ad valorem tax revenues	\$ 38,790,291
Discounts	74,882
Penalties, Interest, and advertising fees	(567,895)
Total collections of taxes (as above)	<u>\$ 38,297,279</u>

Cleveland County, North Carolina

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

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 9,387,939	\$ 717,854	\$ (9,578,682)	\$ (122,434)	\$ 404,676
2009	492,417	-	3,973	(386,542)	(6,409)	103,439
2008	108,628	-	1,214	(54,374)	(1,902)	53,565
2007	55,666	-	888	(19,560)	(1,256)	35,738
2006	42,518	-	355	(11,712)	(608)	30,553
2005	34,254	-	11	(7,623)	(73)	26,568
2004	32,280	-	9	(5,835)	(44)	26,410
2003	27,991	-	-	(4,328)	(39)	23,625
2002	28,558	-	-	(4,275)	(35)	24,248
2001	22,609	-	-	(2,515)	(39)	20,055
2000	17,951	-	-	(129)	(17,586)	235
older	357	-	-	(5)	(136)	216
Total	863,228	\$ 9,387,939	\$ 724,302	\$ (10,075,581)	\$ (150,561)	\$ 749,328
	(299,773)					(280,507)
	\$ 563,455					\$ 468,820
						Ad valorem taxes receivable, net

Reconciliation with Revenues

Total reported ad valorem tax revenues	\$ 10,170,228
Discounts	19,680
Penalties, Interest, and advertising fees	(114,327)
Total collections of taxes (as above)	\$ 10,075,581

Cleveland County, North Carolina

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

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 829,036	\$ 44,373	\$ (819,915)	\$ (14,810)	\$ 38,685
2009	45,351	-	422	(35,195)	(610)	9,968
2008	10,301	-	117	(5,387)	(158)	4,872
2007	4,699	-	100	(1,665)	(124)	3,009
2006	3,592	-	71	(954)	(101)	2,608
2005	2,918	-	1	(532)	(13)	2,374
2004	2,580	-	1	(312)	(8)	2,261
2003	2,002	-	-	(227)	(7)	1,768
2002	1,993	-	-	(216)	(7)	1,770
2001	1,728	-	-	(133)	(7)	1,588
2000	1,057	-	-	(3)	(1,051)	2
older	12	-	-	-	(8)	3
Total	76,233	\$ 829,036	\$ 45,085	\$ (864,539)	\$ (16,905)	68,910
	(25,164)	Less allowance for uncollectible ad valorem taxes receivable				(24,416)
	<u>\$ 51,070</u>	Ad valorem taxes receivable, net				<u>\$ 44,494</u>

Reconciliation with Revenues

Total reported ad valorem tax revenues	\$ 873,074
Discounts	1,725
Penalties, Interest, and advertising fees	(10,259)
Total collections of taxes (as above)	<u>\$ 864,539</u>

Cleveland County, North Carolina

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

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 128,364	\$ 7,670	\$ (127,484)	\$ (1,091)	\$ 7,459
2009	8,548	-	135	(6,572)	(215)	1,896
2008	1,428	-	64	(672)	(100)	721
2007	750	-	-	(312)	(3)	435
2006	692	-	-	(217)	-	475
2005	635	-	-	(94)	-	542
2004	512	-	-	(128)	-	385
2003	527	-	-	(96)	-	432
2002	435	-	-	(22)	-	413
2001	495	-	-	(19)	-	476
2000	417	-	-	(16)	(401)	-
older	-	-	-	-	-	-
Total	\$ 14,440	\$ 128,364	\$ 7,870	\$ (135,632)	\$ (1,810)	\$ 13,232

Cleveland County, North Carolina

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

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 87,391	\$ 6,419	\$ (88,983)	\$ (634)	\$ 4,192
2009	5,042	-	5	(3,992)	(14)	1,040
2008	700	-	-	(298)	(2)	400
2007	480	-	-	(112)	-	368
2006	266	-	-	(80)	(1)	184
2005	187	-	-	(44)	-	143
2004	144	-	-	(21)	-	123
2003	148	-	-	(12)	-	137
2002	118	-	-	(8)	-	110
2001	133	-	-	(13)	-	120
2000	106	-	-	(1)	(100)	5
older	-	-	-	-	-	-
Total	\$ 7,323	\$ 87,391	\$ 6,423	\$ (93,564)	\$ (751)	\$ 6,822

Cleveland County, North Carolina

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

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 188,152	\$ 8,322	\$ (184,198)	\$ (1,713)	\$ 10,563
2009	13,858	-	37	(10,886)	(99)	2,909
2008	1,855	-	8	(807)	(9)	1,046
2007	1,012	-	-	(362)	(4)	647
2006	790	-	-	(267)	(5)	518
2005	505	-	-	(143)	-	362
2004	543	-	-	(80)	-	462
2003	365	-	-	(28)	-	338
2002	423	-	-	(46)	-	377
2001	356	-	-	(41)	-	315
2000	322	-	-	(1)	(320)	-
older	4	-	-	-	(4)	-
Total	\$ 20,032	\$ 188,152	\$ 8,367	\$ (196,859)	\$ (2,157)	\$ 17,535

Cleveland County, North Carolina

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

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 684,271	\$ 37,417	\$ (677,816)	\$ (10,941)	\$ 32,930
2009	39,486	-	344	(30,944)	(523)	8,362
2008	8,678	-	106	(4,310)	(147)	4,326
2007	4,231	-	66	(1,468)	(82)	2,747
2006	3,105	-	47	(851)	(68)	2,233
2005	2,468	-	1	(447)	(5)	2,016
2004	2,207	-	1	(288)	(5)	1,915
2003	1,758	-	-	(196)	(5)	1,557
2002	1,708	-	-	(188)	(4)	1,515
2001	1,545	-	-	(131)	(5)	1,409
2000	1,323	-	-	(9)	(1,306)	8
older	14	-	-	-	(10)	3
Total	\$ 66,522	\$ 684,271	\$ 37,981	\$ (716,650)	\$ (13,103)	\$ 59,022

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

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 7,439,937	\$ 265,437	\$ (7,398,219)	\$ (64,685)	\$ 242,470
2009	317,350	-	1,028	(258,473)	(2,735)	57,170
2008	69,172	-	18	(33,324)	(511)	35,355
2007	35,106	-	6	(8,720)	(176)	26,215
2006	28,549	-	7	(3,620)	(93)	24,842
2005	21,015	-	-	(2,122)	(9)	18,884
2004	17,743	-	-	(1,476)	-	16,266
2003	18,422	-	-	(668)	-	17,753
2002	14,450	-	-	(1,116)	-	13,334
2001	13,540	-	-	(878)	-	12,662
2000	14,166	-	-	(128)	(13,582)	456
older	684	-	-	(25)	(135)	524
Total	\$ 550,195	\$ 7,439,937	\$ 266,495	\$ (7,708,769)	\$ (81,926)	\$ 465,931

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

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 756,061	\$ 24,365	\$ (755,406)	\$ (6,601)	\$ 18,419
2009	21,525	-	47	(17,541)	(196)	3,835
2008	4,508	-	23	(2,487)	(132)	1,912
2007	3,351	-	-	(2,084)	(55)	1,212
2006	2,524	-	-	(1,499)	(24)	1,001
2005	2,060	-	-	(1,197)	-	863
2004	1,783	-	-	(963)	-	820
2003	803	-	-	(106)	-	697
2002	740	-	-	(44)	-	696
2001	613	-	-	(128)	-	485
2000	704	-	-	-	(704)	-
older	16	-	-	-	(16)	-
Total	\$ 38,628	\$ 756,061	\$ 24,435	\$ (781,455)	\$ (7,729)	\$ 29,940

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

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 122,286	\$ 12,349	\$ (127,803)	\$ (801)	\$ 6,031
2009	8,465	-	145	(6,550)	(227)	1,833
2008	2,207	-	-	(887)	-	1,321
2007	683	-	-	(226)	-	456
2006	416	-	-	(123)	-	293
2005	746	-	-	(36)	-	709
2004	313	-	-	(36)	-	277
2003	218	-	-	(12)	-	206
2002	293	-	-	(21)	-	272
2001	495	-	-	(17)	-	478
2000	213	-	-	-	(213)	-
Total	\$ 14,047	\$ 122,286	\$ 12,494	\$ (135,710)	\$ (1,241)	\$ 11,877

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

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 2,316,459	\$ 108,010	\$ (2,283,345)	\$ (36,213)	\$ 104,911
2009	123,346	-	7,865	(99,223)	(3,800)	28,188
2008	29,124	-	2,630	(17,137)	(1,662)	12,955
2007	17,972	-	1,872	(8,852)	(1,449)	9,543
2006	12,683	-	-	(5,435)	(45)	7,203
2005	11,897	-	8	(5,499)	(8)	6,398
2004	12,737	-	4	(5,195)	(4)	7,542
2003	12,164	-	-	(5,241)	(3)	6,920
2002	17,051	-	-	(5,192)	-	11,859
2001	7,170	-	-	(2,298)	-	4,872
2000	4,605	-	-	(43)	(4,561)	-
older	10	-	-	-	(10)	-
Total	\$ 248,760	\$ 2,316,459	\$ 120,389	\$ (2,437,460)	\$ (47,756)	\$ 200,392

Cleveland County, North Carolina

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

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 28,549	\$ 5,470	\$ (32,788)	\$ (130)	\$ 1,102
2009	792	-	-	(667)	-	125
2008	78	-	-	(52)	-	25
2007	103	-	-	(72)	-	31
2006	308	-	-	(55)	-	253
2005	70	-	-	(35)	-	35
2004	66	-	-	-	-	66
2003	78	-	-	-	-	78
2002	83	-	-	(1)	-	83
2001	62	-	-	(1)	-	61
2000	15	-	-	(1)	(15)	-
Total	\$ 1,655	\$ 28,549	\$ 5,470	\$ (33,672)	\$ (145)	\$ 1,858

Cleveland County, North Carolina

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

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 75,005	\$ 3,154	\$ (63,155)	\$ (514)	\$ 14,489
2009	17,955	-	-	(12,921)	(16)	5,017
2008	3,880	-	5	(1,454)	(65)	2,367
2007	1,762	-	-	(345)	-	1,417
2006	1,711	-	-	(61)	-	1,649
2005	1,696	-	-	(30)	-	1,666
2004	995	-	-	(83)	-	911
2003	304	-	-	(21)	-	283
2002	438	-	-	(8)	-	431
2001	595	-	-	(3)	-	593
2000	431	-	-	(29)	(402)	-
Total	\$ 29,768	\$ 75,005	\$ 3,159	\$ (78,111)	\$ (997)	\$ 28,824

Cleveland County, North Carolina

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

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 19,617	\$ 583	\$ (19,137)	\$ (167)	\$ 896
2009	716	-	1	(598)	(2)	117
2008	165	-	-	(111)	-	54
2007	88	-	-	(55)	-	33
2006	116	-	-	(62)	-	54
2005	69	-	-	(4)	-	65
2004	65	-	-	(0)	-	65
2003	34	-	-	(1)	-	33
2002	81	-	-	-	-	81
2001	135	-	-	-	-	135
2000	105	-	-	-	(105)	-
Total	\$ 1,573	\$ 19,617	\$ 584	\$ (19,967)	\$ (274)	\$ 1,532

Cleveland County, North Carolina

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

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 15,047	\$ 2,034	\$ (15,904)	\$ (232)	\$ 945
2009	1,436	-	21	(1,055)	(21)	381
2008	238	-	-	(132)	-	106
2007	92	-	-	(49)	-	43
2006	115	-	-	(20)	-	94
2005	102	-	-	(10)	-	92
2004	302	-	-	(82)	-	220
2003	302	-	-	(4)	-	298
2002	175	-	-	(54)	-	120
2001	210	-	-	(51)	-	158
2000	79	-	-	(0)	(78)	-
Total	\$ 3,049	\$ 15,047	\$ 2,055	\$ (17,362)	\$ (332)	\$ 2,458

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

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 12,879	\$ 508	\$ (12,779)	\$ (189)	\$ 419
2009	463	-	-	(340)	(6)	117
2008	246	-	-	(118)	-	128
2007	194	-	-	(77)	-	117
2006	128	-	-	(23)	-	105
2005	138	-	-	(20)	-	118
2004	97	-	-	(12)	-	84
2003	50	-	-	(28)	-	22
2002	99	-	-	(91)	-	8
2001	12	-	-	(2)	-	10
2000	16	-	-	-	(16)	-
Total	\$ 1,442	\$ 12,879	\$ 508	\$ (13,490)	\$ (210)	\$ 1,129

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

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 50,549	\$ 3,203	\$ (49,501)	\$ (224)	\$ 4,026
2009	4,709	-	26	(3,308)	(44)	1,383
2008	1,235	-	-	(604)	-	631
2007	975	-	-	(612)	-	363
2006	492	-	-	(126)	-	366
2005	298	-	-	(37)	-	261
2004	338	-	-	(24)	-	314
2003	324	-	-	(15)	-	309
2002	176	-	-	(14)	-	162
2001	381	-	-	-	-	381
2000	99	-	-	(1)	(98)	-
Total	\$ 9,027	\$ 50,549	\$ 3,229	\$ (54,243)	\$ (366)	\$ 8,196

