

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

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

	<u>Identifier</u>	<u>Page No.</u>
A. Report from the Independent Auditor	Subsection II.A	21
B. Management's Discussion and Analysis	Subsection II.B	23
C. Basic Financial Statements (includes Notes to Financial Statements)	Subsection II.C	37
D. Required Supplementary Information:	Subsection II.D	84
E. Other Supplementary Information	Subsection II.E.	122

This page left blank intentionally.

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, 2011, 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, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2011, 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, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Law Enforcement Officers' Special Separation Allowance, and the Other Post-Employment Benefits' Schedules of Funding Progress and Employer Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements of Cleveland County, North Carolina, as a whole. The introductory section, combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules, and statistical tables 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act, and is also not a required part of the basic financial statements. The combining and individual fund financial statements, budget and actual schedules, supplemental ad valorem tax schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 26, 2011

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2011
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, 2011* 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 \$138,447,849. This amount is also referred to as total net assets.
- On a government-wide basis, total net assets decreased by \$2,790,439 from last year, primarily due to continued reduction in investment earnings, large increase in interest expense on recent borrowings, and large increase in liability for closure and post-closure care costs at the County's landfill operations.
- The ending fund balances of all governmental funds combined equals \$46,640,770, a decrease of \$12,459,143 from prior year. This decrease is primarily due to spending of debt proceeds included in revenue of prior years.
- At the end of the fiscal year, fund balance available for appropriation in the General Fund was \$13,583,362, or 15.0% of total General Fund expenditures for the fiscal year.
- The County added \$29,186,817 (24.3%) to its total capital assets during the fiscal year, to achieve an ending balance of \$149,390,168. A few building projects are underway.
- Total long-term liabilities increased by \$18,151,154 (38.3%) to \$65,533,868 during the fiscal year due to 1) issuing \$17,582,950 in new debt and 2) increases in estimated obligations for pensions and other post-employment benefits, all of which were 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. Other Post-Employment Benefits-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

Summary



Detail

Basic Financial Statements (BFS) and Required Supplementary Information (RSI)
 RSI - Management's Discussion and Analysis (MD&A)
 BFS - Government-Wide Financial Statements (GWFS)
 BFS - Fund Financial Statements (FFS)
 Governmental Fund Financial Statements
 Budgetary Comparison Statements
 Proprietary Fund Financial Statements
 Fiduciary Fund Financial Statements
 BFS - Notes to Financial Statements (Notes)
 RSI - Other Supplementary Schedules
 Budget to Actual Comparison Schedules
 Other Supplementary Information

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 the Enterprise Fund are similar to for-profit operations, the Enterprise Fund 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, 2011, net assets decreased by \$2,790,439 to \$138,447,849. This decrease is primarily due to continued reduction in investment earnings, large increase in interest expense, and large increase in liability for closure and post-closure care costs at the County’s landfill operations.

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		
	2011	2010	2009	2011	2010	2009
(amounts depicted in thousands of dollars)						
Current and other assets	\$ 61,120	\$ 66,612	\$ 53,188	\$ 5,954	\$ 6,787	\$ 7,498
Capital assets	134,350	107,003	99,410	15,040	13,200	13,483
Total assets	195,470	173,615	152,598	20,994	19,987	20,981
Current and other liabilities	11,778	4,861	4,173	704	121	400
Long-term liabilities	57,894	41,847	22,053	7,640	5,535	7,005
Total liabilities	69,672	46,708	26,226	8,344	5,656	7,405
Invested in capital assets, net	85,694	73,352	86,286	15,040	13,200	13,483
Restricted	39,629	13,034	11,131	-	-	-
Unrestricted	475	40,521	28,955	(2,390)	1,131	93
Total net assets	\$ 125,798	\$ 126,907	\$ 126,372	\$ 12,650	\$ 14,331	\$ 13,576

Table 2. Condensed Statement of Activities

Category	Governmental Activities			Business-Type Activities		
	2011	2010	2009	2011	2010	2009
(amounts depicted in thousands of dollars)						
Revenues:						
Program revenues						
Charges for services	\$ 23,496	\$ 23,005	\$ 22,433	\$ 4,990	\$ 4,392	\$ 4,683
Program grants and contributions	28,309	24,774	29,797	2,262	297	360
General revenues						
Property and other taxes	46,478	46,097	48,661	-	-	-
General grants and contributions	190	-	-	-	-	-
Investment earnings	202	546	1,104	44	15	160
Total revenues	98,675	94,422	101,995	7,296	4,704	5,203
Program expenses:						
General government	6,759	9,028	9,095	-	-	-
Transportation	39	39	39	-	-	-
Public safety	23,198	21,698	20,436	-	-	-
Human services	36,593	33,914	39,265	-	-	-
Education	26,348	25,447	26,671	-	-	-
Economic and physical development	3,882	2,349	3,043	-	-	-
Cultural	1,017	1,103	1,272	-	-	-
Solid waste/environmental	-	-	-	8,641	3,614	8,267
Interest on long-term liabilities	2,284	644	697	-	-	-
Total expenses	100,120	94,222	100,518	8,641	3,614	8,267
Excess (deficiency) before transfers	(1,445)	200	1,477	(1,345)	1,090	(3,064)
Transfers	336	335	229	(336)	(335)	(229)
Change in net assets	(1,109)	535	1,706	(1,681)	755	(3,293)
Net assets, beginning	126,907	126,372	124,666	14,331	13,576	16,869
Net assets, ending	\$ 125,798	\$ 126,907	\$ 126,372	\$ 12,650	\$ 14,331	\$ 13,576

Table 3. Condensed Statement of Activities (Percentages)

Category	Governmental Activities			Business-Type Activities		
	2011	2010	2009	2011	2010	2009
Revenues:						
Program revenues						
Charges for services	23.81%	24.36%	21.99%	68.39%	93.37%	90.01%
Program grants and contributions	28.69%	26.24%	29.21%	31.00%	6.31%	6.92%
General revenues						
Property and other taxes	47.10%	48.82%	47.71%	0.00%	0.00%	0.00%
General grants and contributions	0.19%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment earnings	0.21%	0.58%	1.09%	0.61%	0.32%	3.07%
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Program expenses:						
General government	6.75%	9.58%	9.05%	0.00%	0.00%	0.00%
Transportation	0.04%	0.04%	0.04%	0.00%	0.00%	0.00%
Public safety	23.16%	23.04%	20.33%	0.00%	0.00%	0.00%
Human services	36.55%	35.99%	39.06%	0.00%	0.00%	0.00%
Education	26.32%	27.01%	26.53%	0.00%	0.00%	0.00%
Economic and physical development	3.88%	2.49%	3.03%	0.00%	0.00%	0.00%
Cultural	1.02%	1.17%	1.27%	0.00%	0.00%	0.00%
Solid waste/environmental	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%
Interest on long-term liabilities	2.28%	0.68%	0.69%	0.00%	0.00%	0.00%
Miscellaneous	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Each year-end balance of unrestricted net assets has been reduced by the outstanding principal on debt used to finance construction of school buildings before 2010. Since school buildings were titled to the Cleveland County Board of Education, these assets were not recorded as the County's capital assets and related loans were not included in the calculation of "invested in capital assets, net of related debt". As the principal of such debt increases or decreases, unrestricted net assets decreases or increases, respectively. Beginning with debt issued in 2010 for school buildings, the County will hold title until the loan is paid. Due to this arrangement, the outstanding principal on this and future debts used to finance construction of school buildings will be included in the calculation of "invested in capital assets, net of related debt." From the period before 2010, very little outstanding debt related to school buildings remains.

Of total revenues, about 43.86% stems from property and other taxes, 28.88% from program grants and contributions, and 26.87% from charges for services. Of total expenses, about 33.65% is spent toward human service programs, 24.23% toward education programs, and 21.33% on public safety programs. To summarize, the County's total revenues are about \$106 million and total expenses are about \$108.8 for the year ended June 30, 2011, removing about \$2.8 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 net assets ratio, debt-to-assets ratio, capital assets condition ratio, total margin ratio, percentage change in net assets, debt service ratio, and quick 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 = \$105,970,795, which is total general revenues and transfers (\$46,914,199) plus program revenues (\$28,486,034 + \$27,193,223 + \$3,377,339) of the County (from Exhibit II.C.1.b)
 - total resource outflow = \$108,761,234, which is total expenses of the County (from Exhibit II.C.1.b)
 - total margin ratio = $\$105,970,795 / \$108,761,234 = 0.974$
- 2) percentage (%) change in net assets = (change in net assets) divided by (beginning net assets)
- change in net assets = -\$2,790,439 (from Exhibit II.C.1.b)
 - beginning net assets = \$141,238,288 (from Exhibit II.C.1.b)
 - percentage (%) change in net assets = $-\$2,790,439 / \$141,238,288 = -2.0\%$
- 3) debt service ratio = (principal payments plus interest payments) divided by (total resource outflow plus principal payments)
- principal payments = \$63,273 + \$2,783,775 = \$2,847,048 (from Exhibits II.D.3.a and II.D.4.h)
 - interest payments = \$6,585 + \$1,704,965 = \$1,711,550 (from Exhibits II.D.3.a and II.D.4.h)
 - debt service ratio = $(\$2,847,048 + \$1,711,550) / (\$108,761,234 + \$2,847,048) = 0.041$
- 4) quick ratio =(cash and cash equivalents) divided by (current liabilities)
- cash and cash equivalents = \$34,078,328 (from Exhibit II.C.1.a)
 - current liabilities = \$8,608,161 + \$2,850,574 + \$798,601 + \$224,912 = \$12,482,248 (from Exhibit II.C.1.a)
 - quick ratio = $\$34,078,328 / \$12,482,248 = 2.730$
- 5) net assets ratio = (unrestricted net assets) divided by (total liabilities)
- unrestricted net assets = - \$1,914,979 (from Exhibit II.C.1.a)
 - total liabilities = \$78,016,116 (from Exhibit II.C.1.a)
 - net assets ratio = $-\$1,914,979 / \$78,016,116 = (0.025)$
- 6) debt-to-assets ratio = (outstanding long-term liabilities) divided by (total assets)
- outstanding long-term liabilities = \$65,533,868 (from Exhibit II.C.1.a)
 - total assets = \$216,463,965 (from Exhibit II.C.1.a)
 - debt-to-assets ratio = $\$65,533,868 / \$216,463,965 = 0.303$
- 7) capital assets condition ratio = (1.000) less ((accumulated depreciation) divided by (capital assets being depreciated))
- accumulated depreciation = \$46,772,943 + \$7,331,073 = \$54,104,016 (from Note b.A.5 on Capital Assets)
 - capital assets being depreciated = \$130,077,094 + \$10,602,671 = \$140,679,765 (from Note b.A.5 on Capital Assets)
 - capital assets condition ratio = $1.000 - (\$54,104,016 / \$140,679,765) = 0.615$

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

Indicator Name / Result	2011	2010	2009	2008	2007	2006	2005
total margin ratio	0.974	1.013	0.985	1.243	1.110	1.180	1.085
% change in net assets	(0.020)	0.009	(0.011)	0.214	0.102	0.191	0.092
debt service ratio	0.041	0.039	0.030	0.049	0.053	0.057	0.061
quick ratio	2.730	6.291	7.657	8.916	10.663	9.510	9.326
net assets ratio	(0.025)	0.795	0.864	1.279	1.419	1.112	0.888
debt-to-assets ratio	0.303	0.245	0.167	0.122	0.132	0.170	0.224
capital assets condition ratio	0.615	0.642	0.651	0.676	0.637	0.646	0.624

Governmental Activities

Governmental activities decreased the County's net assets by \$1,109,721, thereby, contributing to the overall decrease in total net assets. See both Table 2 and Table 3 above. This decrease in net assets is primarily due to total expenditures exceeding total revenues in many governmental funds.

Business-Type Activities

Business-type activities decreased the County's net assets by \$1,680,718, thereby, contributing to the overall decrease in total net assets. See both Table 2 and Table 3 above. Correcting the amount of reported liability for future closure and post-closure care activities, the County increased the reported liability for closure and post-closure care costs by \$2,026,980. This change in reported liability led to the decrease in net assets.

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 included an estimated amount for the closure activities of the older landfill site and that project was incomplete at June 30, 2011.

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, 2011*.

