

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

**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

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

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

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Cleveland County, North Carolina

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

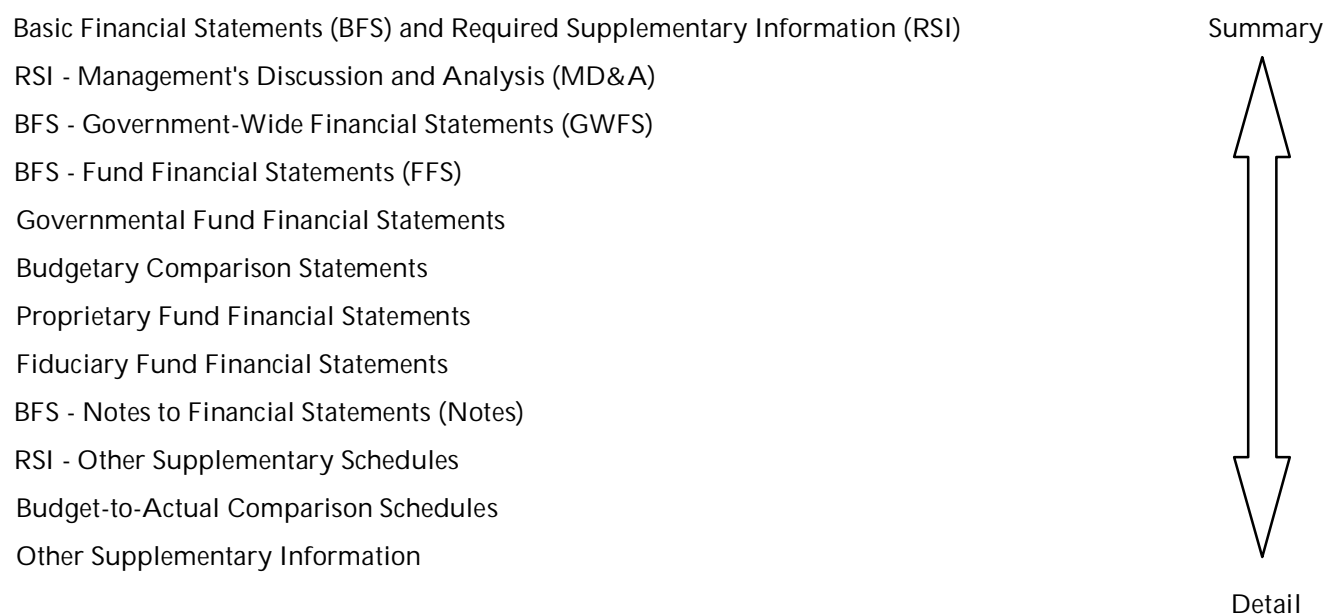


Figure 1. Level of Detail

### 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
<b>Total assets</b>	<b>152,598</b>	<b>173,615</b>	<b>20,981</b>	<b>19,987</b>	<b>173,579</b>	<b>193,602</b>
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
<b>Total liabilities</b>	<b>26,226</b>	<b>46,708</b>	<b>7,405</b>	<b>5,656</b>	<b>33,631</b>	<b>52,364</b>
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
<b>Total net assets</b>	<b>\$ 126,372</b>	<b>\$ 126,907</b>	<b>\$ 13,576</b>	<b>\$ 14,331</b>	<b>\$ 139,948</b>	<b>\$ 141,238</b>

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
<b>Total revenues</b>	<b>101,995</b>	<b>94,422</b>	<b>5,203</b>	<b>4,704</b>	<b>107,198</b>	<b>99,125</b>
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
<b>Total expenses</b>	<b>100,518</b>	<b>94,222</b>	<b>8,267</b>	<b>3,614</b>	<b>108,785</b>	<b>97,836</b>
<b>Excess (deficiency) before transfers</b>	<b>1,477</b>	<b>200</b>	<b>(3,064)</b>	<b>1,090</b>	<b>(1,587)</b>	<b>1,290</b>
Transfers	229	335	(229)	(335)	-	-
<b>Change in net assets</b>	<b>1,706</b>	<b>535</b>	<b>(3,293)</b>	<b>755</b>	<b>(1,587)</b>	<b>1,290</b>
Net assets, beginning	124,666	126,372	16,869	13,576	141,535	139,948
<b>Net assets, ending</b>	<b>\$ 126,372</b>	<b>\$ 126,907</b>	<b>\$ 13,576</b>	<b>\$ 14,331</b>	<b>\$ 139,948</b>	<b>\$ 141,238</b>

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%
<b>Total revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
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%
<b>Total expenses</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

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
<b>Total capital assets, net</b>	<b>\$ 99,410</b>	<b>\$ 107,003</b>	<b>\$ 13,483</b>	<b>\$ 13,200</b>	<b>\$ 112,893</b>	<b>\$ 120,203</b>

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

<b>Fund</b>	<b>Original Adopted Budget</b>	<b>Amendments to Budget</b>	<b>Final Amended Budget</b>
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
<b>Totals</b>	<b>\$ 110,663,425</b>	<b>\$ 105,397,871</b>	<b>\$ 216,061,296</b>

## **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
<b>ASSETS</b>				
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
<b>Total Assets</b>	<b>173,615,544</b>	<b>19,987,221</b>	<b>193,602,765</b>	<b>173,579,129</b>
<b>LIABILITIES</b>				
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
<b>Total Liabilities</b>	<b>46,707,976</b>	<b>5,656,501</b>	<b>52,364,477</b>	<b>33,631,378</b>
<b>NET ASSETS</b>				
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
<b>Total Net Assets</b>	<b>\$ 126,907,568</b>	<b>\$ 14,330,720</b>	<b>\$ 141,238,288</b>	<b>\$ 139,947,751</b>

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	
<b>EXPENSES, PROGRAM REVENUES, AND NET RESULTS</b>					
<b>Governmental activities</b>					
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)
<b>Subtotal governmental activities</b>	<b>(94,221,857)</b>	<b>23,004,816</b>	<b>20,842,146</b>	<b>3,932,101</b>	<b>(46,442,794)</b>
<b>Business-type activities</b>					
Solid Waste Collection and Disposal	(3,613,920)	4,392,221	288,119	8,500	1,074,920
<b>Total primary government</b>	<b>\$ (97,835,777)</b>	<b>\$ 27,397,037</b>	<b>\$ 21,130,265</b>	<b>\$ 3,940,601</b>	<b>\$ (45,367,874)</b>