Cleveland County, North Carolina
21. Schedule of Ad Valorem Taxes Receivable - Town of Casar (88)

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 6,304	\$ 246	\$ (6,286)	\$ (59)	\$ 205
2009	293	-	-	(261)	-	32
2008	49	-	-	(14)	(17)	18
2007	5	-	-	(1)	-	4
2006	18	-	-	(1)	-	17
2005	6	-	-	(1)	-	5
2004	7	-	-	(1)	-	6
2003	7	-	-	(2)	-	5
2002	8	-	-	(2)	-	6
2001	5	-	-	-	-	5
2000	1	-	-	-	(1)	-
Total	\$ 398	\$ 6,304	\$ 246	\$ (6,569)	\$ (76)	\$ 303

Cleveland County, North Carolina
22. Schedule of Ad Valorem Taxes Receivable - Town of Waco (89)

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Uncollected Balance 2009	Additions		Deductions		Uncollected Balance 2010
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2010	\$ -	\$ 14,595	\$ 13,966	\$ (14,199)	\$ (13,452)	\$ 909
2009	866	-	69	(491)	(51)	392
2008	397	-	-	(152)	-	245
2007	221	-	-	(70)	-	151
2006	154	-	-	(59)	-	94
2005	51	-	-	(3)	-	48
2004	41	-	-	(2)	-	39
2003	46	-	-	-	-	46
2002	32	-	-	(13)	-	19
2001	43	-	-	-	-	43
2000	6	-	-	-	(6)	-
Total	\$ 1,856	\$ 14,595	\$ 14,034	\$ (14,990)	\$ (13,510)	\$ 1,987

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
III: STATISTICAL AND TREND INFORMATION**

	<u>Identifier</u>	<u>Page No.</u>
A. Information for Publicly Sold Securities	Subsection III.A	143
B. Revenue Capacity Schedules:	Subsection III.B	149
C. Debt Capacity Schedules:	Subsection III.C	149
D. Demographic, Economic, and Operating Schedules:	Subsection III.D	160
E. Financial Trends Schedules:	Subsection III.E	165

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

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

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Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
III: STATISTICAL AND TREND INFORMATION
A. Information for Publicly Sold Securities

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

Issuer: Cleveland County, North Carolina
 Contact Person: C. D. Crepps
 Fiscal Year Ended: June 30, 2010
 Reporting Period: July 1, 2010 to September 30, 2010
 Six-Digit Cusip: 186036

Subject: Notice of Filing of Annual Information

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

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

The items in this subsection present certain information required by SEC Rule 15c2-12:

	<u>Identifier</u>	<u>Page No.</u>
1. Tax Information and Debt Information (including bonds issued)	Exhibit III.A.1	144
2. Budget Ordinance as of July 1, 2010 - Annually Budgeted Funds	Exhibit III.A.2	145
3. Budget Amended as of September 30, 2010 - Annually Budgeted Funds	Exhibit III.A.3	146
4. Budget Reconciliation as of September 30, 2010 - Annually Budgeted Funds	Exhibit III.A.4	147

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

List of Principal County Officials as of most recent fiscal year	Subsection I.B	11
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Subject: Certification of Material Events Notice

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

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

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

Respectfully yours,

C. D. Crepps
 County Finance Director

Cleveland County, North Carolina

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

For the Year Ended June 30, 2010

Property Tax Information

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

Please refer to the schedules and page numbers in the list below from this report (Cleveland County, North Carolina's Annual Financial and Compliance Report For the Year Ended June 30, 2010).

<u>Description</u>	<u>Identifier</u>	<u>Page No.</u>
"Analysis of Current Tax Levy - General Fund" for the most recent fiscal year	Exhibit II.E.03	129
"Schedule of Ad Valorem Taxes Receivable - General Fund" for the most recent fiscal year	Exhibit II.E.04	130
"Property Tax Levies by Taxing District" for twelve most recent fiscal years	Exhibit III.B.1	150
"Property Tax Levies and Collections" for twelve most recent fiscal years	Exhibit III.B.2	150
"Direct and Overlapping Property Tax Rates" for twelve most recent fiscal years	Exhibit III.B.3	152
"Principal Taxpayers" for the years ended June 30, 2010, 2007, 2004, and 2001	Exhibit III.B.4	154
"Assessed Value of Taxable Property and Tax Rates" for twelve most recent fiscal years	Exhibit III.B.5	156

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

Debt Information

BONDS ISSUED AND SUBJECT TO SEC RULE 15c2-12

2009-10 \$22,000,000 Public School Bonds, Series 2010, 10.3 years/average maturity, 5.30% true interest cost
 2002-03 \$29,920,000 Refunding Serial Bonds, Series 2003, 3.2 years/average maturity, 3.11% true interest cost
 1997-98 \$3,100,000 Community College Bonds, Series 1998, 11.74 years/average maturity, 4.66% true interest cost

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

None

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

Please refer to the report, "Analysis of Debt of North Carolina Counties, Municipalities And Districts at June 30, 2010", filed with the Municipal Securities Rulemaking Board (MSRB) by the Division of State and Local Government Finance of the North Carolina Department of State Treasurer.

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

Please refer to the schedules and page numbers in the list below from this report (Cleveland County, North Carolina's Annual Financial and Compliance Report For the Year Ended June 30, 2010).

<u>Description</u>	<u>Identifier</u>	<u>Page No.</u>
"Notes to Financial Statements"		
"Pension Plan Obligations"	Note b.B.2	65
"Closure and Post-Closure Care Costs - Solid Waste Landfill Facility"	Note b.B.3	69
"Capital Leases"	Note b.B.7.a	71
"Total Indebtedness"	Note b.B.7.e	72
"Conduit Debt Obligations"	Note b.B.7.f	74
"Long-Term Obligation Activity"	Note b.B.7.h	76
"Computation of Legal Debt Margin" for twelve most recent fiscal years	Exhibit III.C.1	156
"Computation of Direct Debt - General Obligation Bonds" for the most recent fiscal year	Exhibit III.C.2	157
"Annual Requirements and Debt Limitations for General Obligation Bonds"	Exhibit III.C.3	157
"Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Government Expenditures" for twelve most recent fiscal years	Exhibit III.C.4	158
"Breakdown of Outstanding Debt" for twelve most recent fiscal years	Exhibit III.C.5	158
"Ratios of Outstanding Debt" for twelve most recent fiscal years	Exhibit III.C.6	159

Cleveland County, North Carolina
2. Budget Ordinance as of July 1, 2010 - Annually Budgeted Funds

For the Year Ending June 30, 2011

Description	Governmental Funds			Proprietary Fund	Total
	General Fund	Special Revenue Funds	Debt Service Fund	Solid Waste Fund	
ESTIMATED REVENUES					
Ad valorem taxes	\$ 47,205,585	\$ 865,000	\$ -	\$ -	\$ 48,070,585
Other taxes / assessments	8,519,000	611,724	-	1,551,000	10,681,724
Intergovernmental, unrestricted	455,000	-	-	-	455,000
Intergovernmental, restricted	20,417,654	25,116	1,091,200	15,000	21,548,970
Licenses, permits, and fees	895,000	-	-	-	895,000
Sales and services (dept fees)	8,556,472	-	-	3,258,000	11,814,472
Investment earnings	780,000	20,000	-	100,000	900,000
Miscellaneous	300,500	-	-	135,500	436,000
Total estimated revenues	87,129,211	1,521,840	1,091,200	5,059,500	94,801,751
APPROPRIATIONS					
General government	10,075,400	-	-	-	10,075,400
Transportation	39,464	-	-	-	39,464
Public safety	17,572,558	1,762,709	-	-	19,335,267
Human services	36,095,138	-	-	-	36,095,138
Environmental	-	-	-	8,651,911	8,651,911
Education	21,353,592	-	-	-	21,353,592
Economic and physical develop.	1,315,358	-	-	-	1,315,358
Cultural and recreational	1,202,910	-	-	-	1,202,910
Schools capital outlay	3,400,000	-	-	-	3,400,000
Debt service, principal reduction	63,276	-	2,817,677	-	2,880,953
Debt service, interest	6,586	-	1,964,459	-	1,971,045
Total appropriations	91,124,282	1,762,709	4,782,136	8,651,911	106,321,038
Estimated revenues over (under) appropriations	(3,995,071)	(240,869)	(3,690,936)	(3,592,411)	(11,519,287)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds:					
General Fund	-	-	1,938,536	-	1,938,536
Special Revenue Funds	69,097	-	-	-	69,097
Capital Projects Fund	1,400,000	-	1,752,400	-	3,152,400
Solid Waste Fund	328,607	-	-	-	328,607
Transfers to other funds:					
General Fund	-	(69,097)	-	(328,607)	(397,704)
Debt Service Fund	(1,938,536)	-	-	-	(1,938,536)
Capital Projects Fund	(1,100,000)	-	-	-	(1,100,000)
Appropriated fund balances	5,235,903	309,966	-	3,921,018	9,466,887
Total other financing sources (uses)	3,995,071	240,869	3,690,936	3,592,411	11,519,287
Estimated revenues and other financing sources over (under) appropriations and other financing uses	\$ -	\$ -	\$ -	\$ -	\$ -

Cleveland County, North Carolina

3. Budget Amended as of September 30, 2010 - Annually Budgeted Funds

For the Year Ending June 30, 2011

Description	Governmental Funds			Proprietary Fund	Total
	General Fund	Special Revenue Funds	Debt Service Fund	Solid Waste Fund	
ESTIMATED REVENUES					
Ad valorem taxes	\$ 47,954,913	\$ 865,000	\$ -	\$ -	\$ 48,819,913
Other taxes / assessments	8,519,000	611,724	-	1,551,000	10,681,724
Intergovernmental, unrestricted	455,000	-	-	-	455,000
Intergovernmental, restricted	21,909,244	25,116	1,091,200	62,216	23,087,776
Licenses, permits, and fees	895,000	-	-	-	895,000
Sales and services (dept fees)	8,557,472	-	-	3,258,000	11,815,472
Investment earnings	780,000	20,000	-	100,000	900,000
Miscellaneous	301,481	-	-	135,500	436,981
Total estimated revenues	89,372,110	1,521,840	1,091,200	5,106,716	97,091,866
APPROPRIATIONS					
General government	10,132,589	-	-	-	10,132,589
Transportation	39,464	-	-	-	39,464
Public safety	17,614,530	1,762,709	-	-	19,377,239
Human services	36,784,454	-	-	-	36,784,454
Environmental	-	-	-	8,721,094	8,721,094
Education	22,102,920	-	-	-	22,102,920
Economic and physical develop.	2,009,172	-	-	-	2,009,172
Cultural and recreational	1,279,804	-	-	-	1,279,804
Schools capital outlay	3,400,000	-	-	-	3,400,000
Debt service, principal reduction	63,276	-	2,817,677	-	2,880,953
Debt service, interest	6,586	-	1,964,459	-	1,971,045
Total appropriations	93,432,795	1,762,709	4,782,136	8,721,094	108,698,734
Estimated revenues over (under) appropriations	(4,060,685)	(240,869)	(3,690,936)	(3,614,378)	(11,606,868)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds					
General Fund	-	-	1,938,536	-	1,938,536
Special Revenue Funds	69,097	-	-	-	69,097
Capital Projects Fund	1,400,000	-	1,752,400	-	3,152,400
Solid Waste Fund	328,607	-	-	-	328,607
Transfers to other funds					
General Fund	-	(69,097)	-	(328,607)	(397,704)
Debt Service Fund	(1,938,536)	-	-	-	(1,938,536)
Capital Projects Fund	(1,778,890)	-	-	-	(1,778,890)
Appropriated fund balances	5,980,407	309,966	-	3,942,985	10,233,358
Total other financing sources (uses)	4,060,685	240,869	3,690,936	3,614,378	11,606,868
Estimated revenues and other financing sources over (under) appropriations and other financing uses	\$ -	\$ -	\$ -	\$ -	\$ -

Cleveland County, North Carolina

4. Budget Reconciliation as of September 30, 2010 - Annually Budgeted Funds

For the Year Ending June 30, 2011

Description	Governmental Funds			Proprietary Fund	Total
	General Fund	Special Revenue Funds	Debt Service Fund	Solid Waste Fund	
APPROPRIATIONS AND TRANSFERS OUT PER BUDGET ORDINANCE					
General Fund					
Primary Government Services	\$ 47,245,103			\$ 47,245,103	
Social Services and Public Assistance	23,320,299				23,320,299
Public Health Services	12,270,614				12,270,614
Employee Wellness	753,412				753,412
Court Facilities	321,140				321,140
Workers' Compensation	722,000				722,000
Public School District	9,530,250				9,530,250
Special Revenue Funds					
Emergency Telephone		\$ 376,840			376,840
County Fire Service District		1,454,966			1,454,966
Debt Service Fund					
			\$ 4,782,136		4,782,136
Solid Waste Fund					
				\$ 8,980,518	8,980,518
Total appropriations and transfers out per budget ordinance					
	94,162,818	1,831,806	4,782,136	8,980,518	109,757,278
APPROPRIATIONS AND TRANSFERS OUT PER BUDGET AMENDMENTS					
July	2,866,014	-	-	21,967	2,887,981
August	3,297	-	-	47,216	50,513
September	118,092	-	-	-	118,092
Total appropriations and transfers out per budget amendments					
	2,987,403	-	-	69,183	3,056,586
TOTAL BUDGET TO DATE	97,150,221	1,831,806	4,782,136	9,049,701	112,813,864
LESS: TRANSFERS OUT	(3,717,426)	(69,097)	-	(328,607)	(4,115,130)
TOTAL APPROPRIATIONS	\$ 93,432,795	\$ 1,762,709	\$ 4,782,136	\$ 8,721,094	\$ 108,698,734