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, fund balance available for appropriation 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 a fund balance available for appropriation of about \$15.27 million. Also, as a measure of a fund's liquidity, it may be useful to compare both fund balance available for appropriation and total fund balance to total fund expenditures. For all governmental funds, fund balance available for appropriation amounts to 12.0% and total fund balance amounts to 36.5% of total expenditures. More financial indicators are shown in Table 5 below, preceded by a description of each indicator.

Further, restrictions, commitments, and assignments of fund balance for special purposes have not had a significant affect on the availability of fund resources for future use. Restricted, committed, and assigned 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, 2011, the County reported \$46,640,770 as the combined fund balance of all governmental funds. The total decrease in the combined fund balance of all governmental funds of \$12,459,143 may be attributed to various causes. Primarily, the reason for this decrease results from 1) spending loan proceeds that were unspent last year partially offset by the unspent proceeds of a \$17,582,950 installment purchase during the year, 2) larger than anticipated decreases in sales taxes and other revenues due to economic factors, and 3) large increase in interest paid for borrowings.

The General Fund is the chief operating fund of the County and a major fund. At the end of the current fiscal year, fund balance available for appropriation of the General Fund was \$13,583,362, while total fund balance reached \$22,281,639. The total decrease in the fund balance of the General Fund of \$1,300,489 is primarily attributed to large transfers for current and future construction projects to the Capital Projects Fund and larger

than anticipated decreases in sales taxes and other revenues due to national, regional, and local economic factors. Fund balance available for appropriation represents 15.0% of total General Fund expenditures, while total fund balance represents 24.6% of that same amount, amounts that have deteriorated since prior year.

The County Manager has determined that the County should maintain a level of fund balance available for appropriation of between 18% to 20% of total expenditures in the General Fund. Not only does maintaining such levels assist with cash flow needs, the County is also better able to weather unforeseen circumstances and take full advantage of unanticipated opportunities. The County is taking corrective action to increase this calculated percentage to the approved level.

Due to a number of large ongoing projects, the Capital Projects Fund remains to be a major fund for the year ended June 30, 2011. The County plans to spend accumulated cash to help 1) finance current and future projects and 2) purchase planned assets while continuing to add cash contributions for these purposes.

1) operations ratio = ((total revenues) plus (transfers in) less (transfers in to capital projects-type funds)) divided by ((total expenditures) plus (transfers out) less (proceeds from capital leases and installment financing) and less (transfers out from capital projects-type funds))

- total revenues plus transfers in = \$104,567,640, which is total revenues (\$97,348,255) plus transfers in (\$7,219,385) of the County's governmental funds (from Exhibit II.C.2.b)
- transfers in to capital projects-type funds = \$1,283,781, which is total transfers in to Capital Projects Fund (from Exhibit II.E.02)
- total expenditures plus transfers out = \$134,609,733, which is total expenditures (\$127,726,273) plus transfers out (\$6,883,460) of the County's governmental funds (from Exhibit II.C.2.b)
- proceeds from capital leases and installment financing = \$17,582,950 (from Exhibit II.C.2.b)
- transfers out from capital projects-type funds = \$3,525,703, which is total transfers out from Capital Projects Fund (from Exhibit II.E.02)
- operations ratio = $(\$104,567,640 - \$1,283,781) / (\$134,609,733 - \$17,582,950 - \$1,283,781) = 0.910$

2) percentage (%) change in fund balance = ((change in fund balance) less (unspent debt proceeds)) divided by (beginning fund balance)

- change in fund balance = - \$12,459,143 (from Exhibit II.C.2.b)
- beginning fund balance = \$59,099,913 (from Exhibit II.C.2.b)
- percentage change in fund balance = $- \$12,459,143 / \$59,099,913 = - 21.0815\%$

3) debt service ratio = ((principal payments) plus (interest payments)) divided by ((total expenditures) plus (transfers out) less (proceeds from capital leases and installment financing) and less (transfers out from capital projects-type funds))

- principal payments = \$2,847,048 (from Exhibit II.C.2.b)
- interest payments = \$1,711,550 (from Exhibit II.C.2.b)
- debt service ratio = $(\$2,847,048 + \$1,711,550) / (\$134,609,733 - \$17,582,950 - \$1,283,781) = 0.040$

4) quick ratio = (cash and investments) divided by (current liabilities--not including deferred revenues)

- cash and cash equivalents = \$28,687,969 (from Exhibit II.C.2.a)
- current liabilities--not including deferred revenues = $\$7,329,472 + \$576,942 + \$2,847,894 + \$2,226,697 + \$224,912 = \$13,205,917$ (from Exhibit II.C.2.a)
- quick ratio = $\$28,687,969 / \$13,205,917 = 2.172$

5) available fund balance-to-expenditures ratio = (available fund balance) divided by ((total expenditures) plus (transfers out) less (proceeds from capital leases and installment financing) and less (transfers out from capital projects-type funds))

- available fund balance = \$15,266,575 (from Exhibit II.C.2.a)
- available fund balance-to-expenditures ratio = $\$15,266,575 / (\$134,609,733 - \$17,582,950 - \$1,283,781) = 0.135$

- 6) debt-to-assessed value ratio = (long-term debt) divided by (total assessed value used for property tax purposes)
- long-term debt = \$50,534,334 (from detail notes in Exhibit II.C.3.b.B.7.e)
 - total assessed value used for property tax purposes = \$6,676,763,263 (from Exhibit II.E.03)
 - debt-to-assessed value ratio = $\$50,534,334 / \$6,676,763,263 = 0.0076$
- 7) intergovernmental ratio = (intergovernmental revenues) divided by ((total revenues) plus (transfers in) less (transfers in to capital projects-type funds))
- intergovernmental revenues = \$24,260,241 (from Exhibit II.C.2.b)
 - intergovernmental ratio = $\$24,260,241 / (\$104,567,640 - \$1,283,781) = 0.235$

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

Indicator Name / Result	2011	2010	2009	2008	2007	2006	2005
operations ratio	0.910	1.166	0.955	1.034	1.007	0.990	1.007
% change in fund balance	(0.210815)	0.317397	(0.000005)	0.164	0.038	(0.002)	0.049
debt service ratio	0.040	0.045	0.030	0.052	0.055	0.057	0.062
quick ratio	2.172	5.590	6.817	8.290	7.614	7.291	6.628
available fund balance-to-expenditures	0.139	0.330	0.318	0.356	0.292	0.294	0.292
debt-to-assessed value ratio	0.0076	0.0054	0.0025	0.0021	0.0020	0.0028	0.0037
intergovernmental ratio	0.235	0.213	0.214	0.222	0.224	0.211	0.180

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 - \$2,389,745 and total net assets of this fund is \$12,650,002. 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

Table 6. Capital Assets, Net of Accumulated Depreciation

Category	Governmental Activities			Business-Type Activities		
	2011	2010	2009	2011	2010	2009
	(amounts depicted in thousands of dollars)					
Land and land improvements	\$ 15,621	\$ 13,783	\$ 12,113	\$ 10,324	\$ 9,777	\$ 9,531
Construction in progress	35,425	8,202	7,922	1,444	-	30
Buildings and improvements	73,110	75,342	74,887	859	819	1,274
Equipment (including vehicles)	4,190	3,118	3,085	1,776	1,691	1,459
Leasehold improvements	235	250	264	9	10	10
Infrastructure	5,769	6,308	1,139	628	903	1,179
Total capital assets, net	\$ 134,350	\$ 107,003	\$ 99,410	\$ 15,040	\$ 13,200	\$ 13,483

Capital Assets. Cleveland County's capital assets for its governmental and business-type activities as of June 30, 2011 totals \$149,390,168 (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 (\$2,505,786 + \$487,371 increase).
- Acquisition of capital assets other than equipment and vehicles through the purchase, major renovation, construction, or received donation of land and buildings (\$31,718,631 increase)

- Increase in accumulated depreciation, including depreciation expense on equipment and vehicles of \$1,878,879 and on capital assets other than equipment and vehicles of \$3,515,510 (\$5,394,389 decrease to reported capital assets).
- Retirement and subsequent disposal of items sold, traded-in, made obsolete by newer equipment, or otherwise properly disposed (\$43,528 decrease for equipment and vehicles; \$83,104 decrease for capital assets other than equipment and vehicles; \$126,632 total decrease)

The County's investments in capital assets increased over 24.28% 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, 2011, Cleveland County had total indebtedness outstanding of \$50,534,334, all of which is debt backed by the full faith and credit of the County. During the year ended June 30, 2011, the change in total outstanding indebtedness was \$15,830,224 (or 111%). During the year, the County met all normal debt service requirements of (\$4,550,551) and issued new debt of \$17,582,950.

In 2010, when the County last issued debt by financing the construction of school facilities, 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. As of April 2011, the North Carolina Municipal Council issued a score of 83 out of 100 possible points.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. After calculating the County's legal debt limit (which is 8% of total assessed value) and subtracting current outstanding long-term debt, the legal debt margin for Cleveland County is \$453,744,179. 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 carryforward 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 \$7,016,038, appropriations of fund balance by \$1,589,278, and incoming transfers from other funds by \$615,000. The primary reasons for these increases were: (1) to carryforward budget related to a) unspent grant awards and other restricted resources (such as donations), b) unpaid obligations (i.e. year-end outstanding encumbrances), c) uncollected and undistributed property taxes for public schools, and d) 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, (3) to accept new grants for recruiting new industry to locate facilities within Cleveland County, (4) to accept new public assistance grants that helped with residential heating costs and temporary employment, and (5) to accept a new grant on behalf of the regional mental health authority to assist with construction of a detoxification facility.

Capital Projects Fund. Budget amendments to the Capital Projects Fund increased revenues and expenditures by \$53,512,370 for various purposes: (1) to account for requested withdrawal of proceeds from the State lottery for renovations made to several school buildings for various upgrades, (2) to appropriate borrowed and reserve

funds for use in the construction of a new multi-purpose facility at the community college that will include the Early College High School, (3) for continuing projects that were incomplete when the year began (such as the renovation and expansion of the County's Detention Center Annex facility and construction of a new middle school in Shelby) including budget for items already spent to show total budget for the multi-year project on the current year's reports, and (4) to acknowledge the use of grant funds from external sources that will be used to finance the renovation of the historic courthouse in Shelby.

Solid Waste Fund. In the County's sole Enterprise Fund, total amendments to the Solid Waste Fund increased revenues and expenditures by \$601,346 primarily to account for the purchase of adjacent property to perpetuate the landfill operations for many years.

Non-Major Funds. Total amendments to non-major funds include the carryforward 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) and budget for new special projects.

The Community Development Fund is budgeted by project ordinance instead of the annual budget ordinance. The County budgeted \$2,600,000 in the Community Development Fund, which is reported as a Special Revenue Fund. Since this fund is not included in the original adopted budget, all budgeted expenditures (i.e. appropriations) are shown as budget amendments.

Table 7. Schedule of Budget Amendment Amounts by Fund

Fund	Original Adopted Budget	Amendments to Budget	Final Amended Budget
General Fund	\$ 94,102,632	\$ 9,220,316	\$ 103,322,948
Capital Projects Fund	4,558,400	53,512,370	58,070,770
Enterprise Fund	8,980,518	601,346	9,581,864
Non-Major Funds	6,613,942	3,271,214	9,885,156
Totals	\$ 114,255,492	\$ 66,605,246	\$ 180,860,738

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 and lower revenues from sales taxes

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 in 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. Although the County's current cycle is to conduct property revaluations every four years, the next revaluation has been delayed to the fiscal year beginning July 1, 2014.

The total County budget for fiscal year 2012 decreased by 0.47% from the prior year. The biggest factor in this decrease stems from decreases in the Solid Waste Fund offset by increases in the General Fund. Last year, the budget for the Solid Waste Fund included \$3,000,000 for the closure of a landfill cell that stopped accepting waste in January 2010. This year, the General Fund increased by \$2,486,776, or 2.69%, for various purposes. For a look

at the County's adopted budget for fiscal year 2012, 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. However, revenues from the local option sales taxes continue to fall below budget. The County budgeted for normal increases in employee compensation, including funding compensation and benefits adjustments, and other planned expenditures. Due to payments on new borrowings, budgeted principal, and interest expenditures increased quite a bit in the Debt Service Fund.

Other governmental funds experienced relatively small increases or decreases in their total budget.