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
<b>NET PROGRAM REVENUES (EXPENSES)--FROM PRIOR PAGE</b>				
<b>Governmental activities</b>				
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)
<b>Subtotal governmental activities</b>	<b>(46,442,794)</b>	<b>-</b>	<b>(46,442,794)</b>	<b>(48,287,801)</b>
<b>Business-type activities</b>				
Solid Waste Collection and Disposal	-	1,074,920	1,074,920	(3,224,740)
<b>Total primary government</b>	<b>(46,442,794)</b>	<b>1,074,920</b>	<b>(45,367,874)</b>	<b>(51,512,541)</b>
<b>GENERAL REVENUES AND TRANSFERS</b>				
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)	-	-
<b>Total general revenues and transfers</b>	<b>46,978,917</b>	<b>(320,506)</b>	<b>46,658,411</b>	<b>49,924,968</b>
<b>CHANGE IN NET ASSETS</b>	<b>536,123</b>	<b>754,414</b>	<b>1,290,537</b>	<b>(1,587,573)</b>
<b>Net assets -- beginning</b>	<b>126,371,445</b>	<b>13,576,306</b>	<b>139,947,751</b>	<b>141,535,324</b>
<b>Net assets -- ending</b>	<b>\$ 126,907,568</b>	<b>\$ 14,330,720</b>	<b>\$ 141,238,288</b>	<b>\$ 139,947,751</b>

(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  
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
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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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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					2010	2009
	General	Schools Capital Reserve	County Capital Reserve	Other Non-Major Funds	Totals		
<b>ASSETS</b>							
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	
<b>Total assets</b>	<b>\$ 29,760,378</b>	<b>\$ 6,767,129</b>	<b>\$ 26,558,877</b>	<b>\$ 4,007,673</b>	<b>\$ 67,094,057</b>	<b>\$ 53,769,954</b>	
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
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	
<b>Total liabilities</b>	<b>6,178,300</b>	<b>116,667</b>	<b>217,858</b>	<b>1,481,319</b>	<b>7,994,144</b>	<b>8,908,825</b>	
<b>Fund balances</b>							
<b>Reserved fund balance:</b>							
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	
<b>Unreserved designated fund balance:</b>							
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	
<b>Unreserved undesignated fund balance:</b>							
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	
<b>Total fund balances</b>	<b>23,582,078</b>	<b>6,650,462</b>	<b>26,341,019</b>	<b>2,526,354</b>	<b>59,099,913</b>	<b>44,861,129</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 29,760,378</b>	<b>\$ 6,767,129</b>	<b>\$ 26,558,877</b>	<b>\$ 4,007,673</b>	<b>\$ 67,094,057</b>	<b>\$ 53,769,954</b>	

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
<b>REVENUES</b>						
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
<b>Total revenues</b>	<b>78,674,301</b>	<b>2,701,265</b>	<b>68,924</b>	<b>13,088,883</b>	<b>94,533,373</b>	<b>100,398,588</b>
<b>EXPENDITURES</b>						
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
<b>Total expenditures</b>	<b>77,364,690</b>	<b>-</b>	<b>-</b>	<b>25,346,053</b>	<b>102,710,743</b>	<b>107,347,730</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,309,611</b>	<b>2,701,265</b>	<b>68,924</b>	<b>(12,257,170)</b>	<b>(8,177,370)</b>	<b>(6,949,142)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
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
<b>Total other financing sources (uses)</b>	<b>(2,449,181)</b>	<b>(2,836,514)</b>	<b>15,189,151</b>	<b>12,512,698</b>	<b>22,416,154</b>	<b>6,948,936</b>
<b>Net change in fund balances</b>	<b>(1,139,570)</b>	<b>(135,249)</b>	<b>15,258,075</b>	<b>255,528</b>	<b>14,238,784</b>	<b>(206)</b>
<b>FUND BALANCES</b>						
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	\$ 526,123	\$ 1,705,914

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			Variance - Over (Under)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
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)
<b>Total revenues</b>	<b>76,722,555</b>	<b>80,722,759</b>	<b>78,674,301</b>	<b>(2,048,458)</b>
<b>EXPENDITURES</b>				
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)
<b>Total expenditures</b>	<b>79,390,085</b>	<b>84,739,633</b>	<b>77,364,690</b>	<b>(7,374,943)</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(2,667,530)</b>	<b>(4,016,874)</b>	<b>1,309,611</b>	<b>5,326,485</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
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)
<b>Total other financing sources (uses)</b>	<b>2,667,530</b>	<b>4,016,874</b>	<b>(2,449,181)</b>	<b>(6,466,055)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(1,139,570)</b>	<b>\$ (1,139,570)</b>
<b>FUND BALANCES</b>				
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)
<b>REVENUES</b>				
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
<b>Total revenues</b>	<b>2,836,514</b>	<b>2,851,514</b>	<b>2,701,265</b>	<b>(150,249)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(2,836,514)	(8,146,026)	(2,836,514)	5,309,512
Fund balance appropriated		5,294,512	-	(5,294,512)
<b>Total other financing sources (uses)</b>	<b>(2,836,514)</b>	<b>(2,851,514)</b>	<b>(2,836,514)</b>	<b>15,000</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(135,249)</b>	<b>\$ (135,249)</b>
<b>FUND BALANCES</b>				
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	
<b>REVENUES</b>				
Investment earnings	\$ -	\$ -	\$ 54,924	\$ 54,924
Miscellaneous	-	-	14,000	14,000
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>68,924</b>	<b>68,924</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
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)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>15,189,151</b>	<b>15,189,151</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>15,258,075</b>	<b>\$ 15,258,075</b>
<b>FUND BALANCES</b>				
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
<b>ASSETS</b>		
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	<u>3,423,283</u>	<u>3,922,056</u>
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>
<b>Total assets</b>	<u>19,987,221</u>	<u>20,981,578</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	120,456	397,456
Unearned revenues / customer deposits	600	2,455
Compensated absences	<u>60,884</u>	<u>43,229</u>
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	<u>79,229</u>	<u>75,610</u>
Total non-current liabilities	<u>5,474,561</u>	<u>6,962,132</u>
<b>Total liabilities</b>	<u>5,656,501</u>	<u>7,405,272</u>
<b>NET ASSETS</b>		
Invested in capital assets	13,200,191	13,483,249
Unrestricted net assets	<u>1,130,529</u>	<u>93,057</u>
<b>Total net assets</b>	<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
<b>OPERATING REVENUES</b>		
Household user fees	\$ 1,446,245	\$ 1,418,467
Departmental fees	2,945,976	3,264,252
Other operating revenue	316,481	239,908
<b>Total operating revenues</b>	<b>4,708,702</b>	<b>4,922,627</b>
<b>OPERATING EXPENSES</b>		
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
<b>Total operating expenses</b>	<b>3,613,920</b>	<b>8,267,583</b>
<b>Operating income (loss)</b>	<b>1,094,782</b>	<b>(3,344,956)</b>
<b>NON-OPERATING REVENUES AND EXPENSES</b>		
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)
<b>Total non-operating revenues and expenses</b>	<b>(13,809)</b>	<b>280,405</b>
<b>Income before contributions and transfers</b>	<b>1,080,973</b>	<b>(3,064,551)</b>
<b>Capital contributions</b>	<b>8,500</b>	<b>-</b>
<b>Transfer from(to) governmental funds (i.e. General Fund)</b>	<b>(335,059)</b>	<b>(228,936)</b>
<b>Change in net assets</b>	<b>754,414</b>	<b>(3,293,487)</b>
<b>Net assets, beginning</b>	<b>13,576,306</b>	<b>16,869,793</b>
<b>Net assets, ending</b>	<b>\$ 14,330,720</b>	<b>\$ 13,576,306</b>