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**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
III: STATISTICAL AND TREND INFORMATION
B. Revenue Capacity Schedules:**

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3. Direct and Overlapping Property Tax Rates (twelve most recent fiscal years)	Exhibit III.B.3	152
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**III: STATISTICAL AND TREND INFORMATION
C. Debt Capacity Schedules:**

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Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.B.1

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	County General Fund	Special Revenue Funds		Agency Funds		
		Consolidated School System	County Fire	County Schools	Kings Mountain Schools	Shelby City Schools
2010	\$ 37,937,850	\$ 9,983,359	\$ 858,599	\$ -	\$ -	\$ -
2009	38,035,443	10,001,743	865,440	-	-	-
2008	35,495,516	9,180,062	796,340	-	-	-
2007	34,992,445	9,041,235	778,464	-	-	-
2006	34,304,168	8,872,808	751,964	-	-	-
2005	33,654,906	8,702,570	731,336	-	-	-
2004	31,810,691	8,208,648	644,205	-	-	-
2003	31,082,261	8,023,050	659,290	-	-	-
2002	30,734,285	7,898,388	637,681	-	-	-
2001	29,818,887	6,967,370	607,130	224,992	274,742	165,205
2000	25,968,750	-	351,725	2,467,183	1,917,582	1,470,234
1999	25,436,201	-	355,177	2,408,891	1,872,166	1,457,245

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

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.B.2

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Levy	First Year		Collections and Abatements after 1st Year
		Collections in First Year	Percent Collected	
2010	\$ 49,202,687	\$ 47,199,319	95.928%	\$ -
2009	49,317,117	46,878,947	95.056%	1,925,178
2008	45,765,637	43,518,113	95.089%	1,979,827
2007	45,118,371	43,026,504	95.364%	1,913,510
2006	44,236,504	42,170,493	95.330%	1,913,556
2005	43,419,903	41,221,362	94.937%	2,066,017
2004	40,973,570	38,712,884	94.483%	2,129,108
2003	40,064,096	37,736,229	94.190%	2,210,021
2002	39,571,729	37,246,560	94.124%	2,205,756
2001	38,351,161	35,890,180	93.583%	2,359,244
2000	32,429,062	30,492,676	94.029%	1,935,292
1999	31,779,566	29,883,633	94.034%	1,894,909

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

(continued from previous page)

Agency Funds (cont.)			
Fallston Fire	Lattimore Fire	Rippy Fire	All Districts
\$ 134,943	\$ 93,175	\$ 194,761	\$ 49,202,687
131,002	91,163	192,326	49,317,117
123,261	55,272	115,186	45,765,637
118,199	74,086	113,942	45,118,371
119,269	76,048	112,247	44,236,504
139,441	79,069	112,581	43,419,903
140,364	69,961	99,701	40,973,570
126,435	68,761	104,299	40,064,096
135,081	70,737	95,557	39,571,729
132,345	70,839	89,651	38,351,161
108,957	64,332	80,299	32,429,062
105,551	61,736	82,599	31,779,566

(continued from previous page)

Total Collections To Date	Percent Collected	Balance Delinquent	Percent Delinquent
\$ 47,199,319	95.928%	\$ 2,003,368	4.072%
48,804,125	98.960%	512,992	1.040%
45,497,940	99.415%	267,697	0.585%
44,940,014	99.605%	178,357	0.395%
44,084,049	99.655%	152,455	0.345%
43,287,379	99.695%	132,524	0.305%
40,841,992	99.679%	131,578	0.321%
39,946,250	99.706%	117,846	0.294%
39,452,316	99.698%	119,413	0.302%
38,249,424	99.735%	101,737	0.265%
32,427,968	99.997%	1,094	0.003%
31,778,542	99.997%	1,024	0.003%

Cleveland County, North Carolina

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

(continued below and on next page)

Exhibit III.B.3

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	County General Fund	Special Revenue Funds			Agency Funds		
		Consolidated School System	County Fire	County Schools	Kings Mountain Schools	Shelby City Schools	
2010	\$ 0.005700	\$ 0.001500	\$ 0.000300	n/a	n/a	n/a	
2009	0.005700	0.001500	0.000300	n/a	n/a	n/a	
2008	0.005800	0.001500	0.000300	n/a	n/a	n/a	
2007	0.005800	0.001500	0.000300	n/a	n/a	n/a	
2006	0.005800	0.001500	0.000300	n/a	n/a	n/a	
2005	0.005800	0.001500	0.000300	n/a	n/a	n/a	
2004	0.006200	0.001600	0.000300	n/a	n/a	n/a	
2003	0.006200	0.001600	0.000300	n/a	n/a	n/a	
2002	0.006200	0.001600	0.000300	n/a	n/a	n/a	
2001	0.006200	0.001600	0.000300	n/a	n/a	n/a	
2000	0.006270	n/a	0.000200	\$ 0.001000	\$ 0.001900	\$ 0.002200	
1999	0.006270	n/a	0.000200	0.001000	0.001900	0.002200	

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

(continued from above and on next page)

Fiscal Year Ended June 30	Agency Funds (cont.)					
	Town of Boiling Springs	Town of Grover	City of Kings Mountain	City of Kings Mountain MSD	Town of Lattimore	Town of Kingstown
2010	\$ 0.002900	\$ 0.003800	\$ 0.004000	\$ 0.002362	\$ 0.001800	\$ 0.003500
2009	0.002900	0.003800	0.004000	0.002362	0.001800	0.003500
2008	0.003000	0.003800	0.004000	0.002362	0.001800	0.003500
2007	0.003000	0.003800	0.004000	0.002362	0.001800	0.003500
2006	0.003000	0.003600	0.003600	0.002362	0.001800	0.003500
2005	0.003000	0.003600	0.003600	0.002362	0.001800	0.003500
2004	0.003300	0.002900	0.003600	n/a	0.002000	0.003500
2003	0.003000	0.002900	0.003600	n/a	0.002000	0.003500
2002	0.002800	0.002900	0.003600	n/a	0.002000	0.003500
2001	0.002800	0.002900	0.003600	n/a	0.002000	0.003500
2000	0.003000	0.002900	0.004000	n/a	0.002000	0.003500
1999	0.003000	0.002900	0.004000	n/a	0.001500	0.003500

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

(continued from previous page)

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

(continued from previous page)

Agency Funds (cont.)						
Town of Fallston	Town of Earl	Town of Polkville	Town of Lawndale	Town of Casar	Town of Waco	
\$ 0.000500	\$ 0.001700	\$ 0.000500	\$ 0.002300	\$ 0.000500	\$ 0.001500	
0.000500	0.001700	0.000500	0.002300	0.000500	0.001200	
0.000500	0.001700	0.000500	0.002300	0.000500	0.001200	
0.000500	0.001700	0.000500	0.002300	0.000500	0.001200	
0.000500	0.001700	0.000500	0.002300	0.000500	0.001200	
0.000500	0.001800	0.000500	0.002300	0.000500	0.001000	
0.000500	0.001800	0.000500	0.002300	0.000500	0.001000	
0.000500	0.001800	0.000500	0.002300	0.000500	0.001000	
0.000500	0.001800	0.000500	0.002300	0.000500	0.001000	
0.000500	0.001000	0.000500	0.002300	0.000500	0.001000	
0.000500	0.001000	0.000500	0.002300	0.000500	0.000500	
0.000500	0.001000	0.000500	0.002300	0.000500	0.000500	

Cleveland County, North Carolina

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

(continued below and on next page)

Exhibit III.B.4

For the Year Ended June 30, 2010

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy
1. Duke Energy	Electric Utility	\$ 232,615,240	3.501%	\$ 1,771,113
2. PPG Industries, Inc.	Fiber Glass	84,244,564	1.268%	985,636
3. Wal-Mart	Warehouse/Retail Store	81,223,517	1.222%	938,132
4. Eaton Corporation	Truck Transmissions	45,196,953	0.680%	348,017
5. Ticona Polymers	Polymers	46,345,309	0.697%	345,429
6. Bellsouth Telephone	Communications	33,108,411	0.498%	304,881
7. Southeastern Container	Laser Discs	21,435,582	0.323%	240,078
8. Curtiss Wright Controls	Aircraft Parts	16,933,274	0.255%	193,447
9. Shelby Mall LLC	Real Estate	13,606,248	0.205%	157,152
10. Lowe's Home Centers	Retail Store	13,518,618	0.203%	156,140
11. Baldor Electric	Electric Motors	20,244,758	0.305%	155,885
12. Chematall Foote	Mining	13,490,709	0.203%	151,096
Totals		\$ 621,963,183	9.360%	\$ 5,747,006

Cleveland County, North Carolina

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

(continued from above and on next page)

Exhibit III.B.4

For the Year Ended June 30, 2007

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy
1. Wal-Mart	Warehouse/Retail Store	\$ 98,369,035	1.634%	\$ 1,131,244
2. Duke Energy	Electric Utility	126,291,439	2.098%	1,007,181
3. PPG Industries, Inc.	Fiber Glass	118,367,793	1.966%	916,371
4. Copeland Corporation	Air Compressors	39,285,976	0.653%	451,789
5. Ticona Celanese	Polymers	56,309,080	0.935%	439,211
6. Eaton Corporation	Truck Transmissions	49,332,151	0.819%	384,791
7. Bell South	Communications	39,569,804	0.657%	365,428
8. UMG/PMDC CBL	Laser Discs	37,120,559	0.617%	289,540
9. Arteva/Kosa/Invista	Polymers	28,064,669	0.466%	218,905
10. Curtiss Wright	Aircraft Parts	16,315,113	0.271%	187,624
11. Reliance Electric	Electric Motors	22,940,732	0.381%	178,988
12. Hull Storey/HSCM	Real Estate	14,404,358	0.239%	165,761
Totals		\$ 646,370,709	10.736%	\$ 5,736,832

Cleveland County, North Carolina

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

(continued below and from previous page)

Exhibit III.B.4

For the Year Ended June 30, 2004

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy
1. PPG Industries, Inc.	Fiber Glass	\$ 127,216,567	2.485%	\$ 1,047,975
2. Wal-Mart	Warehouse/Retail Store	86,693,693	1.694%	1,040,324
3. Duke Energy	Electric Utility	122,482,612	2.393%	1,038,268
4. Copeland Corporation	Air Compressors	45,168,897	0.882%	542,027
5. Ticona Celanese	Polymers	61,721,304	1.206%	512,287
6. Bell South	Communications	41,686,637	0.814%	407,644
7. Eaton Corporation	Truck Transmissions	48,829,661	0.954%	405,286
8. UMG/PMDC CBL	Laser Discs	45,210,097	0.883%	375,294
9. Reliance Electric	Electric Motors	38,632,185	0.755%	320,697
10. Arteva/Kosa/Invista	Polymers	28,911,033	0.565%	239,962
11. Kemet	Electronics	17,304,995	0.338%	207,660
12. Honeywell/Fasco Controls	Electronics	16,147,816	0.315%	193,774
Totals		\$ 680,005,497	13.285%	\$ 6,331,198

Cleveland County, North Carolina

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

(continued from above and from previous page)

Exhibit III.B.4

For the Year Ended June 30, 2001

Taxpayer Name	Industry	Tax Levy
1. Duke Energy	Electric Utility	\$ 1,083,017
2. PPG Industries, Inc.	Fiber Glass	880,679
3. Hoechst Celanese (now Ticona Celanese)	Polymers	624,153
4. Southern Bell (now Bell South)	Communications	474,674
5. Polygram Mfg. (now UMG/PMDC CBL)	Laser Discs	426,768
6. Eaton Corporation	Truck Transmissions	354,999
7. Doran Inc.	Yarn Mill	330,947
8. Reliance Electric	Electric Motors	201,638
9. Metropolitan Life Insurance	Real Estate	183,834
10. Cleveland Mills	Yarn Mill	183,285
Totals		\$ 4,743,994

Cleveland County, North Carolina

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

Exhibit III.B.5

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Real Property	Personal Property	Corporate Excess	Total Assessed Value	County-Wide Property Tax Rate
2010	\$ 4,983,714,807	\$ 1,334,442,491	\$ 326,924,856	\$ 6,645,082,154	0.007200
(a) 2009	4,913,217,141	1,451,890,284	292,601,507	6,657,708,932	0.007200
2008	4,439,802,142	1,435,203,908	236,754,791	6,111,760,841	0.007300
2007	4,360,134,267	1,423,645,599	236,954,915	6,020,734,781	0.007300
2006	4,235,213,856	1,442,246,979	229,147,077	5,906,607,912	0.007300
(a) 2005	4,159,817,633	1,423,203,225	202,217,191	5,785,238,049	0.007300
2004	3,539,044,771	1,375,973,251	203,430,042	5,118,448,064	0.007800
2003	3,434,891,384	1,364,495,344	207,752,627	5,007,139,355	0.007800
2002	3,357,768,932	1,306,813,709	227,312,824	4,891,895,465	0.006200
(a) 2001	3,291,473,275	1,279,383,519	230,209,657	4,801,066,451	0.006200
2000	2,669,722,134	1,245,387,619	201,472,193	4,116,581,946	0.006270
1999	2,599,997,216	1,221,729,467	227,924,902	4,049,651,585	0.006270