Business-Type Activities. The budget for landfill activities in fiscal year 2012 decreased by 40.76% when compared to the prior year. This budget excludes \$3,000,000 that was added in the prior year 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 and post-closure care 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 & Purchasing Department
 Cleveland County, North Carolina
 Post Office Box 1210
 Shelby, North Carolina 28151-1210

This page left blank intentionally.

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2011
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	52

The Basic Financial Statements provide a dual perspective summary overview of the financial position and operating results of the government as a whole ("Government-Wide Financial Statements") and of all funds ("Fund Financial Statements"). They also serve as a condensed introduction to the more detailed statements and schedules that follow. And, more detailed data is shown in the "Notes to the Financial Statements" that help to explain some of the information in the financial statements.

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

With Comparative Totals as of June 30, 2010

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2011	2010
ASSETS				
Cash and cash equivalents	\$ 28,687,969	\$ 5,390,359	\$ 34,078,328	\$ 31,339,286
Taxes receivable, net	2,349,478	-	2,349,478	2,483,892
Accounts receivable, net	9,498,256	563,840	10,062,096	31,185,916
Inventories	133,331	-	133,331	86,552
Prepaid items	154,282	383	154,665	152,679
Restricted cash	20,197,899	-	20,197,899	8,053,089
Loan receivable	98,000	-	98,000	98,000
Capital assets				
Land and construction in progress	51,046,270	11,768,149	62,814,419	31,762,218
Other capital assets, net of accumulated depreciation	83,304,151	3,271,598	86,575,749	88,441,133
Total capital assets	134,350,421	15,039,747	149,390,168	120,203,351
Total Assets	195,469,636	20,994,329	216,463,965	193,602,765
LIABILITIES				
Accounts payable and accrued expenses	\$ 7,906,414	\$ 701,747	\$ 8,608,161	\$ 3,158,628
Unearned revenues	2,847,894	2,680	2,850,574	1,366,418
Accrued interest payable	798,601	-	798,601	226,341
Due to other taxing units	224,912	-	224,912	230,376
Long-term liabilities				
Current portion of long-term liabilities	4,934,430	45,923	4,980,353	3,788,538
Non-current portion of long-term liabilities	52,959,538	7,593,977	60,553,515	43,594,176
Total long-term liabilities	57,893,968	7,639,900	65,533,868	47,382,714
Total Liabilities	69,671,789	8,344,327	78,016,116	52,364,477
NET ASSETS				
Invested in capital assets, net of related debt	85,694,014	15,039,747	100,733,761	86,552,521
Restricted net assets:				
Economic development	1,049,342	-	1,049,342	53,267
Education	5,367,706	-	5,367,706	6,168,071
Human services	398	-	398	3,508,939
Public safety	1,994,735	-	1,994,735	3,326,318
Stabilization of State Statute	31,086,582	-	31,086,582	-
Other purposes	130,304	-	130,304	(22,687)
Total restricted net assets	39,629,067	-	39,629,067	13,033,908
Unrestricted net assets	474,766	(2,389,745)	(1,914,979)	41,651,859
Total Net Assets	\$ 125,797,847	\$ 12,650,002	\$ 138,447,849	\$ 141,238,288

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, 2011
With Comparative Totals For the Year Ended June 30, 2010

PRIMARY GOVERNMENT FUNCTIONS / PROGRAMS	Expenses	Program Revenues			Net Program Revenues (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
EXPENSES, PROGRAM REVENUES, AND NET RESULTS					
Governmental activities:					
General government	\$ (6,758,722)	\$ 2,283,008	\$ 1,084,642	\$ 33,680	\$ (3,357,392)
Transportation	(39,464)	-	-	-	(39,464)
Public safety	(23,198,228)	5,486,734	682,837	26,271	(17,002,386)
Human services	(36,593,375)	5,470,082	18,590,542	5,020	(12,527,731)
Education	(26,348,019)	10,150,261	-	2,907,522	(13,290,236)
Economic and physical development	(3,882,363)	48,357	3,214,965	-	(619,041)
Cultural and recreational	(1,016,592)	57,589	559,339	404,846	5,182
Interest on long-term liabilities	(2,283,810)	-	799,086	-	(1,484,724)
Subtotal governmental activities	(100,120,573)	23,496,031	24,931,411	3,377,339	(48,315,792)
Business-type activities					
Solid waste collection and disposal	(8,640,661)	4,990,003	2,261,812	-	(1,388,846)
Total primary government	\$ (108,761,234)	\$ 28,486,034	\$ 27,193,223	\$ 3,377,339	\$ (49,704,638)

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	
			2011	2010
NET PROGRAM REVENUES (EXPENSES)--FROM PRIOR PAGE				
Governmental activities:				
General government	\$ (3,357,392)	\$ -	\$ (3,357,392)	\$ (5,266,243)
Transportation	(39,464)	-	(39,464)	(39,464)
Public safety	(17,002,386)	-	(17,002,386)	(14,884,873)
Human services	(12,527,731)	-	(12,527,731)	(10,576,341)
Education	(13,290,236)	-	(13,290,236)	(12,485,329)
Economic and physical development	(619,041)	-	(619,041)	(2,200,942)
Cultural and recreational	5,182	-	5,182	(345,613)
Interest on long-term liabilities	(1,484,724)	-	(1,484,724)	(643,989)
Subtotal governmental activities	(48,315,792)	-	(48,315,792)	(46,442,794)
Business-type activities				
Solid waste collection and disposal	-	(1,388,846)	(1,388,846)	1,074,920
Total primary government	(48,315,792)	(1,388,846)	(49,704,638)	(45,367,874)
GENERAL REVENUES AND TRANSFERS:				
Property taxes	38,645,416	-	38,645,416	38,289,687
Local option sales taxes	7,405,889	-	7,405,889	7,429,274
Other taxes and licenses	426,626	-	426,626	378,380
Grants and contributions, general	190,000	-	190,000	-
Investment earnings, general	202,215	44,053	246,268	561,070
Total general revenues	46,870,146	44,053	46,914,199	46,658,411
Transfers:	335,925	(335,925)	-	-
Total general revenues and transfers	47,206,071	(291,872)	46,914,199	46,658,411
CHANGE IN NET ASSETS	(1,109,721)	(1,680,718)	(2,790,439)	1,290,537
Net Assets:				
Beginning of year - July 1	126,907,568	14,330,720	141,238,288	139,947,751
End of year - June 30	\$ 125,797,847	\$ 12,650,002	\$ 138,447,849	\$ 141,238,288

(continued from previous page)

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2011
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
C. Basic Financial Statements (includes Notes to Financial Statements)
2. Fund Financial Statements**

	Identifier	Page No.
a. Governmental Funds: Balance Sheet	Exhibit II.C.2.a	43
a.i. Reconciliation of the 'Governmental Funds: Balance Sheet' to the 'Government-Wide Statement of Net Assets'	Exhibit II.C.2.a.i	44
b. Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.C.2.b	45
b.i. Reconciliation of the 'Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances' to the 'Government-Wide Statement of Activities'	Exhibit II.C.2.b.i	46
c. General Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.c	47
d. Enterprise Fund: Solid Waste Fund: Statement of Fund Net Assets	Exhibit II.C.2.d	48
e. Enterprise Fund: Solid Waste Fund: Statement of Revenues, Expenses, and Changes in Fund Net Assets	Exhibit II.C.2.e	49
f. Enterprise Fund: Solid Waste Fund: Statement of Cash Flows	Exhibit II.C.2.f	50
g. Fiduciary Funds: Agency Funds: Statement of Fiduciary Net Assets	Exhibit II.C.2.g	51

The Fund Financial Statements focus exclusively on short-term information and provide a more detailed look at the County's operating funds. (A fund is a grouping of assets and related debts that are used to maintain control over resources that have been segregated for specific activities or objectives.)

Cleveland County, North Carolina
a. Governmental Funds: Balance Sheet

June 30, 2011

With Comparative Totals as of June 30, 2010

	Governmental Funds				
	General	Capital Projects	Other Non-Major Funds	Totals	
				2011	2010
ASSETS					
Cash and cash equivalents	\$ 19,228,042	\$ 6,485,161	\$ 2,974,766	\$ 28,687,969	\$ 30,186,517
Taxes receivable, net	2,077,174	-	39,869	2,117,043	2,298,165
Accounts receivable, net	6,585,408	2,205,731	707,117	9,498,256	30,784,808
Due from other governmental funds	2,048,873	169,786	8,038	2,226,697	765,400
Inventories	133,331	-	-	133,331	86,552
Prepaid items	152,370	1,080	832	154,282	152,308
Restricted cash	-	20,197,899	-	20,197,899	2,820,307
Total assets	\$ 30,225,198	\$ 29,059,657	\$ 3,730,622	\$ 63,015,477	\$ 67,094,057
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenses	\$ 2,981,059	\$ 4,046,674	\$ 301,739	\$ 7,329,472	\$ 2,820,316
Contract retainage	15,560	475,278	86,104	576,942	217,856
Unearned revenues	2,038,736	-	809,158	2,847,894	1,365,818
Deferred revenues	2,505,468	460,885	202,437	3,168,790	2,594,378
Due to other governmental funds	177,824	1,617,723	431,150	2,226,697	765,400
Due to other taxing units	224,912	-	-	224,912	230,376
Total liabilities	7,943,559	6,600,560	1,830,588	16,374,707	7,994,144
Fund balances					
Non-spendable					
Inventories	133,331	-	-	133,331	86,552
Prepaid items	152,370	1,080	832	154,282	147,308
Restricted					
Stabilization of State Statute	8,412,576	22,038,698	635,308	31,086,582	30,492,166
School capital projects	-	419,319	-	419,319	5,934,737
Emergency telephone	-	-	1,444,202	1,444,202	1,723,360
County Fire Service District	-	-	463,062	463,062	820,589
Library	130,303	-	-	130,303	147,446
Cooperative Extension	23,688	-	-	23,688	20,507
Public safety	17,252	-	-	17,252	21,453
Human services	398	-	-	398	16
Assigned					
Subsequent year's expenditures	4,437,361	-	-	4,437,361	5,206,199
Public health	2,200,500	-	-	2,200,500	1,505,293
Insurance claims	-	-	-	-	807,155
Incomplete projects	449,617	-	-	449,617	6,527,816
Unassigned	6,324,243	-	(643,370)	5,680,873	5,659,316
Total fund balances	22,281,639	22,459,097	1,900,034	46,640,770	59,099,913
Total liabilities and fund balances	\$ 30,225,198	\$ 29,059,657	\$ 3,730,622	\$ 63,015,477	\$ 67,094,057

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, 2011

With Comparative Totals as of June 30, 2010

	2011	2010
Total fund balances of governmental funds	\$ 46,640,770	\$ 59,099,913
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		
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:	232,435	185,727
2. 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	98,000
3. Governmental funds report expenditures for items that are treated as additions to capital assets on the Statement of Net Assets. Total capital assets before accumulated depreciation are:	181,123,364	149,393,833
4. 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:	(46,772,943)	(42,390,673)
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 deferred revenue balance is:	3,168,790	2,594,378
6. 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:	(798,601)	(226,341)
7. 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.	(57,893,968)	(41,847,269)
Total net assets of governmental activities	<u>\$ 125,797,847</u>	<u>\$ 126,907,568</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, 2011