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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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)
<b>Net cash flows from operating activities</b>	<b>(167,853)</b>	<b>(221,718)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Government grants	48,945	(35,581)
Transfer to governmental funds (General Fund)	(335,059)	(228,936)
<b>Net cash flows from non-capital financing activities</b>	<b>(286,114)</b>	<b>(264,517)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
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
<b>Net cash flows from capital and related financing activities</b>	<b>(309,591)</b>	<b>(2,774,550)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earned on investments	14,553	160,189
<b>Net cash flows from investing activities</b>	<b>14,553</b>	<b>160,189</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(749,005)</b>	<b>(3,100,596)</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: beginning balance</b>	<b>7,134,556</b>	<b>10,235,152</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: ending balance</b>	<b>\$ 6,385,551</b>	<b>\$ 7,134,556</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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
<b>Net cash flows from operating activities</b>	<b>\$ (167,853)</b>	<b>\$ (221,718)</b>

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
<b>ASSETS</b>		
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
<b>Total assets</b>	<b>\$ 2,131,205</b>	<b>\$ 2,375,237</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	243,503	320,363
Due to other taxing units	1,887,702	2,054,874
<b>Total liabilities</b>	<b>\$ 2,131,205</b>	<b>\$ 2,375,237</b>

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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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:

<b>Capital Asset Category</b>	<b>Estimated Useful Life</b>
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 Value	Due to Mature Within:		
		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
<b>Total investments</b>	<b>\$ 10,313,394</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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:

Tax Year Levied	Additional Tax	Interest	Total
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
<b>Total</b>	<b>\$ 5,596,828</b>	<b>\$ 583,791</b>	<b>\$ 6,180,619</b>

### 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:

	Accounts	Taxes and Other Assessments	Total
<b>Governmental Activities:</b>			
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
<b>Total receivables</b>	<b>34,870,111</b>	<b>4,244,712</b>	<b>39,114,823</b>
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)
<b>Total allowances for uncollectible accounts</b>	<b>(4,085,303)</b>	<b>(1,760,820)</b>	<b>(5,846,123)</b>
<b>Total Governmental Activities</b>	<b>\$ 30,784,808</b>	<b>\$ 2,483,892</b>	<b>\$ 33,268,700</b>
<b>Business-Type Activities:</b>			
Solid Waste Fund	\$ 420,887	\$ 236,114	\$ 657,001
Allowances for uncollectible accounts	(19,779)	(236,114)	(255,893)
<b>Total Business-Type Activities</b>	<b>\$ 401,108</b>	<b>\$ -</b>	<b>\$ 401,108</b>

### 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.

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>GOVERNMENTAL ACTIVITIES</b>					
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
<b>Total capital assets</b>	<b>137,634,149</b>	<b>12,833,720</b>	<b>(522,271)</b>	<b>(551,765)</b>	<b>149,393,833</b>
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)
<b>Total accumulated deprec.</b>	<b>(38,224,236)</b>	<b>(4,466,297)</b>	<b>291,833</b>	<b>8,027</b>	<b>(42,390,673)</b>
<b>Total capital assets, net</b>	<b>\$ 99,409,913</b>	<b>\$ 8,367,423</b>	<b>\$ (230,438)</b>	<b>\$ (543,738)</b>	<b>\$107,003,160</b>

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>GOVERNMENTAL ACTIVITIES</b>					
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
<b>Total capital assets</b>	<b>137,634,149</b>	<b>12,833,720</b>	<b>(522,271)</b>	<b>(551,765)</b>	<b>149,393,833</b>
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)
<b>Total accumulated deprec.</b>	<b>(38,224,236)</b>	<b>(4,466,297)</b>	<b>291,833</b>	<b>8,027</b>	<b>(42,390,673)</b>
<b>Total capital assets, net</b>	<b>\$ 99,409,913</b>	<b>\$ 8,367,423</b>	<b>\$ (230,438)</b>	<b>\$ (543,738)</b>	<b>\$107,003,160</b>

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
<b>BUSINESS-TYPE ACTIVITIES</b>					
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
<b>Total capital assets</b>	<b>19,829,782</b>	<b>883,102</b>	<b>(111,332)</b>	<b>(482,218)</b>	<b>20,119,334</b>
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)
<b>Total accumulated depreciation</b>	<b>(6,346,533)</b>	<b>(664,964)</b>	<b>100,381</b>	<b>(8,027)</b>	<b>(6,919,143)</b>
<b>Total capital assets, net</b>	<b>\$ 13,483,249</b>	<b>\$ 218,138</b>	<b>\$ (10,951)</b>	<b>\$ (490,245)</b>	<b>\$ 13,200,191</b>

#### 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
<b>Total</b>	<b>\$ 6,280,727</b>	<b>\$ 31,760,299</b>



## 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
<b>Governmental Activities:</b>					
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
<b>Total Governmental Activities</b>	<b>\$ 2,182,928</b>	<b>\$ 114,288</b>	<b>\$ -</b>	<b>\$ 740,956</b>	<b>\$ 3,038,172</b>
<b>Business-Type Activities:</b>					
Solid Waste Fund	\$ 120,456	\$ -	\$ -	\$ -	\$ 120,456
<b>Fiduciary Activities:</b>					
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:

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

*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:

<b>Member Category</b>	<b>LEO No.</b>	<b>Other No.</b>
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
<b>Total members</b>	<b>118</b>	<b>644</b>

*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 *
<b>General Fund</b>		
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
<b>Public Schools Fund, taxes receivable, net</b>	58,508	468,820
<b>Fire District Fund, taxes receivable, net</b>	6,409	44,494
<b>Capital Projects Fund, grant receivables</b>	-	133,601
<b>Total Governmental Activities</b>	<b>\$ 1,365,818</b>	<b>\$ 2,594,378</b>
<b>Solid Waste Collection and Disposal Fund</b>		
Prepaid fees not yet earned	\$ 600	\$ -
<b>Total Business-Type Activities</b>	<b>\$ 600</b>	<b>\$ -</b>

## 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:

<b>Insurance Claims Payable (incurred but not reported)</b>	<b>June 30, 2009</b>	<b>June 30, 2010</b>
<b>General Fund</b>		
Health insurance coverage	\$ 537,813	\$ 610,007
Dental plan	30,949	30,949
Workers' compensation coverage	100,000	100,000
<b>Total</b>	<b>\$ 668,762</b>	<b>\$ 740,956</b>

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:

<b>Governmental Activities</b>	<b>Recorded Value of Asset</b>	<b>Accumulated Depreciation</b>	<b>Net Present Value</b>
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:



<b>General Obligation Bonds</b>	<b>Outstanding at June 30, 2010</b>
\$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
<b>Limited Obligation Bonds</b>	
\$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
<b>Installment Purchase Loans</b>	
\$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>
<b>Contractual Obligations</b>	
\$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
<b>Total</b>	<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:

	<b>General Obligation Bonds:</b>		<b>Other Long-Term Debt:</b>		<b>Capitalized Leases:</b>		<b>Total Debt Service:</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
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.

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Difference (or Expense)</b>
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
<b>Subtotal (accrued)</b>	<b>118,839</b>	<b>148,000</b>	<b>(126,727)</b>	<b>140,113</b>	<b>21,273</b>
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)
<b>Subtotal (unaccrued)</b>	<b>101,509</b>	<b>61,687</b>	<b>(64,262)</b>	<b>98,934</b>	<b>(2,575)</b>
<b>Grand Totals</b>	<b>\$ 220,348</b>	<b>\$ 209,687</b>	<b>\$ (190,989)</b>	<b>\$ 239,047</b>	<b>\$ 18,698</b>

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.

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Difference (or Expense)</b>
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)
<b>Subtotal (accrued)</b>	<b>3,482,646</b>	<b>3,732,602</b>	<b>(3,802,420)</b>	<b>3,412,828</b>	<b>(69,818)</b>
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)
<b>Subtotal (unaccrued)</b>	<b>3,167,662</b>	<b>1,769,314</b>	<b>(1,839,324)</b>	<b>3,097,651</b>	<b>(70,011)</b>
<b>Grand Totals</b>	<b>\$ 6,650,308</b>	<b>\$ 5,501,916</b>	<b>\$ (5,641,744)</b>	<b>\$ 6,510,479</b>	<b>\$ (139,829)</b>

## 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:

<b>Governmental Activities</b>	<b>Next Year Interest Payable</b>	<b>Next Year Obligation</b>	<b>Future Year Obligation</b>	<b>Total</b>
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
<b>Totals</b>	<b>1,240,329</b>	<b>2,197,677</b>	<b>33,421,926</b>	<b>36,859,932</b>
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
<b>Totals</b>	<b>\$ 1,246,914</b>	<b>\$ 3,727,654</b>	<b>\$ 38,119,615</b>	<b>\$ 43,094,183</b>
<b>Business-Type Activities</b>				
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
<b>Totals</b>	<b>\$ -</b>	<b>\$ 60,884</b>	<b>\$ 5,474,561</b>	<b>\$ 5,535,445</b>

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
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
<b>Totals</b>	<b>\$ 22,052,673</b>	<b>\$ 26,847,888</b>	<b>\$ (7,053,291)</b>	<b>\$ 41,847,269</b>
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
<b>Totals</b>	<b>\$ 22,052,673</b>	<b>\$ 26,847,888</b>	<b>\$ (7,053,291)</b>	<b>\$ 41,847,269</b>
<b>Business-Type Activities</b>				
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
<b>Totals</b>	<b>\$ 7,005,361</b>	<b>\$ 216,968</b>	<b>\$ (1,686,885)</b>	<b>\$ 5,535,445</b>

**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:

<b>Activity Description</b>	<b>Amount</b>
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
<b>Total interfund activity</b>	<b>\$ 15,085,017</b>

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:

<b>Reporting Fund</b>	<b>Due from General Fund</b>	<b>Due from Other Funds</b>	<b>Due to Other Funds</b>
<b>Governmental Funds</b>			
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	-	-
<b>Total interfund balances</b>	<b>\$ 26,823</b>	<b>\$ 738,577</b>	<b>\$ 765,400</b>

#### 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:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Activity</b>	<b>Ending Balance</b>
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
<b>Total</b>	<b>\$ 11,130,562.19</b>	<b>\$ 2,013,896.66</b>	<b>\$ 13,033,307.85</b>

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:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Activity</b>	<b>Ending Balance</b>
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)
<b>Invested in capital assets, net of related debt</b>	<b>\$ 86,285,668</b>	<b>\$ (12,933,338)</b>	<b>\$ 73,352,330</b>

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 &amp; 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.

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>State or Pass-Thru Grantor Number</b>	<b>Federal (Direct and Pass-Thru) Expenditures</b>	<b>State (Direct and Pass-Thru) Expenditures</b>
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.

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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.

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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. LEOSSA 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. LEOSSA 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	-	-	-	-	-

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**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		<u>64,818</u>
Net Pension Obligation, as of June 30, 2010		<u>\$ 382,590</u>

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**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		<u>\$ 3,458,798</u>

**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	<u>\$ 1,353,424</u>
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	<u>\$ 1,353,424</u>

**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%	<u>\$ 154,429</u>

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**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

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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		<u>\$ 27,113,877</u>

**VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2008**

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

Accrued Actuarial Liabilities = present value of benefits payable in respect of:	
Present retired members and beneficiaries	\$ 3,636,923
Present active members	11,929,028
Total liabilities, as of December 31, 2008	<u>\$ 15,565,951</u>

**ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2010**

The annual required contribution for the year 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%	<u>\$ 1,377,628</u>

**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	<u>\$ 1,383,964</u>	
Contributions	(121,916)	
Change in net OPEB obligation		1,262,048
Net OPEB Obligation, as of June 30, 2010		<u>\$ 2,415,969</u>

Cleveland County, North Carolina  
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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 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  
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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.