(a) Cleveland County re-assessed values of property in the fiscal years ended June 30, 2001 and 2005. The County has most recently re-assessed values of property for the fiscal year ending June 30, 2009. State statutes require adjustment of property's assessed values to 100% of market value at least every eight years. Due to mandated exemptions, deferrals, and other adjustments, the total assessed value is not likely to equal total actual market value; and, no reliable source can determine total actual market

Cleveland County, North Carolina

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

Exhibit III.C.1

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Assessed Value Less Corporate Excess	Percentage Applied	Legal Debt Limit (A)	Total Long-Term Debt (B)	Legal Debt Margin	Ratio of (B) to (A)
2010	\$ 6,318,157,298	8.0%	\$ 505,452,584	\$ 35,619,603	\$ 469,832,981	7.047%
2009	6,365,107,425	8.0%	509,208,594	16,811,245	492,397,349	3.301%
2008	5,875,006,050	8.0%	470,000,484	12,934,111	457,066,373	2.752%
2007	5,783,779,866	8.0%	462,702,389	11,666,458	451,035,931	2.521%
2006	5,677,460,835	8.0%	454,196,867	16,558,287	437,638,580	3.646%
2005	5,583,020,858	8.0%	446,641,669	21,444,599	425,197,070	4.801%
2004	4,915,018,022	8.0%	393,201,442	25,690,000	367,511,442	6.534%
2003	4,799,386,728	8.0%	383,950,938	30,640,000	353,310,938	7.980%
2002	4,664,582,641	8.0%	373,166,611	37,325,000	335,841,611	10.002%
2001	4,570,856,794	8.0%	365,668,544	41,975,000	323,693,544	11.479%
2000	3,915,109,753	8.0%	313,208,780	46,560,000	266,648,780	14.865%
1999	3,821,726,683	8.0%	305,738,135	51,105,000	254,633,135	16.715%

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

Cleveland County, North Carolina

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

Exhibit III.C.2

For the Year Ended June 30, 2010

	Gross General Obligation Bonded Debt	Less Debt Payable from Other Entity	Net General Obligation Bonded Debt	Percent Applicable to County	Amount Applicable to County
Direct					
Cleveland County	\$ -	\$ -	\$ -	100.0%	\$ -
Underlying					
Public Schools	-	-	-	100.0%	-
Community College	1,600,000	-	1,600,000	100.0%	1,600,000
Totals:	\$ 1,600,000	\$ -	\$ 1,600,000		\$ 1,600,000

Cleveland County, North Carolina

3. Annual Requirements and Debt Limitations for General Obligation Bonds

Exhibit III.C.3

For the Year Ended June 30, 2010

Fiscal Year Ending June 30	Gross G.O. Debt		G.O. Debt Balance	
	Principal	Principal and Interest	Outstanding Principal	Subject to Statutory Debt Limits
2011	\$ 250,000	\$ 324,950	\$ 1,600,000	\$ 1,600,000
2012	250,000	313,450	1,350,000	1,350,000
2013	250,000	301,700	1,100,000	1,100,000
2014	250,000	289,950	850,000	850,000
2015	250,000	278,200	600,000	600,000
2016	250,000	266,450	350,000	350,000
2017	100,000	104,700	100,000	100,000
Totals	\$ 1,600,000	\$ 1,879,400		

Cleveland County, North Carolina

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

Exhibit III.C.4

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Expenditures for Principal Reductions	Expenditures for Interest on G.O. Debt	Total Debt Service Expenditures (A)	Total Governmental Expenditures (B)	Ratio of (A) to (B)	Population Estimate (*)	Total Debt Service per Capita
2010	\$ 2,075,000	\$ 62,250	\$ 2,137,250	\$ 102,671,280	2.08%	99,135	21.56
2009	2,425,000	225,450	2,650,450	107,347,730	2.47%	98,628	26.87
2008	4,715,000	368,500	5,083,500	99,870,997	5.09%	97,936	51.91
2007	4,875,000	516,350	5,391,350	95,912,913	5.62%	96,878	55.65
2006	4,870,000	651,960	5,521,960	93,458,137	5.91%	96,215	57.39
2005	4,880,000	807,117	5,687,117	87,943,452	6.47%	96,432	58.98
2004	4,920,000	913,610	5,833,610	83,974,172	6.95%	96,912	60.19
2003	5,030,000	1,305,496	6,335,496	81,379,267	7.79%	97,119	65.23
2002	4,435,000	1,965,875	6,400,875	87,055,929	7.35%	96,884	66.07
2001	4,375,000	2,182,884	6,557,884	82,552,538	7.94%	96,658	67.85
2000	4,345,000	2,397,912	6,742,912	77,816,268	8.67%	96,471	69.90
1999	4,265,000	2,650,389	6,915,389	79,282,583	8.72%	95,604	72.33

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

Cleveland County, North Carolina

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

Exhibit III.C.5

For the Year Ended June 30, 2010

Fiscal Year Ending June 30	Total Long-Term Direct Debt	Revenue Bonded Debt	Other Bonded Debt	Total Long-Term Debt	Capital Leases	Total Debt	Total Non Long-Term Direct Debt
2010	\$ 13,072,000	\$ -	\$ 22,547,603	\$ 35,619,603	\$ 178,830	\$ 35,798,433	\$ 22,726,433
2009	16,245,000	-	566,245	16,811,245	156,964	16,968,209	723,209
2008	12,350,000	-	584,111	12,934,111	203,079	13,137,190	787,190
2007	11,065,000	-	601,458	11,666,458	116,363	11,782,821	717,821
2006	15,940,000	-	618,287	16,558,287	178,826	16,737,113	797,113
2005	20,810,000	-	634,599	21,444,599	237,777	21,682,376	872,376
2004	25,690,000	-	-	25,690,000	123,626	25,813,626	123,626
2003	28,210,000	2,430,000	-	30,640,000	3,158	30,643,158	2,433,158
2002	34,710,000	2,615,000	-	37,325,000	42,885	37,367,885	2,657,885
2001	39,180,000	2,795,000	-	41,975,000	77,069	42,052,069	2,872,069
2000	43,595,000	2,965,000	-	46,560,000	109,037	46,669,037	3,074,037
1999	47,980,000	3,125,000	-	51,105,000	138,933	51,243,933	3,263,933

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

(continued below)

Exhibit III.C.6

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Total Long-Term Direct Debt	Less Debt Payable from Other Entity	Net Total Long-Term Direct Debt (A)	Assessed Value (thousands) (B)	Ratio of (A) to (B)	Population Estimate (*)	Net Total Long-Term Direct Debt per Capita
2010	\$ 13,072,000	\$ -	\$ 13,072,000	\$ 6,645,082	0.20%	99,135	131.86
2009	16,245,000	-	16,245,000	6,657,709	0.24%	98,628	164.71
2008	12,350,000	-	12,350,000	6,111,761	0.20%	97,936	126.10
2007	11,065,000	(2,200,000)	8,865,000	6,020,735	0.15%	96,878	91.51
2006	15,940,000	(4,470,000)	11,470,000	5,906,608	0.19%	96,215	119.21
2005	20,810,000	(6,675,000)	14,135,000	5,785,238	0.24%	96,432	146.58
2004	25,690,000	(8,820,000)	16,870,000	5,118,448	0.33%	96,912	174.08
2003	28,210,000	(10,915,000)	17,295,000	5,007,139	0.35%	97,119	178.08
2002	34,710,000	(12,685,000)	22,025,000	4,891,895	0.45%	96,884	227.33
2001	39,180,000	(14,460,000)	24,720,000	4,801,066	0.51%	96,658	255.75
2000	43,595,000	(16,120,000)	27,475,000	4,116,582	0.67%	96,471	284.80
1999	47,980,000	(17,695,000)	30,285,000	4,049,652	0.75%	95,604	316.78

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

(continued from above)

Exhibit III.C.6

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Net Total Long-Term Direct Debt (from above)	Total Other Long-Term Debt (Exhibit III. C.5)	Total Long-Term Debt (A)	Assessed Value (thousands) (B)	Ratio of (A) to (B)	Population Estimate (*)	Total Long-Term Debt per Capita
(continued from above)							
2010	\$ 13,072,000	\$ 22,547,603	\$ 35,619,603	\$ 6,645,082	0.54%	99,135	\$ 359.30
2009	16,245,000	566,245	16,811,245	6,657,709	0.25%	98,628	170.45
2008	12,350,000	584,111	12,934,111	6,111,761	0.21%	97,936	132.07
2007	8,865,000	601,458	9,466,458	6,020,735	0.16%	96,878	97.72
2006	11,470,000	618,287	12,088,287	5,906,608	0.20%	96,215	125.64
2005	14,135,000	634,599	14,769,599	5,785,238	0.26%	96,432	153.16
2004	16,870,000	-	16,870,000	5,118,448	0.33%	96,912	174.08
2003	17,295,000	2,430,000	19,725,000	5,007,139	0.39%	97,119	203.10
2002	22,025,000	2,615,000	24,640,000	4,891,895	0.50%	96,884	254.32
2001	24,720,000	2,795,000	27,515,000	4,801,066	0.57%	96,658	284.66
2000	27,475,000	2,965,000	30,440,000	4,116,582	0.74%	96,471	315.54
1999	30,285,000	3,125,000	33,410,000	4,049,652	0.83%	95,604	349.46

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
III: STATISTICAL AND TREND INFORMATION
D. Demographic, Economic, and Operating Schedules:

	<u>Identifier</u>	<u>Page No.</u>
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2. Economic Trends Schedule (twelve most recent fiscal years)	Exhibit III.D.2	162
3. County Employment by Function (twelve most recent fiscal years)	Exhibit III.D.3	162
4. Principal Industry Sectors - Current versus 3, 6, and 9 years ago	Exhibit III.D.4	163

Cleveland County, North Carolina
1. Miscellaneous Information

Exhibit III.D.1

For the Year Ended June 30, 2010

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

Transportation

Major Highways

Through the county	I-85 and U.S. Highway 74
Nearby counties	North/South = I-85, I-26, and I-77; East/West = I-40

Air Travel

- Shelby/Cleveland Regional Airport has a runway length of 5,000 feet.
- Charlotte/Douglas International Airport is located 37 miles east of Shelby.
- Greenville-Spartanburg International Airport is located 62 miles south of Shelby.
- Asheville Airport is located 74 miles west of Shelby.
- Hickory Airport is located 39 miles north of Shelby.

Rail Service

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

Port Access

- Charleston, South Carolina (located 222 miles east-southeast of Shelby)
- Wilmington, North Carolina (located 238 miles east of Shelby)
- Savannah, Georgia (located 254 miles southeast of Shelby)
- Morehead City, North Carolina (located 310 miles east of Shelby)
- Norfolk/Virginia Beach, Virginia (located 342 miles east-northeast of Shelby)

Other Important Information for Businesses

- North Carolina is a right-to-work State.
- The corporate community of the County has no union representation at present.
- The county offers Local Industrial Incentive Grants and Tax Credits to qualified companies.
- Labor force within a 35-mile radius exceeds 600,000.
- Electric utility rates, supplied by Duke Power, are among the lowest in the nation.