With Comparative Totals For the Year Ended June 30, 2010

	Governmental Funds				
	General	Capital Projects	Other Non-Major Funds	Totals	
				2011	2010
REVENUES					
Ad valorem property taxes	\$ 48,913,675	\$ -	\$ 871,557	\$ 49,785,232	\$ 49,833,593
Other taxes	7,833,962	2,496,533	808,600	11,139,095	11,127,982
Unrestricted intergovernmental revenues	467,601	-	-	467,601	475,320
Restricted intergovernmental revenues	20,963,409	813,789	2,015,442	23,792,640	20,877,245
Licenses, fees, and permits	865,693	-	-	865,693	883,785
Sales and services	10,479,805	-	-	10,479,805	9,709,237
Investment earnings	202,277	49,928	14,350	266,555	875,926
Miscellaneous	386,721	167,387	(2,474)	551,634	750,285
Total revenues	90,113,143	3,527,637	3,707,475	97,348,255	94,533,373
EXPENDITURES					
General government	8,411,876	307,479	-	8,719,355	8,742,463
Transportation	39,464	-	-	39,464	39,464
Public safety	17,922,241	2,490,554	2,275,169	22,687,964	23,355,577
Human services	33,850,242	-	-	33,850,242	33,882,871
Education	21,973,653	24,990,674	-	46,964,327	21,918,571
Economic and physical development	3,078,402	637,094	1,228,908	4,944,404	3,105,600
Cultural and recreational	1,184,258	841,647	-	2,025,905	1,645,917
Schools capital outlay	3,936,014	-	-	3,936,014	6,125,420
Debt service, principal reduction	63,273	-	2,783,775	2,847,048	3,250,871
Debt service, interest and fees	6,585	-	1,704,965	1,711,550	643,989
Total expenditures	90,466,008	29,267,448	7,992,817	127,726,273	102,710,743
Excess (deficiency) of revenues over expenditures	(352,865)	(25,739,811)	(4,285,342)	(30,378,018)	(8,177,370)
OTHER FINANCING SOURCES (USES)					
Transfers in	2,341,036	1,283,781	3,594,568	7,219,385	15,084,077
Transfers out	(3,288,660)	(3,525,703)	(69,097)	(6,883,460)	(14,749,018)
Installment financing issued	-	17,582,950	-	17,582,950	22,081,095
Total other financing sources (uses)	(947,624)	15,341,028	3,525,471	17,918,875	22,416,154
Net change in fund balances	(1,300,489)	(10,398,783)	(759,871)	(12,459,143)	14,238,784
FUND BALANCES					
Beginning fund balances	23,582,128	32,857,880	2,659,905	59,099,913	44,861,129
Ending fund balances	\$ 22,281,639	\$ 22,459,097	\$ 1,900,034	\$ 46,640,770	\$ 59,099,913

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, 2011

With Comparative Totals For the Year Ended June 30, 2010

	2011	2010
Net change in fund balances of governmental funds	\$ (12,459,143)	\$ 14,238,784
<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:	(196,323)	(762,957)
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:	32,167,044	12,752,450
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:	(4,716,693)	(4,466,297)
4. Accrued payables for compensated absences and retirement benefits are recognized as expenditures when paid in governmental funds. The net decrease (increase) in accrued payables from prior year is recognized as prior (current) expenses.	(1,310,799)	(964,372)
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.	714,355	(1,431,261)
6. Governmental funds do not recognize long-term liabilities that are not due and payable in the current period. Thus, principal reductions are recognized as expenditures in the period that the payment is made rather than reductions in the liability as reflected on the Statement of Net Assets. The current year's principal payments made are:	2,847,048	3,250,871
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.	(572,260)	-
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:	(17,582,950)	(22,081,095)
Total net change in net assets of governmental activities	<u>\$ (1,109,721)</u>	<u>\$ 536,123</u>

The "Notes to Financial Statements" are an integral part of this exhibit.

(continued from previous page)

Cleveland County, North Carolina

c. General Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual

For the Year Ended June 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance - Over (Under)
REVENUES				
Ad valorem property taxes	\$ 47,145,399	\$ 47,900,137	\$ 48,913,675	\$ 1,013,538
Other taxes	8,519,000	8,519,000	7,833,962	(685,038)
Unrestricted intergovernmental revenues	455,000	455,000	467,601	12,601
Restricted intergovernmental revenues	20,417,654	26,058,662	20,963,409	(5,095,253)
Licenses, fees, and permits	895,000	895,000	865,693	(29,307)
Sales and services	8,556,472	8,557,972	10,479,805	1,921,833
Investment earnings	780,000	780,000	202,277	(577,723)
Miscellaneous	300,500	919,292	386,721	(532,571)
Total revenues	87,069,025	94,085,063	90,113,143	(3,971,920)
EXPENDITURES				
General government	10,015,214	9,534,371	8,411,876	(1,122,495)
Transportation	39,464	39,464	39,464	-
Public safety	17,572,558	18,556,124	17,922,241	(633,883)
Human services	36,095,138	38,354,045	33,850,242	(4,503,803)
Education	21,353,592	22,102,920	21,973,653	(129,267)
Economic and physical development	1,315,358	5,637,592	3,078,402	(2,559,190)
Cultural and recreational	1,202,910	1,296,144	1,184,258	(111,886)
Schools capital outlay	3,400,000	4,015,000	3,936,014	(78,986)
Debt service, principal reduction	63,276	63,276	63,273	(3)
Debt service, interest and fees	6,586	6,586	6,585	(1)
Total expenditures	91,064,096	99,605,522	90,466,008	(9,139,514)
Excess of revenues over (under) expenditures	(3,995,071)	(5,520,459)	(352,865)	5,167,594
OTHER FINANCING SOURCES (USES)				
Transfers in	1,797,704	2,412,704	2,341,036	(71,668)
Transfers out	(3,038,536)	(3,717,426)	(3,288,660)	428,766
Fund balance appropriated	5,235,903	6,825,181	-	(6,825,181)
Total other financing sources (uses)	3,995,071	5,520,459	(947,624)	(6,468,083)
Net change in fund balance	\$ -	\$ -	(1,300,489)	\$ (1,300,489)
FUND BALANCES				
Beginning fund balances, as restated			23,582,128	
Ending fund balances			<u>\$ 22,281,639</u>	

The "Notes to Financial Statements" are an integral part of this exhibit.

Cleveland County, North Carolina

d. Enterprise Fund: Solid Waste Fund: Statement of Fund Net Assets

June 30, 2011

With Comparative Totals as of June 30, 2010

	Solid Waste Fund-Collection & Disposal	
	Totals	
	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,390,359	\$ 1,152,769
Accounts receivable, net	563,840	401,108
Prepaid items	383	371
Total current assets:	<u>5,954,582</u>	<u>1,554,248</u>
Non-current assets:		
Restricted cash	-	5,232,782
Capital assets		
Land, land improvements, and construction in progress	11,768,149	9,776,908
Other capital assets, net of accumulated depreciation	3,271,598	3,423,283
Total capital assets	<u>15,039,747</u>	<u>13,200,191</u>
Total non-current assets	<u>15,039,747</u>	<u>18,432,973</u>
Total assets	<u>20,994,329</u>	<u>19,987,221</u>
LIABILITIES		
Current liabilities:		
Accounts payable	663,867	120,456
Contract retainages	37,880	-
Unearned revenues/customer deposits	2,680	600
Compensated absences	45,923	60,884
Total current liabilities	<u>750,350</u>	<u>181,940</u>
Non-current liabilities:		
Accrued landfill closure and post-closure care costs	7,259,762	5,232,782
Net OPEB obligation for retirees' healthcare coverage	248,480	162,550
Compensated absences	85,735	79,229
Total non-current liabilities	<u>7,593,977</u>	<u>5,474,561</u>
Total liabilities	<u>8,344,327</u>	<u>5,656,501</u>
NET ASSETS		
Invested in capital assets	15,039,747	13,200,191
Unrestricted net assets	(2,389,745)	1,130,529
Total net assets	<u>\$ 12,650,002</u>	<u>\$ 14,330,720</u>

The "Notes to Financial Statements" are an integral part of this exhibit.

Cleveland County, North Carolina

e. Enterprise Fund: Solid Waste Fund: Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Year Ended June 30, 2011

With Comparative Totals For the Year Ended June 30, 2010

	Solid Waste Fund-Collection & Disposal	
	Totals	
	2011	2010
OPERATING REVENUES		
Household user fees	\$ 1,428,027	\$ 1,446,245
Departmental fees	3,561,976	2,945,976
Other operating revenue	200,196	316,481
Total operating revenues	5,190,199	4,708,702
OPERATING EXPENSES		
Salaries / benefits	1,828,173	1,865,858
Other expenses	2,607,100	2,586,906
Depreciation	677,696	664,964
Landfill closure and post-closure care	3,527,692	(1,503,808)
Total operating expenses	8,640,661	3,613,920
Operating income (loss)	(3,450,462)	1,094,782
NONOPERATING REVENUES AND EXPENSES		
Share of State's disposal, white goods, and scrap tire taxes	440,791	423,888
Intergovernmental revenues, restricted	130,666	48,945
Investment earnings	44,053	14,553
Capitalized expenditures from reserve liability for closure and post-closure care	1,500,710	-
Gain (loss) on disposal of capital assets	(10,551)	(501,195)
Total non-operating revenues and expenses	2,105,669	(13,809)
Income before contributions and transfers	(1,344,793)	1,080,973
Capital contributions	-	8,500
Transfer from(to) governmental funds (i.e. General Fund)	(335,925)	(335,059)
Change in net assets	(1,680,718)	754,414
Net assets, beginning	14,330,720	13,576,306
Net assets, ending	\$ 12,650,002	\$ 14,330,720

The "Notes to Financial Statements" are an integral part of this exhibit.

Cleveland County, North Carolina
f. Enterprise Fund: Solid Waste Fund: Statement of Cash Flows

For the Year Ended June 30, 2011

With Comparative Totals For the Year Ended June 30, 2010

	Solid Waste Fund-Collection & Disposal	
	Totals	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from household user fees	\$ 1,428,027	\$ 1,446,245
Cash received from customers	3,399,223	2,907,560
Cash received from sale of waste and recyclable materials	196,876	316,319
Cash received from other operations	3,320	162
Cash paid to employees for services	(1,750,698)	(1,775,616)
Cash paid for goods and services	(2,221,192)	(3,062,523)
Net cash flows from operating activities	1,055,556	(167,853)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Government grants	130,666	48,945
Transfer to governmental funds (General Fund)	(335,925)	(335,059)
Net cash flows from non-capital financing activities	(205,259)	(286,114)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,027,093)	(874,601)
Capitalized expenditures from reserve liability for closure and post-closure care	(1,500,710)	-
Government grant for capital purchase	-	8,500
Proceeds on disposal of capital assets	197,476	132,622
Share of state's white goods and scrap tire taxes	440,791	423,888
Net cash flows from capital and related financing activities	(1,889,536)	(309,591)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	44,053	14,553
Net cash flows from investing activities	44,053	14,553
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(995,186)	(749,005)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: beginning balance	6,385,551	7,134,556
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: ending balance	\$ 5,390,365	\$ 6,385,551
Schedule of Non-cash Capital and Related Financing Activities		
Trade-in allowance on purchase of capital asset	\$ 16,000	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ (3,450,462)	\$ 1,094,782
The amount reported as operating income (see Exhibit II.C.2.f) differs from the amount reported as net cash flows from operating activities due to the following items that have occurred during the year prior to this report date:		
1. Decrease (increase) in accounts receivable, net	(162,732)	(37,535)
2. Decrease (increase) in prepayments	(12)	(171)
3. Increase (decrease) in accounts payable and contract retainages	383,819	(474,472)
4. Increase (decrease) in customer deposits	2,080	(1,855)
5. Increase (decrease) in accrued compensatory leave and retirement benefits	77,475	90,242
6. Increase (decrease) in accrued landfill closure and post-closure care costs	3,527,692	(1,503,808)
7. Depreciation expense (not a cash expenditure, no effect on cash flow)	677,696	664,964
Net cash flows from operating activities	\$ 1,055,556	\$ (167,853)

The "Notes to Financial Statements" are an integral part of this exhibit.

Cleveland County, North Carolina
g. Fiduciary Funds: Agency Funds: Statement of Fiduciary Net Assets

June 30, 2011

With Comparative Totals as of June 30, 2010

	Agency Funds	
	Totals	
	2011	2010
ASSETS		
Cash and cash equivalents	\$ 102,163	\$ 69,655
Taxes receivable, net	35,203	37,589
Accounts receivable, net	805,406	1,793,585
Intergovernmental receivable	225,356	230,376
Total assets	\$ 1,168,128	\$ 2,131,205
LIABILITIES		
Accounts payable and accrued expenses	283,455	243,503
Due to other taxing units	884,673	1,887,702
Total liabilities	\$ 1,168,128	\$ 2,131,205

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, 2011
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
C. Basic Financial Statements (includes Notes to Financial Statements)
3. Notes to Financial Statements

	Identifier	Page No.
a. Summary of Significant Accounting Policies	Note a	53
b. Detail Notes on Important Items	Note b	61
c. Joint Ventures	Note c	81
d. Jointly Governed Organization	Note d	81
e. Hospital Lease Agreement	Note e	82
f. Benefit Payments Issued by the State	Note f	82
g. Stewardship, Compliance, and Accountability	Note g	83
h. Prior Period Adjustments	Note h	83

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, 2011
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, 2011, the County implemented changes in its fund structure and fund balance reporting in accordance with Governmental Accounting Standards Board (GASB) Statements No. 54 ("*Fund Balance Reporting and Governmental Fund Type Definitions*"). 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.