<b>Fiscal Year Ended June 30</b>	<b>Retirees Receiving Benefits</b>	<b>Other * Plan Members</b>	<b>Vested Plan Members</b>	<b>Non-Vested Plan Members</b>	<b>Total Plan Members</b>
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.

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**Annual Financial and Compliance Report**  
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**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
<b>REVENUES</b>				
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
<b>REVENUES (continued from previous page)</b>				
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	<b>8,298,683</b>	<b>9,709,237</b>	<b>1,410,554</b>	<b>9,529,871</b>
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	<b>476,003</b>	<b>454,408</b>	<b>(21,595)</b>	<b>1,877,515</b>
<b>Total Revenues</b>	<b>80,722,759</b>	<b>78,674,301</b>	<b>(2,048,458)</b>	<b>82,827,452</b>
<b>EXPENDITURES</b>				
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	<b>2,984,627</b>	<b>2,203,847</b>	<b>(780,780)</b>	<b>2,447,616</b>
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	<b>537,166</b>	<b>531,829</b>	<b>(5,337)</b>	<b>493,962</b>
Finance and 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	<b>603,218</b>	<b>589,429</b>	<b>(13,789)</b>	<b>594,110</b>
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	<b>1,379,031</b>	<b>1,343,934</b>	<b>(35,097)</b>	<b>1,343,665</b>

(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
<b>EXPENDITURES (continued from previous page)</b>				
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
<b>EXPENDITURES (continued from previous page)</b>				
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
<b>EXPENDITURES (continued from previous page)</b>				
Coroner				
Salaries / benefits	\$ 31,606	\$ 31,051	\$ (555)	\$ 31,374
Other expenses	66,882	65,943	(939)	75,646
Subtotal Coroner	<u>98,488</u>	<u>96,994</u>	<u>(1,494)</u>	<u>107,020</u>
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	<u>592,000</u>	<u>577,966</u>	<u>(14,034)</u>	<u>540,974</u>
Total Public Safety	<u>17,832,934</u>	<u>17,405,169</u>	<u>(427,765)</u>	<u>17,170,553</u>
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	<u>73,364</u>	<u>71,732</u>	<u>(1,632)</u>	<u>71,001</u>
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	<u>1,886,853</u>	<u>1,721,240</u>	<u>(165,613)</u>	<u>1,666,317</u>
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	<u>4,724,699</u>	<u>4,419,838</u>	<u>(304,861)</u>	<u>4,413,462</u>
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	<u>5,001,403</u>	<u>4,255,072</u>	<u>(746,331)</u>	<u>4,236,341</u>
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	<u>1,191,640</u>	<u>1,114,955</u>	<u>(76,685)</u>	<u>1,173,946</u>
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	<u>24,387,431</u>	<u>21,284,829</u>	<u>(3,102,602)</u>	<u>23,939,087</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
<b>EXPENDITURES (continued from previous page)</b>				
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
<b>EXPENDITURES (continued from previous page)</b>				
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
<b>EXPENDITURES (continued from previous page)</b>				
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
<b>EXPENDITURES (continued from previous page)</b>				
<b>Total Expenditures</b>	<b>\$ 84,739,633</b>	<b>\$ 77,364,690</b>	<b>\$ (7,374,943)</b>	<b>\$ 83,827,116</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(4,016,874)</b>	<b>1,309,611</b>	<b>5,326,485</b>	<b>(999,664)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
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)	-
<b>Total Other Financing Sources (Uses)</b>	<b>4,016,874</b>	<b>(2,449,181)</b>	<b>(6,466,055)</b>	<b>(2,817,353)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>\$ -</b>	<b>(1,139,570)</b>	<b>\$ (1,139,570)</b>	<b>(3,817,017)</b>
<b>FUND BALANCES</b>				
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
<b>REVENUES</b>				
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>
<b>Total revenues</b>	<u><b>2,851,514</b></u>	<u><b>2,701,265</b></u>	<u><b>(150,249)</b></u>	<u><b>5,235,929</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>				
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)	-
<b>Total other financing sources (uses)</b>	<u><b>(2,851,514)</b></u>	<u><b>(2,836,514)</b></u>	<u><b>15,000</b></u>	<u><b>(5,308,267)</b></u>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<u><b>\$ -</b></u>	<u><b>(135,249)</b></u>	<u><b>\$ (135,249)</b></u>	<u><b>(72,338)</b></u>
<b>FUND BALANCES</b>				
Local Option Sales Taxes, restricted portions of Articles 40 and 42				
Beginning fund balances		<u>6,785,344</u>		<u>6,856,572</u>
Ending fund balances		<u>6,524,975</u>		<u>6,785,344</u>
State Corporate Income Taxes				
Beginning fund balances		<u>367</u>		<u>1,477</u>
Ending fund balances		<u>376</u>		<u>367</u>
State Education Lottery Proceeds				
Beginning fund balances		<u>-</u>		<u>-</u>
Ending fund balances		<u>125,111</u>		<u>-</u>
Total Combined				
Beginning fund balances		<u>6,785,711</u>		<u>6,858,049</u>
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
<b>REVENUES</b>				
Investment earnings	\$ -	\$ 54,924	\$ 54,924	\$ 136,641
Miscellaneous	-	14,000	14,000	14,000
<b>Total revenues</b>	<b>-</b>	<b>68,924</b>	<b>68,924</b>	<b>150,641</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
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)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>15,189,151</b>	<b>15,189,151</b>	<b>3,783,191</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>15,258,075</b>	<b>\$ 15,258,075</b>	<b>3,933,832</b>
<b>FUND BALANCES</b>				
Beginning fund balances		11,082,944		7,149,112
Ending fund balances		<b>\$ 26,341,019</b>		<b>\$ 11,082,944</b>



**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

<b>Non-Major Governmental Fund:</b>					
	Public Schools	Revaluation	Emergency Telephone	Fire District	
<b>ASSETS</b>					
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	-	
<b>Total assets</b>	<b>\$ 662,765</b>	<b>\$ 15,412</b>	<b>\$ 1,778,545</b>	<b>\$ 932,350</b>	
<b>LIABILITIES AND FUND BALANCES</b>					
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	-	
<b>Total liabilities</b>	<b>662,715</b>	<b>15,412</b>	<b>87</b>	<b>50,903</b>	
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	-	-	-	-	
<b>Total fund balances</b>	<b>50</b>	<b>-</b>	<b>1,778,458</b>	<b>881,447</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 662,765</b>	<b>\$ 15,412</b>	<b>\$ 1,778,545</b>	<b>\$ 932,350</b>	