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

Exhibit III.D.2
For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Population	Median Age	June 30 Labor Force	June 30 Unemployment Rate	Personal Income (thousands)	Per Capita Income	Total School Enrollment
2010	99,135	38.49	48,323	13.1945%	no data	no data	17,217
2009	98,628	38.36	51,811	15.3790%	no data	no data	17,374
2008	97,936	38.35	51,007	7.9205%	\$ 2,932,307	\$ 29,941	17,487
2007	96,878	38.24	48,367	7.0606%	2,766,625	28,558	17,558
2006	96,215	38.11	47,985	6.5896%	2,629,329	27,328	17,814
2005	96,432	37.90	46,504	7.3456%	2,525,665	26,191	17,844
2004	96,912	37.63	42,524	9.5781%	2,424,904	25,022	18,084
2003	97,119	37.37	43,183	11.1456%	2,318,554	23,873	17,924
2002	96,884	37.11	44,957	13.2415%	2,250,644	23,230	17,749
2001	96,658	36.84	47,191	12.2926%	2,229,016	23,061	17,480
2000	96,471	36.59	45,669	5.0012%	2,210,718	22,916	17,310
1999	95,604	36.32	45,615	4.9260%	2,094,452	21,908	17,018

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

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

Exhibit III.D.3
For the Year Ended June 30, 2010

Fiscal Year Ended June 30	General Government	Public Safety	Human Services (a)	Environmental	Economic and Physical Development	Cultural and Recreational (b)	Total
2010	84	238	373	36	16	16	763
2009	84	237	378	36	16	16	767
2008	82	236	367	32	14	16	747
2007	82	236	361	32	14	16	741
2006	82	236	352	31	14	16	731
2005	82	236	348	30	13	n/a	709
2004	80	234	342	30	13	n/a	699
2003	78	230	335	27	14	n/a	684
2002	78	223	345	22	14	n/a	682
2001	74	221	336	22	20	n/a	673
2000	74	217	324	21	20	n/a	656
1999	71	202	407	21	20	n/a	721

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

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

Cleveland County, North Carolina
4. Principal Industry Sectors - Current versus 3, 6, and 9 years ago

(continued below and on next page)

Exhibit III.D.4

For the Year Ended December 31, 2009

Industry NAICS Sector *	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 229,328,877	5,113	10.581%
2. Healthcare and Social Assistance	187,750,856	5,210	10.782%
3. Educational Services	124,056,173	3,950	8.174%
4. Retail Trade	94,972,356	3,791	7.845%
5. Public Administration	71,381,766	2,013	4.166%
6. Transportation and Warehousing	45,485,758	1,437	2.974%
7. Wholesale Trade	41,396,862	1,167	2.415%
8. Construction	39,475,282	1,227	2.539%
9. Accommodation and Food Services	29,423,239	2,434	5.037%
10. Finance and Insurance	27,044,909	690	1.428%
11. Professional and Technical Services	22,730,574	601	1.244%
12. Administrative and Waste Services	22,508,767	1,056	2.185%
Totals	\$ 935,555,419	28,689	59.369%

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

Cleveland County, North Carolina
4. Principal Industry Sectors - Current versus 3, 6, and 9 years ago

(continued from above and on next page)

Exhibit III.D.4

For the Year Ended December 31, 2006

Industry NAICS Sector	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 307,077,397	7,074	13.653%
2. Healthcare and Social Assistance	174,650,517	5,307	10.243%
3. Educational Services	114,371,037	4,097	7.908%
4. Retail Trade	94,844,442	3,949	7.622%
5. Public Administration	62,604,103	1,955	3.773%
6. Construction	46,552,443	1,515	2.924%
7. Wholesale Trade	46,298,845	1,394	2.691%
8. Transportation and Warehousing	35,719,924	1,084	2.092%
9. Administrative and Waste Services	27,364,027	1,341	2.588%
10. Finance and Insurance	26,187,081	681	1.314%
11. Accommodation and Food Services	25,081,798	2,297	4.433%
12. Professional and Technical Services	22,897,539	682	1.316%
Totals	\$ 983,649,153	31,376	60.559%

Cleveland County, North Carolina

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

(continued below and from previous page)

Exhibit III.D.4

For the Year Ended December 31, 2003

Industry NAICS Sector	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 329,072,932	8,491	17.695%
2. Health Care and Social Assistance	147,412,423	4,781	9.964%
3. Educational Services	105,300,736	3,919	8.167%
4. Retail Trade	86,704,991	4,140	8.628%
5. Public Administration	56,658,178	1,874	3.905%
6. Wholesale Trade	40,680,153	1,334	2.780%
7. Construction	36,565,078	1,397	2.911%
8. Transportation and Warehousing	27,746,264	829	1.728%
9. Accommodation and Food Services	22,822,284	2,167	4.516%
10. Finance and Insurance	21,230,195	652	1.359%
11. Administrative and Waste Services	20,755,463	1,213	2.528%
12. Professional and Technical Services	17,034,183	519	1.082%
Totals	\$ 911,982,880	31,316	65.262%

Cleveland County, North Carolina

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

(continued from above and from previous page)

Exhibit III.D.4

For the Year Ended December 31, 2000

Industry NAICS Sector	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 423,582,602	12,381	28.671%
2. Health Care and Social Assistance	115,496,932	4,180	9.680%
3. Educational Services	89,396,505	3,551	8.223%
4. Retail Trade	73,230,267	4,283	9.918%
5. Construction	53,531,484	1,834	4.247%
6. Public Administration	51,470,521	1,847	4.277%
7. Wholesale Trade	43,193,975	1,518	3.515%
8. Professional and Technical Services	30,212,666	746	1.728%
9. Transportation and Warehousing	27,685,030	928	2.149%
10. Administrative and Waste Services	22,848,981	1,343	3.110%
11. Accommodation and Food Services	20,620,176	2,060	4.770%
12. Finance and Insurance	17,825,442	536	1.241%
Totals	\$ 969,094,581	35,207	81.530%

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
III: STATISTICAL AND TREND INFORMATION
E. Financial Trends Schedules:

	<u>Identifier</u>	<u>Page No.</u>
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2. All Funds Combined: Changes in Fund Balances (twelve most recent fiscal years)	Exhibit III.E.2	170
3. Government-Wide Net Assets by Component (seven most recent fiscal years)	Exhibit III.E.3	174
4. All Funds Combined: Fund Balances by Category (twelve most recent fiscal years)	Exhibit III.E.4	174
5. Retirement Contributions Schedule	Exhibit III.E.5	176

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.1

For the Year Ended June 30, 2010

Description	2010	2009	2008	2007	2006
Program revenues: charges for services					
Governmental activities					
General government	\$ 2,415,181	\$ 2,298,111	\$ 2,453,453	\$ 2,429,620	\$ 2,527,083
Public safety	5,134,699	5,097,275	6,124,163	4,413,692	3,818,583
Human services	5,175,178	4,845,865	4,800,258	4,407,313	4,036,087
Education (property taxes)	10,170,228	10,099,061	9,215,690	9,091,504	8,972,777
Economic and physical dev.	65,717	43,401	58,980	81,421	61,724
Cultural and recreational	43,813	49,164	118,385	29,949	37,810
Total governmental activities	23,004,816	22,432,877	22,770,929	20,453,499	19,454,064
Business-type activities					
Solid waste coll. and disp.	4,392,221	4,682,719	4,762,245	4,927,433	5,049,367
Total primary government	27,397,037	27,115,596	27,533,174	25,380,932	24,503,431
Program revenues: operating grants and contributions					
Governmental activities					
General government	1,272,324	1,193,492	1,131,279	827,817	772,508
Public safety	1,076,840	1,993,543	2,515,297	2,035,114	2,002,420
Human services	18,147,393	18,102,895	16,200,691	16,411,564	15,239,907
Education	-	49,187	13,630	24,458	19,485
Economic and physical dev.	81,802	1,421,994	461,092	302,598	469,506
Cultural and recreational	263,787	225,228	283,022	251,214	550,313
Interest on long-term liabilities	-	-	66,000	134,100	189,225
Total governmental activities	20,842,146	22,986,339	20,671,011	19,986,865	19,243,364
Business-type activities:					
Solid waste coll. and disp.	288,119	360,124	308,472	326,760	335,768
Total primary government	21,130,265	23,346,463	20,979,483	20,313,625	19,579,132
Program revenues: capital grants and contributions					
Governmental activities					
General government	73,898	62,691	719,895	50,373	459,853
Public safety	601,747	123,190	91,643	88,538	379,797
Human services	15,191	364,626	19,928,365	5,153,258	8,295,526
Education	2,791,265	5,235,930	5,279,537	5,359,018	4,235,498
Economic and physical dev.	-	-	(12,671)	4,226	956,067
Cultural and recreational	450,000	1,024,268	(8,440)	-	2,480,692
Total governmental activities	3,932,101	6,810,705	25,998,329	10,655,413	16,807,433
Business-type activities					
Solid waste coll. and disp.	8,500	-	-	-	-
Total primary government	3,940,601	6,810,705	25,998,329	10,655,413	16,807,433

(continued from previous page)

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

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.1

For the Year Ended June 30, 2010

Description	2010	2009	2008	2007	2006
(continued from Page 1 of 4)					
Expenses					
Governmental activities					
General government	\$ 9,027,646	\$ 9,094,328	\$ 8,641,901	\$ 8,063,096	\$ 7,645,671
Transportation	39,464	39,464	39,464	39,464	39,464
Public safety	21,698,159	20,436,483	20,235,804	18,572,762	18,634,535
Human services	33,914,103	39,264,800	39,510,671	38,398,880	36,663,358
Education	25,446,822	26,670,648	24,943,842	23,309,846	23,633,490
Economic and physical dev.	2,348,461	3,042,821	2,118,255	3,527,997	1,635,055
Cultural and recreational	1,103,213	1,272,016	1,286,918	1,101,380	1,079,245
Interest on long-term liabilities	643,989	697,162	669,490	662,667	690,823
Total governmental activities	94,221,857	100,517,722	97,446,345	93,676,092	90,021,641
Business-type activities					
Solid waste coll. and disp.	3,613,920	8,267,583	5,285,293	4,567,905	4,469,516
Total primary government	97,835,777	108,785,305	102,731,638	98,243,997	94,491,157
Net Revenue (Expense)					
Governmental activities	(46,442,794)	(48,287,801)	(28,006,076)	(42,580,315)	(34,516,780)
Business-type activities	1,074,920	(3,224,740)	(214,576)	686,288	915,619
Total primary government	(45,367,874)	(51,512,541)	(28,220,652)	(41,894,027)	(33,601,161)
General revenues					
Governmental activities					
Ad valorem property taxes	38,289,687	38,618,389	35,815,553	35,297,651	34,646,125
Local option sales taxes	7,429,274	9,694,631	12,002,826	12,037,091	11,372,496
Other taxes and licenses	378,380	348,147	921,337	844,704	793,545
Contributions	-	-	2,200,000	2,270,000	2,205,000
Investment earnings, general	546,517	1,103,612	1,604,977	1,529,276	1,106,547
Transfers	335,059	228,936	241,245	175,347	142,784
Total governmental activities	46,978,917	49,993,715	52,785,938	52,154,069	50,266,497
Business-type activities					
Investment earnings, general	14,553	160,189	616,174	702,957	470,625
Transfers	(335,059)	(228,936)	(241,245)	(175,347)	(142,784)
Total business-type activities	(320,506)	(68,747)	374,929	527,610	327,841
Total primary government	46,658,411	49,924,968	53,160,867	52,681,679	50,594,338
Change in net assets					
Governmental activities	536,123	1,705,914	24,779,862	9,573,754	15,749,717
Business-type activities	754,414	(3,293,487)	160,353	1,213,898	1,243,460
Total primary government	1,290,537	(1,587,573)	24,940,215	10,787,652	16,993,177
Ending net assets					
Governmental activities	126,907,568	126,371,445	124,665,531	99,885,669	90,311,915
Business-type activities	14,330,720	13,576,306	16,869,793	16,709,440	15,495,542
Total primary government	\$ 141,238,288	\$ 139,947,751	\$ 141,535,324	\$ 116,595,109	\$ 105,807,457

(continued from previous page)

	2005	2004	2003
(continued from Page 2 of 4)			
\$	7,368,767	\$ 6,693,917	\$ 6,060,805
	39,464	39,464	39,464
	16,959,262	14,592,422	13,597,513
	34,168,346	31,558,753	30,430,820
	22,534,208	23,194,640	21,219,309
	1,844,628	1,880,008	6,339,654
	683,964	734,460	876,231
	828,077	908,176	1,182,993
	84,426,716	79,601,840	79,746,789
	4,294,878	4,103,114	3,713,218
	88,721,594	83,704,954	83,460,007
	(42,814,676)	(36,914,956)	(28,581,033)
	1,370,777	1,640,601	1,822,296
	(41,443,899)	(35,274,355)	(26,758,737)
	33,889,146	32,565,809	31,286,514
	11,220,896	11,044,070	9,263,392
	758,366	664,613	655,701
	2,145,000	2,125,000	4,945,566
	742,029	565,477	774,312
	148,661	131,654	79,102
	48,904,098	47,096,623	47,004,587
	193,024	72,486	78,704
	(148,661)	(131,654)	(79,102)
	44,363	(59,168)	(398)
	48,948,461	47,037,455	47,004,189
	6,089,422	10,181,667	18,423,554
	1,415,140	1,581,433	1,821,898
	7,504,562	11,763,100	20,245,452
	74,562,198	68,472,776	58,291,109
	14,252,082	12,836,942	11,255,509
\$	88,814,280	\$ 81,309,718	\$ 69,546,618

