

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

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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.

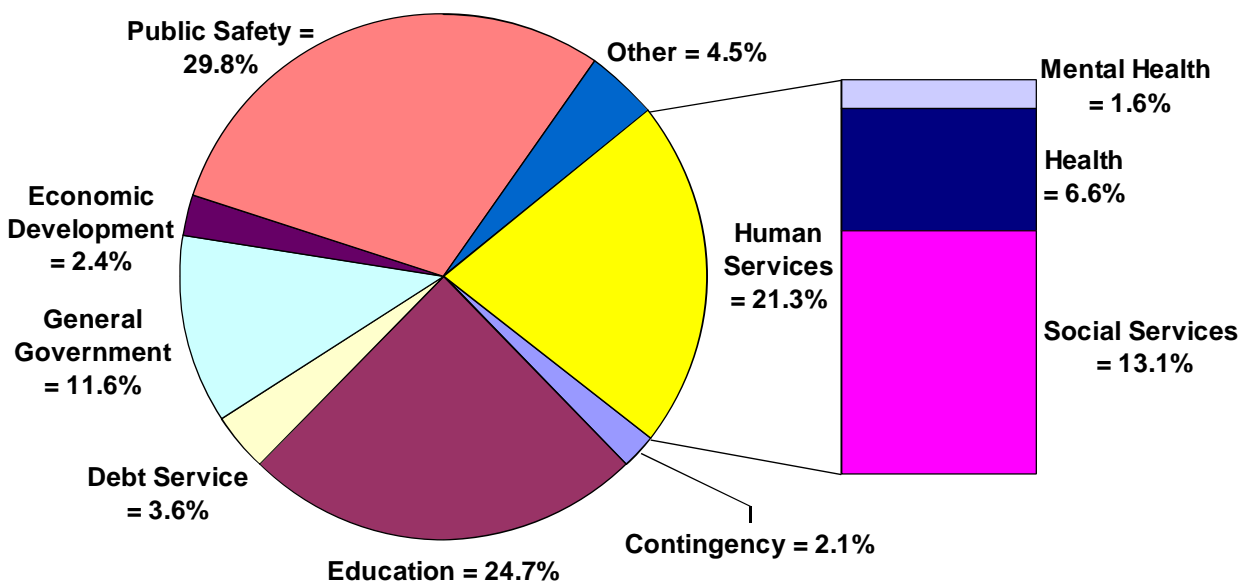
The *Health Department* budget reflects an overall increase of 1.83% for a total County appropriation of \$3,703,140. The Health Department is proposing to add four full-time Public Health Nurse IIs, one Public Health Nurse I, one Public Health Nurse II (50%), and one new Computing Support Technician. 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

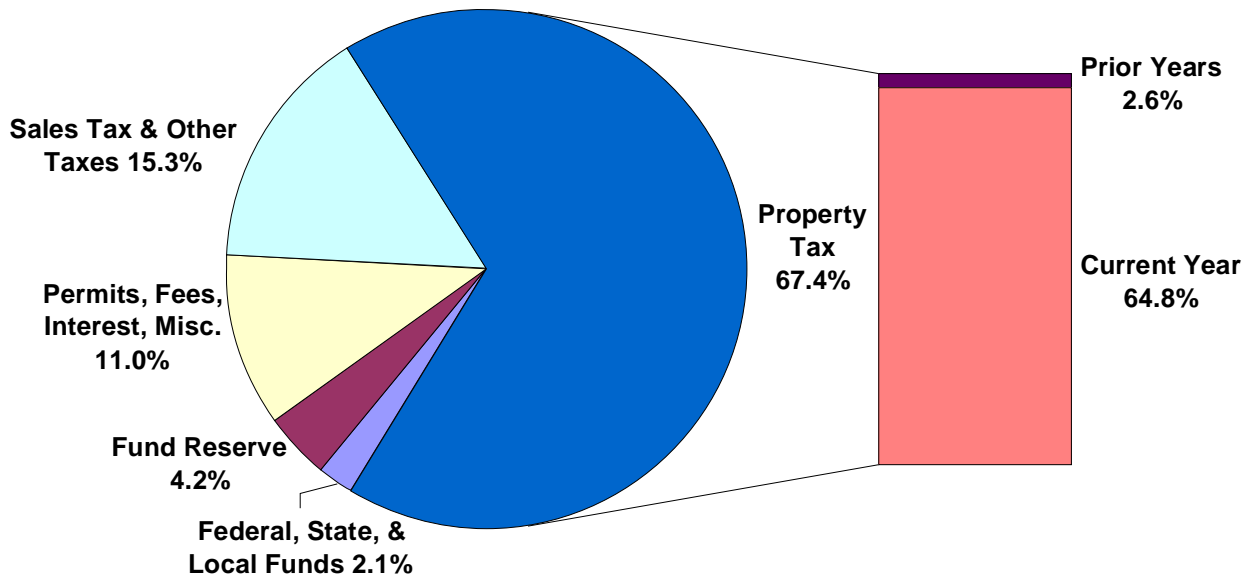
We will continue to offer employees health insurance options with an opportunity to select either a Health Savings Account (HSA) or a traditional PPO. Our health insurance costs continue to remain stable due primarily to the savings of the HSA plan. For next year, the premiums paid by the County on behalf 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 <i>projected</i>	2010 <i>estimate</i>	2009	2008	2007	2006
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