(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	-		
<b>\$ -</b>	<b>\$ 5,000</b>	<b>\$ 613,601</b>	<b>\$ 4,007,673</b>	<b>\$ 3,742,429</b>		
\$ -	\$ -	\$ 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		
<b>\$ -</b>	<b>\$ 5,000</b>	<b>\$ 613,601</b>	<b>\$ 4,007,673</b>	<b>\$ 3,742,429</b>		

(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
<b>REVENUES</b>				
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	-	-	-	-
<b>Total revenues</b>	<b>10,170,228</b>	<b>29</b>	<b>690,692</b>	<b>1,112,220</b>
<b>EXPENDITURES</b>				
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	-	-	-	-
<b>Total expenditures</b>	<b>10,170,229</b>	<b>-</b>	<b>275,977</b>	<b>1,355,096</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1)</b>	<b>29</b>	<b>414,715</b>	<b>(242,876)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	(15,412)	(68,316)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(15,412)</b>	<b>(68,316)</b>	<b>-</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>(1)</b>	<b>(15,383)</b>	<b>346,399</b>	<b>(242,876)</b>
<b>FUND BALANCES</b>				
Beginning fund balances	51	15,383	1,432,059	1,124,323
Ending fund balances	<b>\$ 50</b>	<b>\$ -</b>	<b>\$ 1,778,458</b>	<b>\$ 881,447</b>

(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
<b>293,837</b>	<b>-</b>	<b>821,877</b>	<b>13,088,883</b>		<b>12,184,566</b>
-	-	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
<b>107,586</b>	<b>3,826,496</b>	<b>9,610,669</b>	<b>25,346,053</b>		<b>23,520,614</b>
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
<b>\$ -</b>	<b>\$ -</b>	<b>\$ (133,601)</b>	<b>\$ 2,526,354</b>	<b>\$</b>	<b>2,270,826</b>

(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
<b>REVENUES</b>				
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
<b>Total revenues</b>	<b>10,226,154</b>	<b>10,170,228</b>	<b>(55,926)</b>	<b>10,099,061</b>
<b>EXPENDITURES</b>				
Education				
Consolidated school system	10,226,154	10,170,229	(55,925)	10,099,060
<b>Total expenditures</b>	<b>10,226,154</b>	<b>10,170,229</b>	<b>(55,925)</b>	<b>10,099,060</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>(1)</b>	<b>\$ (1)</b>	<b>1</b>
<b>FUND BALANCES</b>				
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
<b>REVENUES</b>				
Investment earnings	\$ -	\$ 29	\$ 29	\$ 75
<b>Total revenues</b>	<b>-</b>	<b>29</b>	<b>29</b>	<b>75</b>
<b>EXPENDITURES</b>				
General government:				
Postage	4,793	-	(4,793)	-
Advertising	1,800	-	(1,800)	-
Contracted services	3,793	-	(3,793)	-
<b>Total expenditures</b>	<b>10,386</b>	<b>-</b>	<b>(10,386)</b>	<b>-</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(10,386)</b>	<b>29</b>	<b>10,415</b>	<b>75</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
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)	-
<b>Total other financing sources (uses)</b>	<b>10,386</b>	<b>(15,412)</b>	<b>(25,798)</b>	<b>11,000</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>(15,383)</b>	<b>\$ (15,383)</b>	<b>11,075</b>
<b>FUND BALANCES</b>				
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
<b>REVENUES</b>				
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
<b>Total revenues</b>	<b>330,901</b>	<b>690,692</b>	<b>359,791</b>	<b>674,493</b>
<b>EXPENDITURES</b>				
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
<b>Total public safety expenditures</b>	<b>339,407</b>	<b>275,977</b>	<b>(63,430)</b>	<b>340,328</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(8,506)</b>	<b>414,715</b>	<b>423,221</b>	<b>334,165</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
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)	-
<b>Total other financing sources (uses)</b>	<b>8,506</b>	<b>(68,316)</b>	<b>(76,822)</b>	<b>(20,354)</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>346,399</b>	<b>\$ 346,399</b>	<b>313,811</b>
<b>FUND BALANCES</b>				
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
<b>REVENUES</b>				
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	<u>857,530</u>	<u>873,074</u>	<u>15,544</u>	<u>868,534</u>
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
<b>Total revenues</b>	<u>1,137,530</u>	<u>1,112,220</u>	<u>(25,310)</u>	<u>1,195,206</u>
<b>EXPENDITURES</b>				
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
<b>Total expenditures</b>	<u>1,383,877</u>	<u>1,355,096</u>	<u>(28,781)</u>	<u>1,263,786</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(246,347)</u>	<u>(242,876)</u>	<u>3,471</u>	<u>(68,580)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund balance appropriated	246,347	-	(246,347)	-
<b>Total other financing sources (uses)</b>	<u>246,347</u>	<u>-</u>	<u>(246,347)</u>	<u>-</u>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>\$ -</u>	<u>(242,876)</u>	<u>\$ (242,876)</u>	<u>(68,580)</u>
<b>FUND BALANCES</b>				
Beginning fund balances		1,124,323		1,192,903
Ending fund balances		<u>\$ 881,447</u>		<u>\$ 1,124,323</u>

## Cleveland County, North Carolina

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

For the Year Ended June 30, 2010

With Comparative Totals For the Year Ended June 30, 2009

	Project Authorization	Prior Years	Current Year	Total to Date
<b>REVENUES</b>				
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
<b>Total revenues</b>	<b>600,000</b>	<b>305,837</b>	<b>293,837</b>	<b>599,674</b>
<b>EXPENDITURES</b>				
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
<b>Total expenditures</b>	<b>600,000</b>	<b>492,088</b>	<b>107,586</b>	<b>599,674</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ -</b>	<b>\$ (186,251)</b>	<b>186,251</b>	<b>\$ -</b>
<b>FUND BALANCES</b>				
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
<b>EXPENDITURES</b>				
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
<b>Total expenditures</b>	<b>3,826,526</b>	<b>3,826,496</b>	<b>(30)</b>	<b>3,333,628</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
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
<b>Total other financing sources (uses)</b>	<b>3,826,526</b>	<b>3,826,496</b>	<b>(30)</b>	<b>3,333,628</b>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>
<b>FUND BALANCES</b>				
Beginning fund balances		-		-
Ending fund balances		<b>\$ -</b>		<b>\$ -</b>