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.2

For the Year Ended June 30, 2010

Description	2010	2009	2008	2007	2006
Revenues					
Governmental funds					
Ad valorem property taxes	\$ 49,833,593	\$ 49,505,781	\$ 45,717,409	\$ 45,093,388	\$ 44,483,730
Local option sales taxes	10,111,795	13,124,777	15,837,377	15,845,539	14,895,552
Other taxes	1,016,187	970,576	917,099	1,250,797	1,227,608
Intergovernmental revenues	21,352,565	22,867,190	23,281,317	22,815,367	20,712,669
Licenses, permits, and fees	883,785	906,097	1,086,477	1,139,917	1,174,717
Sales and services	9,709,237	9,529,871	9,497,364	8,351,036	8,351,003
Investment earnings	875,926	1,595,774	2,265,167	2,000,774	1,366,276
Miscellaneous	750,285	1,898,522	1,024,394	642,769	1,021,584
Total governmental funds	94,533,373	100,398,588	99,626,604	97,139,587	93,233,139
Enterprise Fund					
Operating revenues	4,707,821	4,920,223	4,878,108	5,035,968	5,218,497
Non-operating revenues	487,386	313,015	858,456	920,833	718,244
Total Enterprise Fund	5,195,207	5,233,238	5,736,564	5,956,801	5,936,741
Total primary government	99,728,580	105,631,826	105,363,168	103,096,388	99,169,880
Expenditures, non-capital					
Governmental funds					
General government	8,285,991	8,465,727	7,691,136	7,775,143	7,237,619
Transportation	39,464	39,464	39,464	39,464	39,464
Public safety	18,025,869	17,962,171	16,690,549	16,419,086	15,379,062
Human services	33,192,709	36,165,026	37,307,822	36,472,481	34,866,255
Education	21,918,571	21,849,965	20,264,032	19,959,846	19,841,118
Economic and physical dev.	1,454,212	2,464,437	1,733,675	3,389,623	1,235,881
Cultural and recreational	1,121,982	1,097,770	1,085,151	968,115	1,051,486
Debt service, principal reductio	3,250,871	2,888,981	4,876,307	4,954,194	4,945,263
Debt service, interest	643,989	499,364	409,221	551,238	690,823
Total governmental funds	87,933,658	91,432,905	90,097,357	90,529,190	85,286,971
Enterprise Fund					
Environmental	4,361,641	4,360,945	4,277,825	3,625,443	3,568,759
Debt service, principal reductio	-	-	-	-	-
Debt service, interest	-	-	-	-	-
Total Enterprise Fund	4,361,641	4,360,945	4,277,825	3,625,443	3,568,759
Total primary government	92,295,299	95,793,850	94,375,182	94,154,633	88,855,730
Expenditures, capital					
Governmental funds					
General government	456,472	776,735	626,270	205,000	575,126
Public safety	5,329,708	7,008,460	2,449,686	1,099,487	2,734,682
Human services	690,162	542,426	1,332,108	523,313	384,199
Education	6,125,420	4,914,746	4,738,167	3,350,000	3,792,372
Economic and physical dev.	1,651,388	1,351,481	377,409	202,573	440,870
Cultural and recreational	523,935	1,320,977	250,000	3,350	243,917
Total governmental funds	14,777,085	15,914,825	9,773,640	5,383,723	8,171,166
Enterprise Fund: environmental	874,601	2,962,957	6,104,817	899,304	306,391
Total primary government	15,651,686	18,877,782	15,878,457	6,283,027	8,477,557

(continued from previous page)

	2005	2004	2003	2002	2001	2000	1999
\$	43,355,393	\$ 40,749,630	\$ 39,942,314	\$ 39,596,061	\$ 37,753,838	\$ 26,429,531	\$ 26,068,410
	14,345,733	14,049,144	13,099,757	11,130,488	11,143,286	11,143,187	10,500,516
	1,063,837	663,789	655,554	677,631	940,957	1,062,324	861,404
	16,770,486	17,109,288	16,237,754	24,303,484	25,355,039	29,465,386	29,092,848
	1,154,658	1,465,398	1,443,654	1,109,378	680,712	778,811	726,322
	10,653,350	8,679,352	8,667,146	6,079,747	5,241,099	5,444,003	8,952,960
	894,590	662,210	913,046	1,296,836	2,183,993	1,853,649	1,642,574
	500,510	832,929	395,274	1,321,179	2,038,122	1,183,681	1,031,960
	88,738,557	84,211,740	81,354,499	85,514,804	85,337,046	77,360,572	78,876,994
	5,284,036	5,291,178	4,965,954	3,502,600	3,867,401	3,377,907	3,340,047
	460,202	480,554	616,589	570,557	699,826	530,711	425,422
	5,744,238	5,771,732	5,582,543	4,073,157	4,567,227	3,908,618	3,765,469
	94,482,795	89,983,472	86,937,042	89,587,961	89,904,273	81,269,190	82,642,463
	6,948,768	6,313,545	5,630,787	5,917,228	5,540,019	5,322,938	5,368,505
	39,464	39,464	39,464	39,464	39,464	39,464	39,464
	14,562,315	13,511,461	12,974,638	12,441,356	11,656,933	10,574,073	9,635,967
	32,565,757	30,198,443	29,560,351	29,470,009	28,712,958	27,067,444	34,148,034
	19,580,241	18,828,640	18,631,028	18,528,486	20,090,830	9,989,054	9,690,439
	1,787,955	1,497,583	3,014,269	758,003	870,945	1,017,201	1,152,995
	577,489	657,260	720,820	712,924	720,576	654,561	617,469
	4,923,684	4,945,906	5,066,552	4,469,183	4,406,968	4,374,896	4,293,896
	819,310	923,942	1,307,265	1,970,013	2,189,236	2,406,336	2,660,387
	81,804,983	76,916,244	76,945,174	74,306,666	74,227,929	61,445,967	67,607,156
	3,405,980	3,214,739	2,885,124	2,978,066	2,489,259	2,374,445	2,446,544
	-	-	-	-	-	-	7,416
	-	-	-	-	-	-	28
	3,405,980	3,214,739	2,885,124	2,978,066	2,489,259	2,374,445	2,453,988
	85,210,963	80,130,983	79,830,298	77,284,732	76,717,188	63,820,412	70,061,144
	217,591	765,622	257,572	103,573	463,877	95,311	357,021
	1,387,946	956,864	684,542	761,753	874,028	952,301	1,142,791
	1,072,937	167,050	487,764	1,086,209	203,780	383,968	343,846
	2,953,967	4,448,424	2,588,282	7,913,614	4,376,187	10,063,129	9,522,922
	318,103	687,346	97,232	2,884,114	2,322,371	2,501,147	276,277
	187,925	115,046	81,185	-	84,366	-	32,570
	6,138,469	7,140,352	4,196,577	12,749,263	8,324,609	13,995,856	11,675,427
	325,597	354,690	904,488	428,452	549,126	809,824	1,924,019
	6,464,066	7,495,042	5,101,065	13,177,715	8,873,735	14,805,680	13,599,446

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.2

For the Year Ended June 30, 2010

Description	2010	2009	2008	2007	2006
(continued from Page 1 of 4)					
Excess of revenues over (under) expenditures					
Governmental funds	\$ (8,177,370)	\$ (6,949,142)	\$ (244,393)	\$ 1,226,674	\$ (224,998)
Enterprise Fund	(41,035)	(2,090,664)	(4,646,078)	1,432,054	2,061,591
Total primary government	(8,218,405)	(9,039,806)	(4,890,471)	2,658,728	1,836,593
Other financing sources (uses)					
Governmental funds					
Issuance of debt financing	22,081,095	6,720,000	6,230,676	-	-
Extinguishment of debt	-	-	94,165	-	-
Transfers	335,059	228,936	241,245	175,347	142,784
Total governmental funds	22,416,154	6,948,936	6,566,086	175,347	142,784
Enterprise Fund					
Enterprise Fund : transfers	(335,059)	(228,936)	(241,245)	(175,347)	(142,784)
Total Enterprise Fund	(335,059)	(228,936)	(241,245)	(175,347)	(142,784)
Total primary government	22,081,095	6,720,000	6,324,841	-	-
Net change in fund balances					
Governmental funds	14,238,784	(206)	6,321,693	1,402,021	(82,214)
Enterprise Fund	(376,094)	(2,319,600)	(4,887,323)	1,256,707	1,918,807
Total primary government	13,862,690	(2,319,806)	1,434,370	2,658,728	1,836,593
Ending fund balances					
Governmental funds	59,099,913	44,861,129	44,861,335	38,539,642	37,137,621
Enterprise Fund	6,919,797	7,295,891	9,615,491	14,502,814	13,246,107
Total primary government	\$ 66,019,710	\$ 52,157,020	\$ 54,476,826	\$ 53,042,456	\$ 50,383,728
Debt service expenditures as a percentage of non-capital expenditures					
Governmental funds	4.429%	3.706%	5.866%	6.081%	6.608%
Enterprise Fund	0.000%	0.000%	0.000%	0.000%	0.000%
Total primary government	4.220%	3.537%	5.601%	5.847%	6.343%

(continued from previous page)

2005	2004	2003	2002	2001	2000	1999
(continued from Page 2 of 4)						
\$ 795,105	\$ 155,144	\$ 212,748	\$ (1,541,125)	\$ 2,784,508	\$ 1,918,749	\$ (405,589)
2,012,661	2,202,303	1,792,931	666,639	1,528,842	724,349	(612,538)
2,807,766	2,357,447	2,005,679	(874,486)	4,313,350	2,643,098	(1,018,127)
797,368	146,374	30,456,674	-	-	-	-
-	-	(30,323,141)	-	-	-	-
148,661	131,654	79,102	65,659	70,213	69,097	-
946,029	278,028	212,635	65,659	70,213	69,097	-
(148,661)	(131,654)	(79,102)	(65,659)	(70,213)	(69,097)	-
(148,661)	(131,654)	(79,102)	(65,659)	(70,213)	(69,097)	-
797,368	146,374	133,533	-	-	-	-
1,741,134	433,172	425,383	(1,475,466)	2,854,721	1,987,846	(405,589)
1,864,000	2,070,649	1,713,829	600,980	1,458,629	655,252	(612,538)
3,605,134	2,503,821	2,139,212	(874,486)	4,313,350	2,643,098	(1,018,127)
37,219,835	35,478,701	35,045,529	34,620,146	36,095,612	33,240,891	31,253,045
11,327,300	9,463,300	7,392,651	5,678,822	5,077,842	3,619,213	2,963,961
\$ 48,547,135	\$ 44,942,001	\$ 42,438,180	\$ 40,298,968	\$ 41,173,454	\$ 36,860,104	\$ 34,217,006
7.020%	7.631%	8.284%	8.666%	8.886%	11.036%	10.286%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.303%
6.740%	7.325%	7.984%	8.332%	8.598%	10.625%	9.926%

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.3

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	Governmental Activities				Business-Type Activities	
	Invested in capital assets, net	Restricted Net Assets	Unrestricted Net Assets	Subtotal	Invested in capital assets, net	Unrestricted Net Assets
2010	\$ 73,352,330	\$ 13,033,908	\$ 40,521,330	\$ 126,907,568	\$ 13,200,191	\$ 1,130,529
2009	86,285,668	11,130,562	28,955,215	126,371,445	13,483,249	93,057
2008	85,741,754	11,915,459	27,008,318	124,665,531	11,004,690	5,865,103
2007	68,762,375	10,298,262	20,825,032	99,885,669	5,575,418	11,134,022
2006	62,126,673	8,019,763	20,165,479	90,311,915	5,298,264	10,197,278
2005	47,613,359	7,624,049	19,324,790	74,562,198	5,688,961	8,563,121
2004	44,361,220	7,633,009	16,478,547	68,472,776	5,858,493	6,978,449
2003	36,526,958	7,067,819	14,696,332	58,291,109	6,042,171	5,213,338

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

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.4

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	General Fund			All Other	All Special Revenue Funds	All Capital Project Funds
	Reserved Fund Balance	Unreserved Fund Balance	Subtotal	Reserved Fund Balance	Unreserved Fund Balance	Unreserved Fund Balance
2010	\$ 7,743,686	\$ 15,838,392	\$ 23,582,078	\$ 22,968,940	\$ 8,478,736	\$ 4,070,159
2009	7,638,129	17,083,519	24,721,648	1,316,677	8,203,698	10,619,106
2008	7,586,673	20,951,992	28,538,665	1,211,037	8,061,773	7,049,860
2007	7,837,903	21,182,508	29,020,411	1,193,929	7,150,302	1,175,000
2006	6,823,079	22,696,486	29,519,565	1,138,877	4,833,645	1,645,534
2005	8,873,046	20,965,676	29,838,722	1,397,706	4,583,760	1,399,647
2004	9,329,203	18,987,476	28,316,679	893,964	3,798,288	2,469,770
2003	8,019,928	19,610,320	27,630,248	912,463	4,920,230	1,582,588
2002	7,161,052	19,040,899	26,201,951	1,739,988	4,800,358	1,877,849
2001	6,812,379	17,746,997	24,559,376	1,305,851	7,632,061	2,598,324
2000	5,746,163	16,601,151	22,347,314	1,140,522	6,371,072	3,381,983
1999	7,012,155	14,819,577	21,831,732	995,120	4,644,606	3,781,587

(continued from previous page)

Business-Type Activities (cont.)	Primary Government			
	Invested in capital assets, net	Restricted Net Assets	Unrestricted Net Assets	Total
\$ 14,330,720	\$ 86,552,521	\$ 13,033,908	\$ 41,651,859	\$ 141,238,288
13,576,306	99,768,917	11,130,562	29,048,272	139,947,751
16,869,793	96,746,444	11,915,459	32,873,421	141,535,324
16,709,440	74,337,793	10,298,262	31,959,054	116,595,109
15,495,542	67,424,937	8,019,763	30,362,757	105,807,457
14,252,082	53,302,320	7,624,049	27,887,911	88,814,280
12,836,942	50,219,713	7,633,009	23,456,996	81,309,718
11,255,509	42,569,129	7,067,819	19,909,670	69,546,618

(continued from previous page)

All Other	Total Governmental Funds		
	Reserved Fund Balance	Unreserved Fund Balance	Total
\$ 35,517,835	\$ 30,712,626	\$ 28,387,287	\$ 59,099,913
20,139,481	8,954,806	35,906,323	44,861,129
16,322,670	8,797,710	36,063,625	44,861,335
9,519,231	9,031,832	29,507,810	38,539,642
7,618,056	7,961,956	29,175,665	37,137,621
7,381,113	10,270,752	26,949,083	37,219,835
7,162,022	10,223,167	25,255,534	35,478,701
7,415,281	8,932,391	26,113,138	35,045,529
8,418,195	8,901,040	25,719,106	34,620,146
11,536,236	8,118,230	27,977,382	36,095,612
10,893,577	6,886,685	26,354,206	33,240,891
9,421,313	8,007,275	23,245,770	31,253,045