Although the County has statutory responsibility to provide school facilities, the local education authority (Cleveland County Schools) is a legally separate entity, not a component unit.

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.

(Enterprise funds are a type of proprietary funds.) Any 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). Due to implementation of GASB Statement No. 54, the previously reported Public Schools Fund and Revaluation Fund are now consolidated into the General Fund. See 'Note h' for more details.

Capital Projects 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; for various proceeds that are restricted by certain laws of the State of North Carolina to support buildings, renovations, and other capital needs of County schools; and for various capital improvement projects funded by the aforementioned proceeds. Due to implementation of GASB Statement No. 54, the County consolidated three funds (County Capital Reserve Fund, Schools Capital Reserve Fund, and County Capital Projects Fund) into one for reporting purposes. See 'Note h' for more details.

The County reports the following four non-major governmental funds: the Emergency Telephone Fund, the County Fire Service District Fund, the Community Development Fund, and the Debt Service 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-Collection and Disposal. 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 (agency funds have no revenues or expenditures). 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 2010 through February 2011 apply to the fiscal year ended June 30, 2011. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. The taxes for vehicles registered from March 2011 and afterward and due on or after July 1, 2011 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 (or estimated expenditures) by fund and is adopted for all annually budgeted funds, which includes the General Fund, the Emergency Telephone Fund, the County Fire Service District Fund, the Debt Service Fund, and the Solid Waste Fund. Unencumbered annual appropriations lapse at fiscal year-end. Project ordinances are adopted for large projects that overlap multiple fiscal years, such as for the Community Development Fund and the Capital Projects Fund, and some 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 carry forward unspent budget for continuing projects.

However, except for ongoing projects, the governing board must consider for approval all amendments that alter total estimated revenues or total appropriations. During the year, the governing board approved to finance up to \$18,000,000 of construction costs for a multi-use facility at Cleveland Community College, accept a grant of \$1,543,000 to renovate the historic courthouse, and accept several sizable grants to assist with recruitment of new industry. Several other less significant new 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 a bond sale and installment purchase loans issued by the County are classified as restricted assets in the Capital Projects Fund since their use is completely restricted to the purpose for which the loan was originally issued.

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:

<u>Capital Asset Category</u>	<u>Estimated Useful Life</u>
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, fund balance is composed of five reported classifications designed to disclose the hierarchy of constraints placed on how fund balance may be spent.

The governmental fund types classify fund balances as follows:

Nonspendable – portion of fund balance that cannot be spent because they are either (a) not in spendable form (e.g. inventories) or (b) legally or contractually required to be maintained intact (e.g. principal of an endowment).

Inventories - portion of fund balance not available for appropriation because it represents the year-end balance of ending inventories, which are not expendable (i.e. not available) resources.

Prepaid Items - portion of fund balance not available for appropriation because it represents the year-end balance of prepaid expenditures, which are not expendable resources.

Restricted – portion of spendable fund balance restricted to specific purposes that are externally imposed by creditors or law.

Restricted for Stabilization of State Statute - portion of spendable fund balance 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.

Restricted for School Capital Projects – portion of spendable fund balance available and legally restricted to pay for school capital projects and funded by a portion of sales taxes.

Restricted for Emergency Telephone – portion of spendable fund balance available and legally restricted to pay for approved items for operation of emergency telephone system.

Restricted for County Fire Service District – portion of spendable fund balance available and legally restricted to pay for fire protection services within County Fire Service District.

Restricted for Library – portion of spendable fund balance available and restricted by donors to pay for library books and other library materials.

Restricted for Cooperative Extension – portion of spendable fund balance available and restricted to pay for cooperative extension programs, such as basket weaving and 4-H.

Restricted for Public Safety – portion of spendable fund balance available and restricted by donors and other outside parties to pay for items of a public safety nature, such as canine care.

Restricted for Human Services – portion of spendable fund balance available and restricted by donors to pay for items of a human services nature, such as medications and eyeglasses for needy persons.

Committed – portion of spendable fund balance committed to specific purposes that are imposed by Board of County Commissioners (highest level of decision-making authority); any changes or removal of specific purposes requires majority action by same board.

Assigned – portion of spendable fund balance assigned to specific purposes that are either budgeted by Board of County Commissioners or manifested by the County Manager.

Subsequent year's expenditures - portion of spendable fund balance that is appropriated in the adopted budget ordinance of the following fiscal year and not classified as either restricted or committed.

Public health - portion of spendable fund balance that is assigned for future expenditures for public health based on the amount of unspent resources calculated by Health Department staff and not classified as either restricted, committed, or assigned for subsequent year's expenditures.

Insurance claims – portion of spendable fund balance that is assigned for future liabilities arising from both current and future workers' compensation, health insurance, and dental insurance claims and not classified as either restricted, committed, or assigned for subsequent year's expenditures.

Incomplete projects – portion of spendable fund balance that is assigned for future expenditures of continuing projects and not classified as either restricted, committed, or assigned for subsequent year's expenditures.

Unassigned – portion of spendable fund balance that does not meet the classification requirements of restricted, committed, or assigned fund balance.

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. This calculated amount represents fund balance available for appropriation. After accounting for nonspendable fund balance, Restricted for Stabilization of State Statute is the remaining non-appropriable portion of fund balance. The Board of County Commissioners seeks to conduct the financial affairs of the County in such a manner so as to achieve a fund balance available for appropriation in the General Fund of at least 8% of appropriations (a.k.a. budgeted expenditures).

Remaining fund balances may be restricted, committed, or assigned for other purposes. Unassigned fund balance represents the amount of fund balance that could still be committed or assigned.

To provide guidance in situations involving multiple revenue sources, the County will use resources in the following order: cost-reimbursement grant funds, federal-source funds, state-source funds, other non-debt third-party-source funds, debt proceeds, and County funds. Likewise, the County intends to expend resources that have been classified as fund balance in the following order: restricted, committed, assigned, and unassigned. The County Finance Director is authorized to deviate from this policy to comply with funding stipulations and when in the best interest of the County.

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 under collateralization, 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 creditworthiness 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, 2011, the County's deposits had a carrying amount of \$41,437,444 and a bank balance of \$42,517,221. Of the bank balance, \$1,000,000 was covered by federal depository insurance, \$20,336,552 in certificates of deposit was covered by collateral held under the dedicated method, and the remaining \$21,160,205 in interest bearing deposits was covered by collateral held under the pooling method. Also at June 30, 2011, Cleveland County had

\$11,519 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 \$20,336,552 in certificates of deposit. Of this balance, \$4,026,320 was scheduled to mature within 3 months, \$12,041,756 was scheduled to mature within 3 to 12 months, and \$4,268,476 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, 2011, the County's investment balances and maturities were as follows:

Investment Type	Fair Market	Due to Mature Within:		
	Value	up to 1 year	1 to 2 years	2 to 3 years
NCCMT -- Cash Portfolio	12,929,427	n/a	n/a	n/a
Total Investments	\$ 12,929,427	\$ -	\$ -	\$ -

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, 2011, 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, 2011, 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, 2011 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 certificates of deposits at First National Bank of Shelby at 33% of the total portfolio. At June 30, 2011, the County held 17.60% of its deposits and investments in the form of certificates of deposit with First National Bank of Shelby. Remaining deposits and investments are held 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, 2011:

Tax Year Levied	Additional Tax	Interest	Total
2011	\$ 1,470,155	\$ -	\$ 1,470,155
2010	1,466,902	84,347	1,551,249
2009	1,467,063	216,392	1,683,455
2008	1,487,187	353,207	1,840,394
Total	\$ 5,891,307	\$ 653,946	\$ 6,545,253

Property taxes are billed on a calendar year basis, not fiscal year basis. The value is set on January 1, billed in July, due September 1, and late as of the following January 6. If a property loses eligibility for present-use value taxation between January 1 and June 30, the current year taxes will become due when billed in July. The year under "Tax Year Levied" in the following chart refers to the calendar year.

4. Receivables

Receivables reported on the Government-Wide Financial Statements and Fund Financial Statements at June 30, 2011 are reported net of an allowance for uncollectible accounts as follows:

	Accounts	Taxes & Other Assessments	Total
Governmental Activities:			
General Fund	\$ 11,215,925	\$ 3,345,461	\$ 14,561,386
Capital Projects Fund	2,205,731	-	2,205,731
Nonmajor Governmental Funds	707,117	62,845	769,962
Accrued Interest (Government-Wide reporting)	-	801,367	801,367
Total Receivables	14,128,773	4,209,673	18,338,446
General Fund	(4,630,517)	(1,268,287)	(5,898,804)
Nonmajor Governmental Funds	-	(22,976)	(22,976)
Accrued Interest (Government-Wide reporting)	-	(568,932)	(568,932)
Total Allowances for Uncollectible Accounts	(4,630,517)	(1,860,195)	(6,490,712)
Total Governmental Activities	\$ 9,498,256	\$ 2,349,478	\$ 11,847,734
Business-Type Activities:			
Solid Waste Fund-Collection and Disposal	\$ 583,378	\$ 216,866	\$ 800,244
Allowances for Uncollectible Accounts	(19,538)	(216,866)	(236,404)
Total Business-Type Activities	\$ 563,840	\$ -	\$ 563,840

5. Capital Assets

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

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
General Government	\$ 7,982,215	\$ 174,004	\$ (15,893)	\$ 30,888	\$ 8,171,214
Public Safety	31,334,683	3,678,944	(337,955)	(19,899)	34,655,773
Human Services	96,364,772	347,860	-	8,672	96,721,304
Education	2,749,555	24,552,322	-	-	27,301,877
Economic and Physical Dev.	3,448,777	2,181,982	(87,889)	-	5,542,870
Cultural and Recreational	7,513,831	1,232,873	(16,378)	-	8,730,326
Total Capital Assets	149,393,833	32,167,985	(458,115)	19,661	181,123,364
Less Accumulated Depreciation:					
General Government	(2,526,112)	(288,765)	15,893	(32,314)	(2,831,298)
Public Safety	(12,711,071)	(1,755,854)	320,978	10,467	(14,135,480)
Human Services	(25,786,726)	(2,524,323)	-	(1,764)	(28,312,813)
Education	-	-	-	-	-
Economic and Physical Dev.	(71,655)	(23,800)	4,785	-	(90,670)
Cultural and Recreational	(1,295,109)	(123,951)	16,378	-	(1,402,682)
Total Accumulated Deprec.	(42,390,673)	(4,716,693)	358,034	(23,611)	(46,772,943)
Total Capital Assets, Net	\$107,003,160	\$27,451,292	\$ (100,081)	\$ (3,950)	\$134,350,421

Capital asset activity, by asset class, for the year ended June 30, 2011 was as follows for Governmental Activities:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land and Land Improvements	\$ 13,782,846	\$ 1,838,038	\$ -	\$ -	\$15,620,884
Construction in Progress	8,202,464	27,538,273	-	(315,351)	35,425,386
Subtotal	21,985,310	29,376,311	-	(315,351)	51,046,270
Capital Assets Being Depreciated:					
Buildings and Improvements	107,790,296	285,888	(87,889)	315,351	108,303,646
Equipment (including Vehicles)	12,392,336	2,505,786	(370,226)	109,661	14,607,557
Leasehold Improvements	425,178	-	-	-	425,178
Infrastructure	6,830,713	-	-	(90,000)	6,740,713
Subtotal	127,408,523	2,791,674	(458,115)	335,012	130,077,094
Total Capital Assets	149,393,833	32,167,985	(458,115)	19,661	181,123,364
Less Accumulated Depreciation:					
Buildings and Improvements	(32,448,610)	(2,750,192)	4,785	-	(35,194,017)
Equipment (including Vehicles)	(9,244,018)	(1,502,956)	353,249	(23,611)	(10,417,336)
Leasehold Improvements	(175,746)	(14,173)	-	-	(189,919)
Infrastructure	(522,299)	(449,372)	-	-	(971,671)
Total Accumulated Deprec.	(42,390,673)	(4,716,693)	358,034	(23,611)	(46,772,943)
Total Capital Assets, Net	\$107,003,160	\$27,451,292	\$ (100,081)	\$ (3,950)	\$134,350,421

All business-type activities relate to the environmental protection expenditure function. Capital asset activity, by asset class, for the year ended June 30, 2011 was as follows for Business-Type Activities.