**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
<b>REVENUES</b>				
Intergovernmental revenues, restricted	\$ 2,659,920	\$ 1,084,920	\$ 540,000	\$ 1,624,920
Miscellaneous	-	6,951	281,877	288,828
<b>Total revenues</b>	<b>2,659,920</b>	<b>1,091,871</b>	<b>821,877</b>	<b>1,913,748</b>
<b>EXPENDITURES</b>				
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
<b>Total expenditures</b>	<b>56,274,927</b>	<b>13,550,475</b>	<b>9,610,669</b>	<b>23,161,144</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(53,615,007)</b>	<b>(12,458,604)</b>	<b>(8,788,792)</b>	<b>(21,247,396)</b>

(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)
<b>OTHER FINANCING SOURCES (USES)</b>				
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
<b>Total other financing sources (uses)</b>	<b>53,615,007</b>	<b>12,343,865</b>	<b>8,769,930</b>	<b>21,113,795</b>
 Excess of revenues and other financing sources over (under) expenditures and other financing uses	 \$ -	 \$ (114,739)	 (18,862)	 \$ (133,601)
<b>FUND BALANCES</b>				
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
<b>REVENUES</b>				
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>
<b>Total revenues</b>	<u>5,017,000</u>	<u>5,195,207</u>	<u>178,207</u>	<u>5,233,238</u>
<b>EXPENDITURES</b>				
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
<b>Total expenditures</b>	<u>6,054,585</u>	<u>5,236,242</u>	<u>(818,343)</u>	<u>7,323,902</u>
<b>Excess of revenues over (under) expenditures</b>	<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)
<b>OTHER FINANCING SOURCES (USES)</b>				
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)	-
<b>Total other financing sources (uses)</b>	<b>1,137,585</b>	<b>(335,059)</b>	<b>(1,472,644)</b>	<b>(228,936)</b>
<b>Excess of operating revenues and other financing sources over (under) operating expenditures and other financing uses</b>	<b>\$ 100,000</b>	<b>\$ (376,094)</b>	<b>\$ (476,094)</b>	<b>\$ (2,319,600)</b>
<b>Reconciliation of Modified Accrual Basis with Full Accrual Basis</b>				
<b>Excess of operating revenues and other financing sources over (under) operating expenditures and other financing uses (modified accrual basis)</b>		<b>\$ (376,094)</b>		<b>\$ (2,319,600)</b>
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)
<b>Change in net assets (full accrual basis)</b>		<b>\$ 754,414</b>		<b>\$ (3,293,487)</b>
<b>Another Difference in Reporting under Modified Accrual (MA) Basis versus Full Accrual (FA) Basis</b>				
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)		<b>\$ 2,945,976</b>		<b>\$ 3,264,252</b>

(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
<b>Fines and Forfeitures Agency Fund</b>				
<b>Assets</b>				
Intergovernmental receivable *	\$ 8,763	\$ 594,414	\$ (598,402)	\$ 4,775
<b>Liabilities</b>				
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)	-
<b>Total liabilities</b>	<b>\$ 8,763</b>	<b>\$ 634,270</b>	<b>\$ (638,258)</b>	<b>\$ 4,775</b>
<b>Inmate Agency Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 10,232	\$ 179,209	\$ (186,176)	\$ 3,265
Intergovernmental receivable	1,511	255,654	(255,370)	1,795
<b>Total assets</b>	<b>\$ 11,743</b>	<b>\$ 434,863</b>	<b>\$ (441,546)</b>	<b>\$ 5,060</b>
<b>Liabilities</b>				
Accounts payable	\$ 11,743	\$ 277,425	\$ (284,108)	\$ 5,060
<b>Property Tax Agency Fund</b>				
<b>Assets</b>				
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
<b>Total assets</b>	<b>\$ 1,268,988</b>	<b>\$ 25,852,494</b>	<b>\$ (26,009,010)</b>	<b>\$ 1,112,472</b>
<b>Liabilities</b>				
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
<b>Total liabilities</b>	<b>\$ 1,268,988</b>	<b>\$ 28,424,140</b>	<b>\$ (28,580,656)</b>	<b>\$ 1,112,472</b>
<b>Rescue Squad Agency Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 102,510	\$ 118,739	\$ (211,736)	\$ 9,513
Accounts receivable	942,508	-	-	942,508
<b>Total assets</b>	<b>\$ 1,045,018</b>	<b>\$ 118,739</b>	<b>\$ (211,736)</b>	<b>\$ 952,021</b>
<b>Liabilities</b>				
Accounts payable	\$ 102,510	\$ 9,436	\$ (102,433)	\$ 9,513
Due to other taxing units	942,508	-	-	942,508
<b>Total liabilities</b>	<b>\$ 1,045,018</b>	<b>\$ 9,436</b>	<b>\$ (102,433)</b>	<b>\$ 952,021</b>

(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)				
<b>Social Services Agency Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 40,725	\$ 391,033	\$ (374,881)	\$ 56,877
<b>Liabilities</b>				
Accounts payable	\$ 40,725	\$ 391,033	\$ (374,881)	\$ 56,877
<b>TOTALS, All Agency Funds</b>				
<b>Assets</b>				
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
<b>Total assets</b>	<b>\$ 2,375,237</b>	<b>\$ 27,391,543</b>	<b>\$ (27,635,575)</b>	<b>\$ 2,131,205</b>
<b>Liabilities</b>				
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
<b>Total liabilities</b>	<b>\$ 2,375,237</b>	<b>\$ 29,736,304</b>	<b>\$ (29,980,336)</b>	<b>\$ 2,131,205</b>

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**

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3. Analysis of Current Tax Levy - General Fund	Exhibit II.E.03	129
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5. Schedule of Ad Valorem Taxes Receivable - Public Schools Fund (20)	Exhibit II.E.05	131
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20. Schedule of Ad Valorem Taxes Receivable - Town of Lawndale (87)	Exhibit II.E.20	139
21. Schedule of Ad Valorem Taxes Receivable - Town of Casar (88)	Exhibit II.E.21	140
22. Schedule of Ad Valorem Taxes Receivable - Town of Waco (89)	Exhibit II.E.22	140