Cleveland County, North Carolina
5. Retirement Contributions Schedule

(continued below)

Exhibit III.E.5

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	LGERS Employer's Normal Benefit	LGERS Employer's Death Benefit	LEOSSA Employer's Contrib.	SRIP-LEO Employer's Contrib.	SRIP-LEO Employee's Contrib.
2010	\$ 1,337,248	\$ 24,324	\$ 60,798	\$ 174,476	\$ 69,998
2009	1,350,086	24,107	90,237	172,568	68,177
2008	1,247,558	22,708	96,599	164,582	65,740
2007	1,163,090	23,382	105,507	153,610	39,680
2006	1,124,382	20,561	114,758	150,053	37,025
2005	1,055,424	19,344	117,577	139,613	43,705
2004	1,009,461	18,482	97,473	138,125	27,710
2003	985,415	18,039	100,384	129,300	29,791
2002	973,470	19,212	67,976	124,145	27,511
2001	917,075	18,525	59,529	119,301	23,788
2000	847,728	17,128	134,964	109,043	20,203
1999	918,066	27,333	49,761	107,218	18,428

5. Retirement Contributions Schedule

(continued from above)

Exhibit III.E.5

For the Year Ended June 30, 2010

Fiscal Year Ended June 30	401(k) Employer's Contrib.	401(k) Employee's Contrib.	RODSPF Employee's Contrib.	Post-Retirement Health Premiums	No. of Retirees Receiving Paid Health Premiums
(continued from above)					
2010	\$ 1,219,198	\$ 428,762	\$ 5,259	\$ 321,505	59
2009	1,208,323	436,175	5,601	262,840	55
2008	1,133,931	424,774	6,922	206,160	50
2007	1,061,542	360,115	22,426	174,720	43
2006	982,566	370,542	22,417	156,744	45
2005	971,149	336,204	22,448	133,901	41
2004	894,965	277,312	24,546	106,038	36
2003	880,088	284,088	25,375	97,112	31
2002	850,672	266,178	20,729	95,706	35
2001	945,172	283,259	16,391	72,648	27
2000	874,145	245,029	15,132	55,930	27
1999	960,471	256,201	16,027	35,856	18

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010**

IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS

	<u>Identifier</u>	<u>Page No.</u>
A. Reports from the Independent Auditor	Subsection IV.A.	178
B. Schedule of Findings, Responses, and Questioned Costs	Subsection IV.B.	185
C. Summary Schedule of Prior Year Findings and Questioned Costs	Subsection IV.C.	187
D. Schedule of Expenditures of Federal and State Awards	Subsection IV.D.	188
1. Notes to Schedule of Expenditures of Federal and State Awards	Exhibit IV.D.1	194

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

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

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

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

To the Board of Commissioners
Cleveland County, North Carolina

We have audited the basic 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, 2010, not presented here, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 15, 2010. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Compliance and Other Matters

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

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 15, 2010

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

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

Report On Compliance With Requirements That Could Have a Direct and Material Effect On Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act

To the Board of Commissioners
Cleveland County, North Carolina

Compliance

We have audited the compliance of Cleveland County, North Carolina, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Cleveland County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Cleveland County's management. Our responsibility is to express an opinion on Cleveland County's compliance based on our audit.

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

In our opinion, Cleveland County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Cleveland County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Cleveland County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

We have audited the basic 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, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 15, 2010. Our audit was performed for the purpose of forming an opinion on financial statements that collectively comprise the basic financial statements of Cleveland County, North Carolina. The accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Not-Profit Organizations*, and the State Single Audit Implementation Act, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 15, 2010

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

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Report On Compliance With Requirements That Could Have a Direct and Material Effect On Each Major State Program And Internal Control Over Compliance In Accordance With Applicable Sections Of OMB Circular A-133 And The State Single Audit Implementation Act

To the Board of Commissioners
Cleveland County, North Carolina

Compliance

We have audited the compliance of Cleveland County, North Carolina, with the types of compliance requirements described in applicable sections of OMB Circular A-133 and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010. Cleveland County's major State programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Cleveland County's management. Our responsibility is to express an opinion on Cleveland County's compliance based on our audit.

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

In our opinion, Cleveland County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Cleveland County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to State programs. In planning and performing our audit, we considered Cleveland County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133, as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis.

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

We have audited the basic 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, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 15, 2010. Our audit was performed for the purpose of forming an opinion on financial statements that collectively comprise the basic financial statements of Cleveland County, North Carolina. The accompanying Schedule of Expenditures of Federal and State Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Not-Profit Organizations*, and the State Single Audit Implementation Act, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
October 15, 2010

CLEVELAND COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2010

1. Summary of Auditors' Results

- A. An unqualified opinion was issued on the financial statements of Cleveland County, North Carolina.
- B. Our audit of the basic financial statements disclosed no significant deficiencies or material weaknesses in internal controls.
- C. Our audit of the basic financial statements disclosed no instances of non-compliance with laws, regulations, and the provisions of contracts and grant agreements that are material to the basic financial statements.
- D. Our audit of compliance with the types of compliance requirements applicable to the County's major programs disclosed no significant deficiencies or material weaknesses in internal controls over major programs.
- E. An unqualified opinion was issued on Cleveland County, North Carolina's compliance with the types of compliance requirements applicable to its major federal programs.
- F. An unqualified opinion was issued on Cleveland County, North Carolina's compliance with the types of compliance requirements applicable to its major State programs.
- G. Our audit disclosed no audit findings which related to federal and State awards.
- H. Major federal programs for the Cleveland County, North Carolina, for the fiscal year ended June 30, 2010 are:

<u>Program Name</u>	<u>CFDA#</u>
Title XIX Medicaid Cluster	93.778
Temporary Assistance For Needy Families	93.558
Subsidized Childcare Cluster	93.558, 93.575, 93.596, 93.667
Foster Care and Adoption Cluster	93..658, 93.659
Supplemental Nutrition Assistance Program:	
Food Stamp Program	10.551
State Administrative Matching Grants for Food Stamps	10.561
Special Supplemental Nutrition Program For Women, Infants and Children	10.557

CLEVELAND COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2010

- I. Major State programs for Cleveland County, North Carolina for the fiscal year ended June 30, 2010 are:

Parks and Recreation Trust Fund

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

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

2. Findings Related to the Audit of the Basic Financial Statements

None

3. Findings and Questioned Costs Related to the Audit of Federal Awards

None

4. Findings and Questioned Costs Related to the Audit of State Awards

None

CLEVELAND COUNTY, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

None.

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
D. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Federal Awards:					
<u>U.S. Dept. of Agriculture</u>					
<u>Passed-through N.C. Dept. of Agriculture:</u>					
Emergency Food Program (Administration)	10.568	-	\$ 23,031	\$ -	\$ -
Emergency Food Program (Commodities)	10.569	-	315,688	-	-
<u>Division of Public Health</u>					
Special Supplemental Nutrition Program for Women, Infants, and Children - direct benefit payments	10.557	-	2,024,649	-	-
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5403, -4, -5, -9	488,739	-	-
Special Supplemental Nutrition Program for	10.559	5767	887	-	-
<u>Division of Social Services:</u>					
<u>Supplemental Nutrition Assistance Program (SNAP) Cluster:</u>					
Food Stamps Claims Collect	10.551	454	(9,307)	-	-
Food Stamps Incentive Retention	10.551	455	15,215	-	-
Food and Nutrition Services Contingency	10.561	031	47,859	-	-
Food and Nutrition Services Recovery	10.561	087, 089	103,572	-	-
Food Stamps Administration	10.561	404, 417, 408, 89	719,406	-	719,406
Food Stamps Employment and Training	10.561	458	38	-	38
Food Stamps Fraud	10.561	405	16,790	-	16,790
<u>Total Supplemental Nutrition Assistance Program (SNAP) Cluster</u>			<u>893,572</u>	<u>-</u>	<u>736,233</u>
<u>Total U.S. Dept. of Agriculture</u>			<u>3,746,565</u>	<u>-</u>	<u>736,233</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>					
<u>Aging Cluster:</u>					
III-B Grants for Supportive Services and Senior Centers - In Home Services	93.044	-	122,866	7,225	-
Social Services Block Grant - In Home Services	93.667	022	14,695	-	2,099
<u>Total Aging Cluster</u>			<u>137,561</u>	<u>7,225</u>	<u>2,099</u>
<u>Division of Child Development:</u>					
<u>Subsidized Child Care Cluster:</u>					
<u>Child Care Development Fund Cluster:</u>					
Child Care and Development Fund -- Discretionary	93.575	D*23, 1B23	1,662,912	-	-
Child Care and Development Fund -- Admin.	93.596	364	170,794	-	-
Child Care and Development Fund -- Mandatory	93.596	M*23	492,046	-	-
Child Care and Development Fund -- Match	93.596	V*23	635,682	341,368	-
Child Care and Development Fund -- ARRA	93.713		380,920	-	-
<u>Total Child Care Development Fund Cluster:</u>			<u>3,342,354</u>	<u>341,368</u>	<u>-</u>
Temporary Assistance for Needy Families - Child Care	93.558	1223	432,904	-	-
Social Services Block Grant - Child Care Smart Start	93.667	Q423, 460, 467 4023, 347, 438	20,932	-	299,711
State & Local Appropriations	-	0023	-	35,736	-
TANF-MOE	-	1623	-	153,277	-
<u>Total Subsidized Child Care Cluster:</u>			<u>3,796,190</u>	<u>1,151,001</u>	<u>299,711</u>

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Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
D. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Federal Awards: (continued from previous page)					
<u>Passed-through the Univ. of NC-Chapel Hill:</u>					
Quality Enhancement Project - Infants	93.994	-	\$ 23,906	\$ -	\$ -
<u>Division of Medical Assistance:</u>					
<u>Medicaid Assistance Cluster:</u>					
Medicaid Assistance Program - direct benefit payments	93.778	-	119,823,589	41,345,802	84,358
Adult Care Home CM	93.778	211	14,591	7,295	7,295
At-Risk CM	93.778	-	23,540	-	-
At-Risk CM Settlement	93.778	-	7,787	-	-
Medical Assistance Administration	93.778	412	1,159,737	-	1,159,737
Medical Assistance Expansion	93.778	477	21,526	21,526	-
Medical Transportation Administration	93.778	375	59,850	-	59,850
Medical Transportation Services	93.778	377	855,200	286,801	-
Special Adult Home	93.778	128, 131	48,121	26,679	21,441
Non-Reimbursed Medical CMS		286	-	-	52,455
<u>Total Medicaid Assistance Cluster:</u>			<u>122,013,941</u>	<u>41,688,103</u>	<u>1,385,137</u>
Alternate Non-Emergency-ER Diversion	93.790	-	35,000	-	-
<u>Division of Public Health</u>					
Family Planning	93.218	592D	33,580	-	-
Immunization Program/Aid to County Funding	93.268	6025, 631D	37,388	-	-
Bioterrorism Grant	93.283	190X, 2680, 310C, 540B	445,452	46,243	-
TANF - Public Health	93.558	5151	14,132	-	-
Immunization Program - ARRA	93.712	8700	43,316	-	-
Ryan White / HIV Care Formula Grant	93.917	5596	72,985	-	-
HIV Prevention Activities	93.940	433B	20,071	5,465	-
Preventive Health and Health Services Block Grant - State-wide Health Promotion Program	93.991	5503	21,972	47,742	-
Maternal and Child Health Services Block Grant	93.994	57XX, 601X, 53XX	334,818	11,858	-
<u>Division of Social Services:</u>					
<u>Foster Care and Adoption Assistance Cluster:</u>					
IV-E Admin	93.658	-	14,685	7,343	7,343
IV-E Child Protective Services	93.658	072, 074	331,327	94,945	236,382
IV-E Family Max	93.658	-	5,487	-	2,966
IV-E Foster Care, Optional Fund	93.658	96, 97, 132, 302, 407	518,191	-	509,891
IV-E Foster Care	93.658	-	336,748	90,475	90,468
IV-E Foster Care (ARRA)	93.658	-	34,410	-	-
IV-E Max & Max Level III	93.658	-	254,737	66,358	70,394
IV-E, IV-B, and State Vendor	93.658	-	13,072	4,955	-
IV-E Adoption Subsidy - direct benefit payments	93.659	-	669,292	134,915	141,177
Child Welfare Services Adoption Subsidy - direct benefit payments	-	-	-	427,560	123,515
At-Risk Max	-	-	-	10,613	5,716
Special Provision	-	-	-	86,211	-
State-County / Special Assistance Domicillary Care Payments - direct benefit payments	-	-	-	1,212,847	1,212,847
State Foster Home	-	-	-	152,145	152,144
Foster Care, Caseworker	-	109	-	-	12,947
State Max	-	-	-	210,797	210,796
<u>Total Foster Care and Adoption Assistance Cluster:</u>			<u>2,177,950</u>	<u>2,499,164</u>	<u>2,776,587</u>