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
BUSINESS-TYPE ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land and Land Improvements	\$ 9,776,908	\$ 546,879	\$ -	\$ -	\$ 10,323,787
Construction in Progress	-	1,444,362	-	-	1,444,362
Subtotal	9,776,908	1,991,241	-	-	11,768,149
Capital Assets Being Depreciated:					
Buildings and Improvements	975,815	65,191	-	(16,361)	1,041,006
Equipment (including Vehicles)	5,219,457	487,371	(275,956)	-	5,414,511
Leasehold Improvements	16,518	-	-	-	16,518
Infrastructure	4,130,636	-	-	-	4,130,636
Subtotal	10,342,426	552,562	(275,956)	(16,361)	10,602,671
Total Capital Assets	20,119,334	2,543,803	(275,956)	(16,361)	22,370,820
Less Accumulated Depreciation:					
Buildings and Improvements	(156,460)	(25,846)	-	-	(182,306)
Equipment (including Vehicles)	(3,528,824)	(375,923)	249,405	16,361	(3,638,981)
Leasehold Improvements	(6,828)	(550)	-	-	(7,378)
Infrastructure	(3,227,031)	(275,377)	-	-	(3,502,408)
Total Accumulated Deprec.	(6,919,143)	(677,696)	249,405	16,361	(7,331,073)
Total Capital Assets, Net	\$ 13,200,191	\$ 1,866,107	\$ (26,551)	\$ -	\$ 15,039,747

6. Construction Commitments

The County is involved with the following incomplete construction/renovation projects as of June 30, 2011:

Project Name	Spent-To-Date	Remaining Commitments
Detention Center Annex Expansion / Renovation	\$ 6,507,565	\$ 401,976
New Middle School Construction in Shelby, NC	13,134,939	5,456,415
Multi-Purpose Facility Construction at Community College	6,889,452	13,125,407
EMS Base Station (No. Three area) Renovations	7,171	146,118
Historic Courthouse Renovations	558,172	984,628
Landfill Cell Closure	1,417,413	1,479,878
Total	\$ 28,514,711	\$ 21,594,423

B. Liabilities

1. Payables

Payables at the Government-Wide and Fund level at June 30, 2011 were as shown in the following table.

	Vendors	Employee Benefits	Cash Held in Trust	Insurance Claims *	Total
Governmental Activities:					
General Fund	\$ 1,825,721	\$ 429,942	\$ -	\$ 740,956	\$ 2,996,619
County Capital Reserve Fund	4,521,952	-	-	-	4,521,952
Nonmajor Governmental Funds	387,843	-	-	-	387,843
Total Governmental Activities	\$ 6,735,516	\$ 429,942	\$ -	\$ 740,956	\$ 7,906,414
Business-Type Activities:					
Solid Waste Fund	\$ 701,747	\$ -	\$ -	\$ -	\$ 701,747
Fiduciary Activities:					
Agency Funds	\$ 181,292	\$ -	\$ 102,163	\$ -	\$ 283,455

* 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 (LGERS)

Plan Description. The statewide Local Governmental Employees' Retirement System (LGERS) provides retirement and disability benefits to plan members and beneficiaries. Cleveland County contributes to LGERS, a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. According to Article 3 of NCGS 128, the North Carolina General Assembly has the authority to establish and amend benefit provisions. The State of North Carolina's annual financial report includes financial statements and required supplementary information for LGERS. You may obtain the State's annual financial report by submitting your request to the Office of the State Controller, (919) 981-5454, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the rate effective in the year ended June 30, 2011 for employees not engaged in law enforcement and for law enforcement officers is 6.44% and 6.41%, 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, 2012, the County's contribution rates have increased to 6.96% and 7.04% 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, 2011 is \$1,752,277. 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, 2011, the County made contributions to the State for death benefits of \$23,734. 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 (LEOSSA)

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. And, a separate report has not been issued for this pension plan. See more details in Part II.D.1 of this annual financial report. All full-time County law enforcement officers are covered by the LEOSSA. At June 30, 2011, the LEOSSA's membership consisted of:

<u>Member Category</u>	<u>No.</u>
retirees currently receiving benefits	10
terminated plan members entitled to but not yet receiving benefits	-
active plan members:	
Vested	75
non-vested	14
total members	<u>99</u>

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, 2010) and through June 30, 2011, the County had no assets to pay future liabilities. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,546,105. The annual payroll of active employees covered under this plan (covered payroll) was \$3,336,824 and the ratio of the UAAL to the covered payroll was 46.335%. 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. Therefore, without advanced contributions, the County has no pension trust plan. 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, 2011 is \$94,007. 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, 2009 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 4.4648% of annual covered payroll. The remaining amortization period at December 31, 2009 was 21 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, 2011 are \$153,076 and \$441,659, 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 (SRIP)

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, 2011 were \$249,742, which consisted of \$172,195 from the County and \$77,547 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, 2011 were \$1,661,123, which consisted of \$1,205,919 from the County and \$455,204 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 (RODSPF)

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, 2011, the County's required and actual contributions were \$5,012. 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), are at least 50 years of age, and have twenty or more years of creditable service with the County until they attain the age for Medicaid eligibility. At June 30, sixty-seven 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 an actuarial study of the plan, thus comparative information from prior years is limited. At December 31, 2009 (which is the date of the latest actuarial valuation), the OPEB-RHC's membership consisted of:

Member Category	LEO No.	Other No.
Retirees currently receiving benefits	7	52
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members:		
Vested	8	83
Non-vested and eligible for LGERS benefits	64	250
Non-vested and non-eligible for LGERS benefits	39	259
Total members	118	644

Summary of Significant Accounting Policies. The County's contributions to the plan are recognized when due and when a formal commitment has been made to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan. However, no funds are set aside in a trust fund to pay benefits and administration costs; instead, these expenditures are paid as they come due.

Funding Policy. The County pays the entire cost of coverage for healthcare benefits for eligible retirees. Although all employees can purchase coverage for their dependents at the County's group rates, retirees can only purchase coverage under C.O.B.R.A. guidelines for a specific number of months following retirement. The Board of County Commissioners may amend the benefit provisions. For multi-year trend information, see Exhibit III.E.5 in Subsection E of Section III of this report.

Funded Status and Funding Progress. As of the most recent actuarial valuation date (December 31, 2009), the County had no assets to pay future liabilities. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) is \$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, 2011, the County made payments for claims due to post-employment healthcare coverage of \$140,961. 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 is 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, 2011 are \$1,390,893 and \$3,665,901, 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.

Net OPEB Obligation, as of June 30, 2010		\$ 2,415,969
annual required contribution	\$ 1,377,628	
adjustment to annual required contribution	(83,374)	
interest on net OPEB obligation	96,639	
annual OPEB cost	\$ 1,390,893	
contributions	(140,961)	
Change in Net OPEB Obligation		\$ 1,249,932
Net OPEB Obligation, as of June 30, 2011		\$ 3,665,901

For more information and additional calculations, 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, 2011, the County closed its reserve fund by removing \$5,232,782. 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 local government financial test to prove its ability to afford closure and post-closure care costs as needed.

State and federal 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 \$7,259,762 reported as landfill closure and post-closure care liability at June 30, 2011 represents a cumulative amount reported to-date following an increase of \$3,527,692 in the reported liability for future costs and a reduction of \$1,500,710 for closure costs paid during the year.

The County is required to increase its reported liability at least \$321,878 annually hereafter until the total amount reaches \$9,404,230. 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, 2011 and the

fact that the County closed an existing municipal solid waste facility in the winter of 2009/2010 and expects to close the current construction and demolition facility in 2018. Post-closure care and corrective action costs, if any, are not included in this calculation. Actual costs may be higher due to inflation, changes in scheduled closing dates, changes in technology, or changes in regulations.

4. Deferred / Unearned Revenues

Deferred revenues are reported in the Fund Financial Statements, but not in the Government-Wide Financial Statements. The balance in unearned and deferred revenues on the fund statements and unearned revenues on the Government-Wide Statement of Net Assets at year-end is composed of the following elements:

Reporting Fund / Revenue Item	Unearned Revenues	Deferred Revenues *
General Fund:		
Prepaid taxes not yet earned	\$ 120,657	\$ -
Other accounts, net	1,732,318	428,294
Taxes receivable, net	185,761	2,077,174
Subtotal	2,038,736	2,505,468
Capital Projects Fund, grant receivables	-	460,885
County Fire Service District Fund, taxes receivable, net	5,702	39,869
Community Development Fund, grant receivables	803,456	162,568
Total Governmental Activities	\$ 2,847,894	\$ 3,168,790
Solid Waste Fund-Collection and Disposal:		
Prepaid fees not yet earned	\$ 2,680	\$ -
Total Business-Type Activities	\$ 2,680	\$ -

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, 2011. 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, 2011. 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, 2011 is \$400,000 per occurrence. The estimated liability for outstanding losses includes \$100,000 for incurred and unpaid claims as of June 30, 2011. The County has contracted with a private insurer to administer the payment of claims and the County reimburses the insurer each week.

The following table summarizes the amount of insurance claims payable at year-end for the various coverages described above:

Insurance Claims Payable (incurred but not reported)	June 30, 2010	June 30, 2011
General Fund:		
Health insurance coverage	\$ 537,813	\$ 610,007
Dental plan	30,949	30,949
Workers' compensation coverage	100,000	100,000
Total	\$ 668,762	\$ 740,956

In accordance with NCGS 159-29, County employees that have access to County funds are performance bonded through a commercial surety bond. The County 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, 2011, 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, 2011, the County's leased equipment had a value of:

Governmental Activities	Recorded Value of Asset	Accumulated Depreciation	Net Present Value
Computer equipment (Social Services)	\$ 75,075	\$ (58,692)	\$ 16,383
Imaging equipment (Register of Deeds)	180,715	(108,341)	72,374
Computer equipment (Info. Tech.)	81,095	(29,182)	51,913
Total	\$ 336,885	\$ (196,215)	\$ 140,670

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 serviced by the County are collateralized by the full faith, credit, and taxing power of the County. 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 mentioned below. 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, the costs of expanding and renovating the Detention Center Annex Expansion in 2009, and the costs of constructing a multi-use facility at Cleveland Community College through direct loans from a financial institution. When due, principal and interest payments are appropriated in the County's Debt Service Fund. The face value of the outstanding 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 \$12,255,000 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, 2011, Cleveland County had an amount of bonds authorized but un-issued of \$-0- and a legal debt margin of \$453,744,179. During the year, the County did not use short-term borrowings or interest rate swaps.