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 *	
<b>Unrestricted cash and cash equivalents</b>				
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	
<b>Total unrestricted cash and cash equivalents</b>				\$ 31,408,941
<b>Restricted cash and cash equivalents</b>				
County Capital Reserve Fund, restricted cash	41		2,820,307	
Enterprise Fund, restricted cash	54		5,232,782	
<b>Total restricted cash</b>				8,053,089
<b>Total cash and cash equivalents</b>				<u>\$ 39,462,030</u>

	Purchase Value	Fair (Market) Value	Amounts Presented on Statements *
<b>Cash</b>			
In physical possession	\$ 11,141	\$ 11,141	\$ 11,141
In demand deposits	29,137,495	29,137,495	29,137,495
<b>Total cash</b>	<u>29,148,636</u>	<u>29,148,636</u>	<u>29,148,636</u>
<b>Cash equivalents</b>			
NC Capital Management Trust (money market accounts)	10,313,394	10,313,394	10,313,394
<b>Total cash equivalents</b>	<u>10,313,394</u>	<u>10,313,394</u>	<u>10,313,394</u>
<b>Total cash and cash equivalents</b>	<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	
<b>Operating Transfers to</b>					
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
<b>Total</b>	<b>\$ 4,350,003</b>	<b>\$ 2,920,242</b>	<b>\$ 7,478,773</b>	<b>\$ 335,999</b>	<b>\$ 15,085,017</b>

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
<b>Original Levy</b>					
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	-
<b>Subtotals</b>	<u>6,325,652,535</u>		<u>36,117,101</u>	<u>32,425,284</u>	<u>3,691,818</u>
<b>Discoveries, Late Listings, and Other Supplements (including Public Service Companies)</b>					
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
<b>Subtotals</b>	<u>346,363,279</u>		<u>1,974,271</u>	<u>1,966,025</u>	<u>8,245</u>
<b>Abatements</b>					
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)
<b>Subtotals</b>	<u>(26,933,660)</u>		<u>(153,522)</u>	<u>(110,917)</u>	<u>(42,605)</u>
<b>Totals</b>	<u>\$ 6,645,082,154</u>		<u>37,937,850</u>	<u>34,280,393</u>	<u>3,657,457</u>
<b>Net Levy</b>			37,937,850	34,280,393	3,657,457
<b>Less Uncollected Taxes, Current Year, at June 30</b>			(1,537,793)	(1,013,811)	(523,982)
<b>Current Year's Taxes Collected</b>			<u>\$ 36,400,057</u>	<u>\$ 33,266,582</u>	<u>\$ 3,133,475</u>
Current Levy Collection Percentage (current year's taxes collected / net levy)			<u>95.947%</u>	<u>97.043%</u>	<u>85.674%</u>

**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
<b>Totals</b>	<u>\$ 6,645,082,154</u>		<u>37,937,850</u>

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
<b>Totals</b>	<u>\$ 49,202,687</u>







## 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>	<b>Ad valorem taxes receivable, net</b>				<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)
<b>Total collections of taxes (as above)</b>	<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	-	-	-	-	-	-
<b>Total</b>	<b>\$ 14,440</b>	<b>\$ 128,364</b>	<b>\$ 7,870</b>	<b>\$ (135,632)</b>	<b>\$ (1,810)</b>	<b>\$ 13,232</b>

## 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	-	-	-	-	-	-
<b>Total</b>	<b>\$ 7,323</b>	<b>\$ 87,391</b>	<b>\$ 6,423</b>	<b>\$ (93,564)</b>	<b>\$ (751)</b>	<b>\$ 6,822</b>

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)	-
<b>Total</b>	<b>\$ 20,032</b>	<b>\$ 188,152</b>	<b>\$ 8,367</b>	<b>\$ (196,859)</b>	<b>\$ (2,157)</b>	<b>\$ 17,535</b>

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
<b>Total</b>	<b>\$ 66,522</b>	<b>\$ 684,271</b>	<b>\$ 37,981</b>	<b>\$ (716,650)</b>	<b>\$ (13,103)</b>	<b>\$ 59,022</b>

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
<b>Total</b>	<b>\$ 550,195</b>	<b>\$ 7,439,937</b>	<b>\$ 266,495</b>	<b>\$ (7,708,769)</b>	<b>\$ (81,926)</b>	<b>\$ 465,931</b>

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)	-
<b>Total</b>	<b>\$ 38,628</b>	<b>\$ 756,061</b>	<b>\$ 24,435</b>	<b>\$ (781,455)</b>	<b>\$ (7,729)</b>	<b>\$ 29,940</b>

## 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)	-
<b>Total</b>	<b>\$ 14,047</b>	<b>\$ 122,286</b>	<b>\$ 12,494</b>	<b>\$ (135,710)</b>	<b>\$ (1,241)</b>	<b>\$ 11,877</b>

## 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)	-
<b>Total</b>	<b>\$ 248,760</b>	<b>\$ 2,316,459</b>	<b>\$ 120,389</b>	<b>\$ (2,437,460)</b>	<b>\$ (47,756)</b>	<b>\$ 200,392</b>

## 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)	-
<b>Total</b>	<b>\$ 1,655</b>	<b>\$ 28,549</b>	<b>\$ 5,470</b>	<b>\$ (33,672)</b>	<b>\$ (145)</b>	<b>\$ 1,858</b>

## 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)	-
<b>Total</b>	<b>\$ 29,768</b>	<b>\$ 75,005</b>	<b>\$ 3,159</b>	<b>\$ (78,111)</b>	<b>\$ (997)</b>	<b>\$ 28,824</b>

## 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)	-
<b>Total</b>	<b>\$ 1,573</b>	<b>\$ 19,617</b>	<b>\$ 584</b>	<b>\$ (19,967)</b>	<b>\$ (274)</b>	<b>\$ 1,532</b>

## 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)	-
<b>Total</b>	<b>\$ 3,049</b>	<b>\$ 15,047</b>	<b>\$ 2,055</b>	<b>\$ (17,362)</b>	<b>\$ (332)</b>	<b>\$ 2,458</b>



## 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)	-
<b>Total</b>	<b>\$ 1,442</b>	<b>\$ 12,879</b>	<b>\$ 508</b>	<b>\$ (13,490)</b>	<b>\$ (210)</b>	<b>\$ 1,129</b>

## 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)	-
<b>Total</b>	<b>\$ 9,027</b>	<b>\$ 50,549</b>	<b>\$ 3,229</b>	<b>\$ (54,243)</b>	<b>\$ (366)</b>	<b>\$ 8,196</b>

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