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Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
D. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Federal Awards: (continued from previous page)					
TANF Payments and Penalties - direct benefit payments	93.558	-	\$ 1,463,158	\$ (21)	\$ 5,196
TANF Unemployed Parents - direct benefit payments (reimbursements)	93.558	-	(99)	-	-
TANF Administration	93.558	226	170,355	-	-
TANF Services / Child Services	93.558	205-207, 238	1,549,161	-	-
TANF / Domestic Violence Services	93.558	278	24,388	-	807
TANF CPS and FC / Adoption Services	93.558	341, 358	327,760	-	-
Work First - direct benefit payments	93.558	-	46,719	-	-
Work First	93.558	221, 232-235	-	-	178,122
Work First Administration	93.558	048	-	-	127,919
Work First / Child Care	93.558	225	-	-	1,155
Work First Services	93.558	049	-	-	1,135,669
Work First Functional Assessment	93.558	118	10,700	-	-
Work First non-reimbursable	-	340	-	-	101,118
TANF / SSBG	-	471	-	-	91,463
TANF Incentives	-	268	-	2,219	-
AFDC Payments and Penalties - direct benefit payments (reimbursements)	93.560	-	(943)	(258)	(258)
<u>Child Support Enforcement Funds:</u>					
AFDC Share / Return	93.563	-	47,551	-	-
Incentive Regular	93.563	-	322,673	-	-
Intercept Fees / Federal Offset / Blood Test	93.563	-	13,625	-	-
IV-E Share / Return	-	-	-	16,676	-
SFHF Share / Return	-	-	-	36,638	-
<u>Total Child Support Enforcement Funds:</u>			<u>383,849</u>	<u>53,314</u>	<u>-</u>
IV-D Offset Fees Federal - direct benefit payments	93.563	-	930	(45)	524
IV-D Offset Fees ESC - direct benefit payments	93.563	-	6,146	-	3,166
AFDC Withhold	93.563	266	(331)	-	-
IV-D AFDC / Non-AFDC	93.563	202, 430	1,029,084	-	530,134
IV-D Blood Test	93.563	432	143	-	-
IV-D Cooperative Agreement	93.563	450	26,966	-	13,891
IV-D Cost Recovery	93.563	436	(2,951)	-	(1,520)
IV-D Government Service Contract	93.563	423, 449	2,335	-	1,203
IV-D Non-AFDC	93.563	435	(1,205)	-	(621)
IV-D Offset Fees Federal - non-direct benefits	93.563	443	(3,300)	-	-
IV-D Offset Fees ESC - non-direct benefits	93.563	437	(481)	(45)	-
AFDC Incentives / Program Integrity	-	267	-	121	-
Crisis Intervention Planning Services	93.568	372, 379	605,203	-	-
Energy Assistance - direct benefit payments	93.568	-	976,121	-	388
Energy Assistance Services	93.568	406	89,588	-	-
Energy Assistance - Non Refundable	-	442	-	-	53,798
Permanency Planning - Regular	93.645	392	18,385	7,208	-
Permanency Planning - Special	93.645	368, 464, 465	7,032	-	9,079
Social Services Block Grant	93.667	394, 395	303,167	-	101,056
SSBG Special ADC	93.667	036, 038	8,483	11,992	2,925
SSBG State Services Support	93.667	482	-	26,981	8,994
Social Services Block Grant - TANF	93.667	050	63,956	-	21,319

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Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2010
IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
D. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Federal Awards: (continued from previous page)					
LINKS	93.674	290, 291	\$ 26,313	\$ 6,578	\$ -
LINKS Transitional Funds - direct benefit payments	93.674	-	7,384	-	-
TOP Incentives	93.674	270	3,651	-	-
DOR Incentives	93.674	269	544	-	-
N. C. Health Choice	93.767	440, 441, 483	62,492	4,510	15,722
<u>Passed-through Carolina Healthcare Systems:</u>					
Bioterrorism Preparedness Program	93.889	-	71,701	-	-
<u>Total U.S. Dept. of Health and Human Services</u>			<u>136,484,665</u>	<u>45,569,356</u>	<u>6,864,783</u>
<u>U.S. Dept. of Housing and Urban Development</u>					
<u>Passed-through N.C. Dept of Commerce,</u>					
<u>thru Isothermal Planning and Development</u>					
Community Development Block Grant-Sewer	14.228	07-E-1740	7,094	-	-
Community Development Block Grant-Housing	14.228	07-C-1657	100,492	-	-
<u>Total U.S. Dept. of Housing and Urban Development</u>			<u>107,586</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Justice</u>					
<u>Direct Program:</u>					
State Criminal Alien Assistance Program	16.606	-	4,744	-	-
JAG Grant	16.738	2007-DJ-BX-1252	14,522	-	-
<u>Total U.S. Dept. of Justice</u>			<u>19,266</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Transportation</u>					
<u>Passed through the NC Dept. of Transportation</u>					
Recreational Trails Program	20.219	-	23,601	-	300,000
<u>Total U.S. Dept. of Transportation</u>			<u>23,601</u>	<u>-</u>	<u>300,000</u>
<u>U.S. Dept. of the Treasury</u>					
<u>Direct program:</u>					
U.S. Immigration and Customs Enforcement	16.578	NC0230000	158,809	-	25,718
<u>Total U.S. Dept. of the Treasury</u>			<u>158,809</u>	<u>-</u>	<u>25,718</u>
<u>U.S. Election Assistance Commission</u>					
<u>Passed-through State Board of Election</u>					
HAVA Grant - Voting System	90.401	-	49,221	-	-
<u>Total U.S. Election Assistance Commission</u>			<u>49,221</u>	<u>-</u>	<u>-</u>
<u>U.S. Federal Emergency Management Agency</u>					
<u>Passed through NC Dept. of Crime Control and Public Safety:</u>					
Homeland Security Grant Program	97.067	-	5,362	-	-
State Homeland Security Program	97.073	-	8,444	-	-
Emergency Management Program	83.552	-	30,385	-	-
<u>Total U.S. Federal Emergency Management Agency</u>			<u>44,191</u>	<u>-</u>	<u>-</u>
<u>U.S. National Foundation on the Arts and the Humanities</u>					
<u>Passed through NC Dept. of Cultural Resources:</u>					
LSTA Automation System Grant	45.310	-	25,355	-	5,588
<u>Total U.S. National Foundation on the Arts and the Humanities</u>			<u>25,355</u>	<u>-</u>	<u>5,588</u>
<u>Total Federal Awards</u>			<u>140,659,260</u>	<u>45,569,356</u>	<u>7,932,322</u>

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Cleveland County, North Carolina
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For the Year Ended June 30, 2010
IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
D. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
State Awards:					
<u>N.C. Dept. of Administration</u>					
Gates, Staying Connected		-	\$ -	\$ 1,065	\$ -
Veteran Services		-	-	2,000	(2,000)
<u>Total N.C. Dept. of Administration:</u>			<u>-</u>	<u>3,065</u>	<u>(2,000)</u>
<u>N.C. Dept. of Commerce</u>					
NC One grant		O-2006-0350	-	112,500	-
<u>N.C. Dept. of Corrections</u>					
Criminal Justice Partnership Program		-	-	97,525	-
<u>N.C. Dept. of Cultural Resources</u>					
Library State Aid Grant		-	-	148,043	890,991
<u>N.C. Dept. of Environment and Natural Resources:</u>					
Environmental Health		4751	-	5,438	-
Food and Lodging		4752	-	11,020	-
Child Lead Poisoning		4760	-	2,000	-
Parks and Recreation Trust Fund		-	-	385,261	1,075,425
Funds for Soil and Water Conservation District		-	-	25,645	58,481
White Goods Management		-	-	14,264	-
<u>Total N.C. Dept. of Environment and Natural Resources:</u>			<u>-</u>	<u>443,628</u>	<u>1,133,906</u>
<u>N.C. Dept. of Health and Human Services</u>					
<u>Division of Child Development:</u>					
Smart Start Day Care		398	-	128,679	-
<u>Division of Public Health</u>					
General		1410-4110-0023	-	244,953	-
Public Health Nurse Training		1430-4301-0023	-	2,000	-
Tuberculosis		1451-4551-0023	-	19,568	-
TB Medical Service		1451-4554-0023	-	1,529	-
Women's Preventive Health		1511-601X-FR23	-	8,702	-
<u>Division of Social Services:</u>					
Blind Aid		-	-	115	-
State Adult Protective Services		098, 099	-	73,985	72,492
Special Assistance Administration		414	-	-	67,759
<u>Office of Administration and Support</u>					
Pediatric Obesity		-	-	15,000	-
<u>Office of Emergency Medical Services</u>					
EMS Toolkit		-	-	19,846	-
<u>Passed through the Cleveland County Partnership for Children:</u>					
Smart Start Services		-	-	154,148	-
<u>Total N. C. Dept. of Health and Human Services</u>			<u>-</u>	<u>668,525</u>	<u>140,252</u>

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D. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
State Awards: (continued from previous page)					
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program Cluster:					
Elderly and Disabled Transportation Assistance		-	\$ -	\$ 68,022	\$ -
Rural General		-	-	67,554	-
Workfirst Transportation		-	-	18,735	-
<u>Total Rural Operating Assistance Program Cluster:</u>			<u>-</u>	<u>154,311</u>	<u>-</u>
<u>Total N.C. Dept. of Transportation</u>			<u>-</u>	<u>154,311</u>	<u>-</u>
<u>N.C. Office of Juvenile Justice</u>					
Juvenile Crime Prevention Council		-	-	270,023	-
<u>N.C. Office of State Controller:</u>					
Controlled Substances Tax		-	-	60,117	1,032
<u>N.C. Rural Economic Development Center</u>					
Sewer Improvements		2008-073-40401-107	-	6,745	-
<u>N.C. State University</u>					
Seasonal Tailgate Market		-	-	412	-
<u>Total State Awards</u>			<u>-</u>	<u>2,119,205</u>	<u>2,164,181</u>
<u>Total Federal and State Awards</u>			<u>\$ 140,659,260</u>	<u>\$ 47,688,561</u>	<u>\$ 10,096,503</u>

**Cleveland County, North Carolina
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IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
D. Schedule of Expenditures of Federal and State Awards
1. Notes to Schedule of Expenditures of Federal and State Awards**

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. For example, direct benefit payments are paid directly to recipients and are only included in the County's basic financial statements as part of Note f, Benefit Payments Issued By the State, in the Notes to Financial Statements. Due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.

The following are clustered by the NC Department of Health and Human Services and are treated separately for State audit requirement purposes: Supplemental Nutrition Assistance Program (SNAP), Aging, Subsidized Child Care, Medicaid Assistance, Foster Care and Adoption Assistance, and Child Support Enforcement.

2. Subrecipients

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

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Emergency Food Program (Commodities)					
Shelby Lions Club	10.569	-	\$ 315,688	\$ -	\$ -
Juvenile Crime Prevention Council					
Cleveland County Schools - Early Interventions			\$ -	\$ 61,354	\$ -
Communities in Schools - Teen Court/Restitution			-	24,175	-
Alexander Youth Network - Multi-systemic Therapy			-	19,870	-
Mediation Center - Juvenile Mediation			-	20,242	-
Total Juvenile Crime Prevention Council			\$ -	\$ 125,641	\$ -
Rural Operating Assistance Program					
Transportation Assistance of Cleveland County			\$ -	\$ 135,576	\$ -

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

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

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
<u>U.S. Dept. of Health 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	-	\$ 122,866	\$ 7,225	\$ -
<u>U.S. Dept. of Housing and Urban Development</u>					
<u>Passed-through N.C. Dept of Commerce,</u>					
<u>thru Isothermal Planning and Development</u>					
Community Development Block Grant-Sewer	14.228	07-E-1740	7,094	-	-
Community Development Block Grant-Housin	14.228	07-C-1657	100,492	-	-
Total pass-thru grants awards from IPDC			<u>\$ 230,452</u>	<u>\$ 7,225</u>	<u>\$ -</u>

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

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Women, Infants, Children	10.557	-	\$ 2,024,649	-	-
Medical Assistance	93.778	-	119,823,589	41,345,802	84,358
Participation in Budgeted County Expenditures					
IV-D Offset Fees-ESC	93.563	-	930	(45)	524
IV-D Offset Fees-Federal	93.563	-	6,146	-	3,166
Links Transitional Funds	93.674	-	7,384	-	-
IV-E Adoption Subsidy	93.659	-	669,292	134,915	141,177
Energy Assistance Payments	93.568	-	976,121	-	388
AFDC Payments and Penalties	93.560	-	(943)	(258)	(258)
TANF Unemployed Parents Assistance	93.558	-	(99)	-	-
TANF Payments and Penalties	93.558	-	1,463,158	(21)	5,196
Work First Benefits	93.558	-	46,719	-	-
Child Welfare Services Adoption Subsidy		-	-	427,560	123,515
State-County / Special Assistance Domicillary Care Payment		-	-	1,212,847	1,212,847
Total participation in budgeted County expenditures			<u>3,168,707</u>	<u>1,774,998</u>	<u>1,486,554</u>
Total direct benefit payments			<u>\$ 125,016,945</u>	<u>\$ 43,120,799</u>	<u>\$ 1,570,912</u>

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