The County's general obligation bonds, limited obligation bonds, installment purchase loans, and contractual obligations payable at June 30, 2011 are comprised of the following individual issues:

General Obligation Bonds	Outstanding at June 30, 2011
\$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%	\$ 1,350,000
Limited Obligation Bonds	
\$22,000,000 - New Middle School in Shelby, Series 2010A&B; due in annual installments of \$1,080,000 to \$1,140,000 through March 2030; interest from 4.49% to 6.07%; interest payments partially subsidized by federal govt; payments due to Wells Fargo Bank	20,920,000
Installment Purchase Loans	
\$6,000,000 - Public Safety Communication Equipment, Series 2007; due in annual installments of \$400,000 through December 2022; interest at 3.93%; payments due to BB&T	4,800,000
\$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%; payments due to BB&T	5,824,000
\$17,582,950 - Community College Building Project, Series 2010C&D; due in semi-annual installments of \$586,098.33 through September 2025; interest at 4.91%; interest payments partially subsidized by federal govt; payments due to BB&T	16,996,852
Subtotal Installment Purchase Loans	27,620,852
Contractual Obligations	
\$12,255,000 - City of Shelby Enterprise System Revenue Bonds, Series 2004; due in annual installments of \$315,000 to \$810,000 through May 1, 2029; County's portion of revenue bonds (\$634,599) per contract with City of Shelby are due in annual installments of \$16,312 to \$41,944 through May 1, 2029; interest at 5.00%; payments due to City of Shelby	527,926
Total	\$ 50,418,778

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

	General and Limited Obligation Bonds:		Other Long-Term Debt:		Capitalized Leases:		Total Debt Service:	
	Principal	Interest	Principal	Interest	Prncpl.	Intrst.	Principal	Interest
2011	1,330,000	791,821	1,453,775	905,096	63,273	6,585	2,847,048	1,703,502
Maturities								
2012	1,330,000	1,037,658	2,040,393	1,214,447	65,606	3,619	3,435,998	2,255,724
2013	1,330,000	1,008,628	2,041,169	1,126,355	30,975	1,270	3,402,947	2,136,253
2014	1,335,000	974,198	2,041,946	1,038,212	17,486	442	3,394,431	2,012,852
2015	1,335,000	930,893	2,042,723	950,016	1,489	5	3,379,212	1,881,004
2016	1,335,000	883,428	2,043,499	861,763	-	-	3,378,499	1,745,191
Sum 5 yrs.	6,665,000	4,634,895	10,209,728	5,190,793	115,556	5,337	16,990,284	10,031,024
Next 5 yrs. (2017 to 2021)	5,525,000	3,678,283	10,232,511	2,981,769	-	-	15,757,511	6,660,051
Next 5 yrs. (2022 to 2026)	5,685,000	2,300,657	7,586,143	826,029	-	-	13,271,143	3,126,685
Next 5 yrs. (2027 to 2031)	4,395,000	659,654	120,395	11,304	-	-	4,515,395	670,958
Sum	\$22,270,000	\$11,473,488	\$28,148,778	\$9,009,894	\$115,556	\$5,337	50,534,334	20,488,718
							Less Capitalized Leases:	(115,556) (5,337)
							Total Long-Term Debt:	\$50,418,778 \$20,483,382

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, 2011, there were four series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$23,130,000. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of these 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, 2011 was as follows for Business-Type Activities.

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Difference (or Expense)
Vacation Leave (accrued)	\$ 93,211	\$ 68,516	\$ (60,862)	\$ 100,865	\$ 7,654
Holiday Leave (accrued)	19,438	53,246	(55,104)	17,580	(1,858)
Compensatory Leave (accrued)	27,464	8,407	(22,657)	13,214	(14,250)
Subtotal (accrued)	140,113	130,169	(138,623)	131,659	(8,454)
Compensatory Leave (unaccrued)	7,071	6,340	(9,678)	3,733	(3,338)
Sick Leave (unaccrued)	91,863	58,086	(52,021)	97,928	6,065
Subtotal (unaccrued)	98,934	64,426	(61,699)	101,661	2,727
Grand Totals	\$ 239,047	\$ 194,595	\$ (200,322)	\$ 233,320	\$ (5,727)

Compensated absences typically have been liquidated in the general fund. The County has assumed a first-in, first-out method of using accumulated compensated leave time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability. The following table displays the changes in earned leave, sick leave, and the portion of compensatory leave for which no accrual is recognized, by expenditure functions/programs of governmental activities. Additional personnel expenses were charged to functions/programs as shown under "Difference (or Expense)" to both the current and non-current portions of the accrued liability on the Government-Wide Financial Statements.

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Difference (or Expense)
Vacation Leave (accrued)	\$ 2,289,558	\$ 1,879,862	\$ (1,813,981)	\$ 2,355,439	\$ 65,881
General Government	293,144	242,380	(231,384)	304,140	10,996
Public Safety	780,996	632,216	(594,702)	818,510	37,514
Human Services	1,141,323	952,913	(936,866)	1,157,370	16,047
Cultural (Library)	43,982	27,986	(26,478)	45,490	1,508
Other	30,113	24,367	(24,551)	29,929	(184)
Subtotal	2,289,558	1,879,862	(1,813,981)	2,355,439	65,881
Holiday Leave (accrued)	671,008	1,403,780	(1,396,857)	677,930	6,923
General Government	6,715	148,454	(147,991)	7,179	463
Public Safety	662,239	561,611	(554,686)	669,162	6,925
Human Services	2,054	659,426	(659,981)	1,589	(465)
Cultural (Library)	-	20,972	(20,972)	-	-
Other	-	13,317	(13,317)	-	-
Subtotal	671,008	1,403,780	(1,396,857)	677,930	6,923
Compensatory Leave (accrued)	452,262	462,806	(447,882)	467,187	14,924
General Government	40,125	25,277	(26,932)	38,470	(1,655)
Public Safety	246,885	200,735	(185,524)	262,097	15,211
Human Services	151,895	219,516	(222,540)	148,871	(3,024)
Cultural (Library)	13,004	15,716	(11,087)	17,633	4,629
Other	353	1,562	(1,799)	116	(237)
Subtotal	452,262	462,806	(447,882)	467,187	14,924
Subtotal (accrued)	3,412,828	3,746,448	(3,658,720)	3,500,556	87,728
Compensatory Leave (unaccrued)	495,384	389,931	(365,953)	519,362	23,978
General Government	193,985	86,717	(103,868)	176,834	(17,151)
Public Safety	64,615	65,944	(26,942)	103,617	39,002
Human Services	223,849	220,371	(221,807)	222,413	(1,436)
Cultural (Library)	12,386	12,155	(8,696)	15,845	3,459
Other	549	4,744	(4,640)	653	104
Subtotal	495,384	389,931	(365,953)	519,362	23,978
Sick Leave (unaccrued)	2,602,267	1,426,051	(1,427,888)	2,600,430	(1,837)
General Government	342,038	161,950	(165,402)	338,586	(3,452)
Public Safety	906,909	507,321	(487,116)	927,114	20,205
Human Services	1,275,755	719,374	(734,351)	1,260,778	(14,977)
Cultural (Library)	46,385	22,878	(26,197)	43,066	(3,319)
Other	31,180	14,528	(14,822)	30,886	(294)
Subtotal	2,602,267	1,426,051	(1,427,888)	2,600,430	(1,837)
Subtotal (unaccrued)	3,097,651	1,815,982	(1,793,841)	3,119,792	22,141
Grand Totals	\$ 6,510,479	\$ 5,562,430	\$ (5,452,561)	\$ 6,620,348	\$ 109,869

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, 2011:

Governmental Activities	Next Year Interest Payable	Next Year Obligation	Future Year Obligation	Total
G.O. Bonds (non-capital related)	\$ 63,450	\$ 250,000	\$ 1,100,000	\$ 1,413,450
L.O. Bonds (capital related)	974,208	1,080,000	19,840,000	21,894,208
Bank Financed Loans	1,190,827	2,020,197	25,600,655	28,811,679
Contractual Obligations	23,620	20,196	507,730	551,546
Total Bonds	2,252,105	3,370,393	47,048,385	52,670,883
Capitalized Leases	3,619	65,606	49,951	119,176
Net Pension Obligation	-	-	441,659	441,659
Net OPEB Obligation	-	-	3,417,421	3,417,421
Accrued Leave (earned, unpaid)	-	1,498,431	2,002,123	3,500,554
Totals	\$ 2,255,724	\$ 4,934,430	\$ 52,959,538	\$ 60,149,693

Business-type Activities

Landfill Closure/Post-Closure	\$ -	\$ -	\$ 7,259,762	\$ 7,259,762
Net OPEB Obligation	-	-	248,480	248,480
Accrued Leave (earned, unpaid)	-	45,923	85,735	131,658
Totals	\$ -	\$ 45,923	\$ 7,593,977	\$ 7,639,900

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance
G.O. Bonds (non-capital related)	1,600,000	-	(250,000)	1,350,000
L.O. Bonds (non-capital related)	22,000,000	-	(1,080,000)	20,920,000
Bank Financed Loans	11,472,000	17,582,950	(1,434,098)	27,620,852
Contractual Obligations	547,603	-	(19,677)	527,926
Capitalized Leases	178,830	-	(63,273)	115,557
Net Pension Obligation	382,590	59,069	-	441,659
Net OPEB Obligation	2,253,419	1,164,002	-	3,665,901
Accrued Leave (earned, unpaid)	3,412,827	3,746,448	(3,658,721)	3,500,554
Totals	\$ 41,847,269	\$ 22,552,469	\$ (6,505,769)	\$ 57,893,968

By purpose:

County	\$ 11,472,000	\$ -	\$ (848,000)	\$ 10,624,000
Community College	1,600,000	17,582,950	(836,098)	18,346,852
Public Schools (K-12)	22,000,000	-	(1,080,000)	20,920,000
Waterline	547,603	-	(19,677)	527,926
Equipment--Capitalized Leases	178,830	-	(63,273)	115,557
Employment/Post-employment	6,048,836	4,969,519	(3,658,721)	7,359,634
Totals	\$ 41,847,269	\$ 22,552,469	\$ (6,505,769)	\$ 57,893,968

Business-type Activities

Landfill Closure/Post-Closure	\$ 5,232,782	\$ 2,026,980	-	\$ 7,259,762
Net OPEB Obligation	162,550	85,930	-	248,480
Accrued Leave (earned, unpaid)	140,113	130,169	(138,624)	131,658
Totals	\$ 5,535,445	\$ 2,243,079	\$ (138,624)	\$ 7,639,900

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, 2011 consists of the following:

Activity description	Amount
From General Fund to Community Development Fund for portion of roadway expansion above the amount of the grant	\$ 94,913
From General Fund to Debt Service Fund for payments on outstanding long-term debt	1,909,966
From General Fund to Capital Projects Fund for current capital projects activity and accumulating resources for future capital projects	1,283,781
Subtotal from General Fund	3,288,660
From Capital Projects Fund to General Fund for current capital projects activity of the school system	1,936,014
From Capital Projects Fund to Debt Service Fund for payments on outstanding long-term debt used for construction of school buildings	1,589,689
Subtotal from Capital Projects Fund	3,525,703
From Emergency Telephone Fund to General Fund for a portion of costs of personnel involved in supporting fund activities	69,097
From Solid Waste Fund to General Fund for a portion of costs of personnel involved in supporting fund activities and for workers' compensation	335,925
Total interfund activity	\$ 7,219,385

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, 2011 is as follows:

Reporting Fund	Due from General Fund	Due from Other Funds	Due to Other Funds
Governmental Funds			
General Fund	\$ -	\$ 2,048,873	\$ 177,824
Capital Projects Fund	169,786	-	1,617,723
Emergency Telephone Fund	507	-	-
County Fire Service District Fund	7,531	-	-
Community Development Fund	-	-	288,179
Debt Service Fund	-	-	142,971
Total Interfund Balances	177,824	2,048,873	2,226,697

D. Fund Balance

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 less liabilities (not including deferred revenues not arising from cash receipts) and less encumbrances as calculated at the end of the fiscal year preceding the appropriation. This calculated amount represents fund balance available for appropriation and is reflected in the following table:

Item Description	General Fund	Capital Projects Fund	Other Non-Major Funds
Fund balance available for appropriation			
Cash and Investments	\$ 19,228,042	\$ 26,683,060	\$ 2,974,766
Liabilities	(7,943,559)	(6,600,560)	(1,830,588)
Deferred revenues not arising from cash receipts	2,505,468	460,885	202,437
Encumbrances	(206,589)	(20,124,066)	(82,721)
Fund balance available for appropriation	13,583,362	419,319	1,263,894
Restricted for Stabilization of State Statute			
Total fund balance	22,281,639	22,459,097	1,900,034
Fund balance available for appropriation	(13,583,362)	(419,319)	(1,263,894)
Fund balance not available for appropriation	8,698,277	22,039,778	636,140
Nonspendable fund balance	(285,701)	(1,080)	(832)
Restricted for Stabilization of State Statute	\$ 8,412,576	\$ 22,038,698	\$ 635,308

Outstanding encumbrances are remaining amounts needed to pay incomplete commitments related to purchase orders and contracts at year-end.

After accounting for nonspendable fund balance, Restricted for Stabilization of State Statute is the remaining non-appropriable portion of fund balance. The Board of County Commissioners seeks to conduct the financial affairs of the County in such a manner so as to achieve a fund balance available for appropriation in the General Fund of at least 8% of appropriations (a.k.a. budgeted expenditures).

Remaining fund balances may be restricted, committed, or assigned for other purposes. Unassigned fund balance represents the amount of fund balance that could still be committed or assigned.