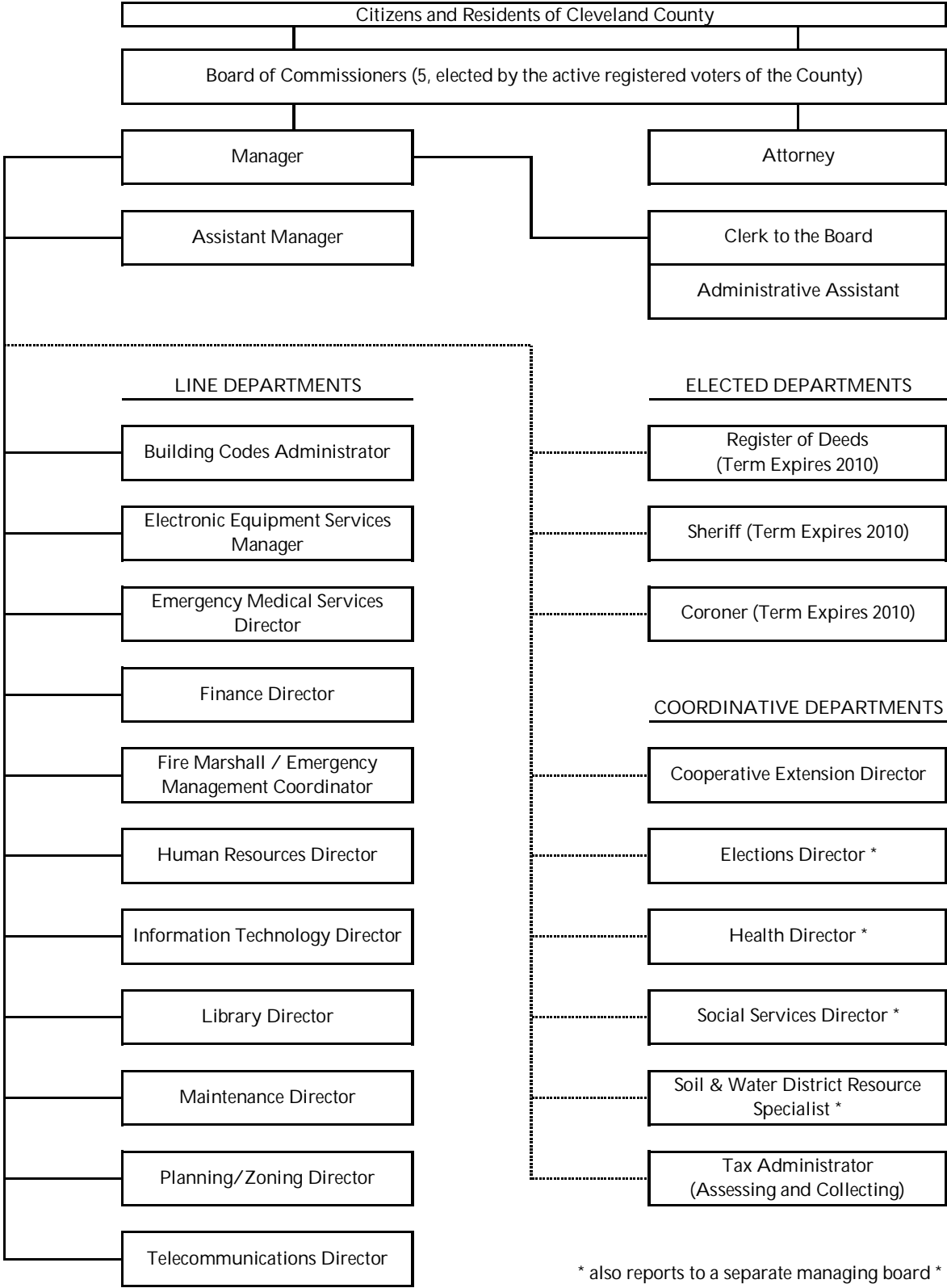
<p>MARY ACCOR Commissioner Term Expires 2012</p>		<p>JO BOGGS Commission Chair Term Expires 2010</p> 		<p>EDDIE HOLBROOK Commissioner Term Expires 2010</p>
<p>RONNIE HAWKINS Commissioner Term Expires 2012</p>			<p>JOHNNY HUTCHINS Commission Vice-Chair Term Expires 2012</p>	

COUNTY OFFICIALS

<p>DAVID C. DEAR Manager</p> 		
<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>Register of Deeds</p> <p>Tax Administrator</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>

* 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**



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