To provide guidance in situations involving multiple revenue sources, the County will use resources in the following order: cost-reimbursement grant funds, federal-source funds, state-source funds, other non-debt third-party-source funds, debt proceeds, and County funds. Likewise, the County intends to expend resources that have been classified as fund balance in the following order: restricted, committed, assigned, and unassigned. The County Finance Director is authorized to deviate from this policy to comply with funding stipulations and when in the best interest of the County.

E. Net Assets

Net assets in the Fund Financial Statements of the Solid Waste Fund and in the Government-Wide 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 balance of restricted net assets at June 30, 2011, consists of the following:

Governmental activities	Beginning Balance	Activity	Ending Balance
General government	-45,204.45	45,204.45	0.00
Register of Deeds Automation Fund (3.994.19)	-45,204.45	45,204.45	0.00
Public safety	3,326,317.90	-1,331,582.48	1,994,735.42
E911 Service Cash (FD26)	1,723,446.66	-215,419.22	1,508,027.44
Fire Districts Cash (FD28)	826,998.56	-357,542.73	469,455.83
Unspent Dare Program Donations	5,398.79	-1,475.19	3,923.60
Unspent Sheriff Donations	15,552.25	-3,052.30	12,499.95
Unspent Reading Fathers Donations	7.50	0.00	7.50
Unspent Emergency Management Donations	40.73	100.00	140.73
Unspent EMS Donations	454.12	226.25	680.37
Unspent Federal Forfeiture Monies	470,086.33	-470,086.33	0.00
Unspent State Forfeiture Monies	284,332.96	-284,332.96	0.00
Human services	3,508,938.92	-3,508,540.86	398.06
Unspent grants to Social Services	3,645.92	-3,630.26	15.66
Unspent Health Donations	0.00	382.40	382.40
Unspent earnings from Health Department	3,505,293.00	-3,505,293.00	0.00
Education	6,057,519.83	-800,365.38	5,367,705.45
Public Schools Capital Reserve Cash (FD42)	6,168,070.83	-800,365.38	5,367,705.45
Economic and physical development	53,266.99	996,075.31	1,049,342.30
Community Development Cash (FD29)	0.00	997,283.00	997,283.00
Unspent Coop Exp Special Project	24,895.22	-1,207.69	23,687.53
Unspent Soil Conservation Special Project	28,371.77	0.00	28,371.77
Culture and recreation	133,068.66	-2,764.92	130,303.74
Unspent Library Donations	133,068.66	-2,764.92	130,303.74
Total	13,033,907.85	-4,601,973.88	8,542,484.97

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, 2011, consists of the following:

Governmental Activities:	Beginning Balance	Activity	Ending Balance
Capital Assets	\$ 149,393,833	\$ 31,729,531	\$ 181,123,364
Adjustments for depreciation and related debt			
Depreciation on capital assets	(42,390,673)	(4,382,270)	(46,772,943)
Bonds issued for capital purposes, current portion	(1,928,000)	(1,172,196)	(3,100,196)
Leases issued for capital equipment, current portion	(63,274)	(2,332)	(65,606)
Bonds issued for capital purposes, future portion	(31,544,000)	(13,896,655)	(45,440,655)
Leases issued for capital equipment, future portion	(115,556)	65,606	(49,950)
Subtotal adjustments	(76,041,503)	(19,387,847)	(95,429,350)
Invested in Capital Assets, Net of Related Debt	\$ 73,352,330	\$ 12,341,684	\$ 85,694,014

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

F. 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 \$1,415,129 for operating purposes and an additional \$75,000 for capital purposes during the fiscal year ended June 30, 2011 to Cleveland Community College.

The County paid an additional \$1,454 to CCC for training courses and course materials for employees. And, \$626 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, 2011. 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 borrows money for new and restructured facilities. In August 2010, the County borrowed \$17,582,950 for a new multi-purpose facility to be named the LeGrand Center. During the fiscal year, the County made debt service payments of \$250,000 on general obligation bonds and \$586,098 on installment purchase loan from BB&T issued for community college capital facilities. After these payments, \$1,350,000 in general obligation bond debt remains outstanding and \$16,996,852 in installment purchase loan 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, 2011. The County paid an additional \$43,566 to IPDC to coordinate and administer the Community Development Block Grant and related grant awards and \$28 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, 2011:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>State or Pass-Thru Grantor Number</u>	<u>Federal (Direct and Pass-Thru) Expenditures</u>	<u>State (Direct and Pass-Thru) Expenditures</u>
<u>U.S. Dept. of Health & Human Services</u>				
<u>Passed-through the N.C. Dept. of Health and Human Services:</u>				
<u>Divisions of Aging (thru Isothermal Planning and Development) and Social Services</u>				
III-B Grants for Supportive Services and Senior Centers – In-Home Services	93.044	-	\$ 126,413	\$ 7,898
<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-Economic Development (CDBG-ED): Roadway/Railway expansion	14.228	09-E-2081	361,616	499,371
Total pass-thru grants awards from IPDC			<u>\$ 488,029</u>	<u>\$ 507,269</u>

Note e: HOSPITAL LEASE AGREEMENT

The County has entered into a lease agreement, as amended, with Cleveland Regional Medical Center, hereafter CRMC, and the Charlotte-Mecklenburg Hospital Authority under which CRMC will lease certain local hospital and medical facilities in Cleveland and Rutherford counties. Under amendments to the agreement adopted by the County during 2004, the lease term is from October 1, 1997 to January 1, 2019. Pursuant to the amended agreement, all added facilities on County land become County property. Also, CRMC will remit a lump-sum lease payment of \$1,450,000 each year to the County beginning January 2005.

Note f: BENEFIT PAYMENTS ISSUED BY THE STATE

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily determination of eligibility, that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients that do not appear in the Basic Financial Statements because they are neither revenues nor expenditures of the County.

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures
Women, Infants, Children	10.557	-	\$ 2,022,030	\$ -
Medical Assistance	93.778	-	116,677,238	47,710,960
Participation in Budgeted County Expenditures				
IV-D Offset Fees-ESC	93.563	-	740	45
IV-D Offset Fees-Federal	93.563	-	4,958	-
Links Transitional Funds	93.674	-	7,431	-
IV-E Adoption Subsidy	93.659	-	622,687	137,102
Energy Assistance Payments	93.568	-	1,258,362	-
AFDC Payments and Penalties	93.560	-	(646)	(177)
AFDC Unemployed Parents				
Assistance	93.560	-	(123)	-
TANF Payments and Penalties	93.558	-	577,117	-
Child Welfare Services Adoption Subsidy		-	-	428,623
State-County / Special Assistance Domicillary				
Care Payments		-	-	1,246,355
Total participation in budgeted county expenditures			<u>2,470,525</u>	<u>1,811,948</u>
Total direct benefit payments			<u>\$ 121,169,793</u>	<u>\$ 49,522,907</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 Community Development 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.

Note h: PRIOR PERIOD ADJUSTMENTS

With implementation of Governmental Accounting Standards Board (GASB) Statements No. 54 ("*Fund Balance Reporting and Governmental Fund Type Definitions*"), the County has consolidated certain funds for budgeting and reporting purposes. Both the Public Schools Fund and the Revaluation Fund reported in previous reports have now been consolidated into the General Fund. Also, both the Schools Capital Reserve Fund and the County Capital Reserve Fund reported in previous reports have now been consolidated into the Capital Projects Fund. As a result of these consolidations, the fund balance of these prior funds have been consolidated with their parent fund and the restated fund balances are shown in the financial statements. The reported ending fund balance of the General Fund for the fiscal year ended June 30, 2010 has increased by \$51 from the Public Schools Fund and \$-0- from the Revaluation Fund, resulting in an ending fund balance of \$23,582,128. And, the reported ending fund balance of the Capital Projects Fund for the fiscal year ended June 30, 2010 has increased by \$6,650,462 from the Schools Capital Reserve Fund and \$26,341,019 from the County Capital Reserve Fund, resulting in an ending fund balance of \$32,857,880. No other restatements were necessary.

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2011
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. Other Post-Employment Benefits-Retirees Healthcare Coverage Financial Schedules	Part II.D.2	90
3. Major Governmental Funds Financial Statements	Part II.D.3	94
4. Non-major Governmental Funds Financial Statements	Part II.D.4	107
5. Major Enterprise Fund Financial Schedule	Part II.D.5	116
6. Fiduciary Funds Financial Statement	Part II.D.6	119

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

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2011
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
1. Law Enforcement Officers' Special Separation Allowance Financial Schedules

	Identifier	Page No.
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, 2011

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						
2010	\$ -	\$ 1,546,105	\$ 1,546,105	0.000%	\$ 3,336,824	46.335%
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	??

* AAL = Actuarial Accrued Liability (see Valuation Balance Sheet on next page)

?? = information not available

Cleveland County, North Carolina
b. LEOSSA Schedule of Employer Contributions

For the Year Ended June 30, 2011

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						
2011	\$ 94,007	\$ 154,429	60.874%	\$ 153,076	61.412%	\$ 441,659
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	??	??	??	??	??

?? = information not available

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

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
1. Law Enforcement Officers' Special Separation Allowance Financial Schedules
c. Notes to LEOSSA Financial Schedules

INFORMATION PERTAINING TO THE FISCAL YEAR ENDED JUNE 30, 2011

The actuarial valuation for the fiscal year ended 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 below.

ANNUAL PAYROLL FOR THE PERIOD ENDED DECEMBER 31, 2009

	<u>Number</u>	<u>Amount</u>
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 ENDED JUNE 30, 2011

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

	<u>Rate *</u>	<u>Amount</u>
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	4.4648%	<u>\$ 154,429</u>

NET PENSION OBLIGATION (& ANNUAL PENSION COST) FOR THE YEAR ENDED JUNE 30, 2011

Net Pension Obligation, as of June 30, 2010		\$ 382,590
annual required contribution	\$ 154,429	
adjustment to annual required contribution	(20,483)	
interest on net pension obligation	19,130	
annual pension cost	<u>\$ 153,076</u>	
contributions	(94,007)	
Change in net pension obligation		59,069
Net Pension Obligation, as of June 30, 2011		<u>\$ 441,659</u>

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

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
1. Law Enforcement Officers' Special Separation Allowance Financial Schedules
c. Notes to LEOSSA Financial Schedules

INFORMATION PERTAINING TO THE FISCAL YEAR ENDING JUNE 30, 2012

The actuarial valuation for the fiscal year ending June 30, 2012 is based on the annual payroll for law enforcement officers in the calendar year ended December 31, 2010. 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, 2010

	<u>Number</u>	<u>Amount</u>
1) active members - current annual compensation	91	\$ 3,336,824
2) retired members - current annual benefits	7	100,186
total annual payroll		<u>\$ 3,437,010</u>

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2010

Present and Prospective Assets	
present assets	\$ -
present value of future (unfunded) accrued liability contributions	1,546,105
total assets, as of December 31, 2010	<u>\$ 1,546,105</u>
Accrued Actuarial Liabilities = present value of benefits payable in respect of:	
present retired members and beneficiaries	\$ 456,033
present active members	1,090,072
total liabilities, as of December 31, 2010	<u>\$ 1,546,105</u>

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2012

The annual required contribution for the year ending June 30, 2012 is calculated as of December 31, 2010. The annual required contribution is comprised of 1) the value of benefits expected to be earned during the fiscal year by active employees and 2) a portion of the value of benefits earned during previous fiscal years by employees that were active in previous years. Below, both values are expressed as a percentage of the annual payroll as calculated in the section above.

	<u>Rate *</u>	<u>Amount</u>
1) value of benefits earned during the current year	2.1154%	\$ 70,589
2) portion of value earned and not contributed in previous years	2.7641%	92,233
total annual required contribution	4.7373%	<u>\$ 162,822</u>

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

**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
1. Law Enforcement Officers' Special Separation Allowance Financial Schedules
c. Notes to LEOSA Financial Schedules**

ADDITIONAL INFORMATION USED BY THE ACTUARY

The primary purpose of the actuarial valuation is to determine the annual required contribution for each fiscal year. In preparing the valuation, the actuary relied on data provided by Cleveland County and the NC-LGERS. To verify the data, the actuary performed tests for reasonableness and consistency. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information used to actuarially determine the annual required contribution for the reported fiscal year and the subsequent fiscal year follows:

Amortization Method of Unfunded Liability (for both years shown)		Level percent of pay, closed basis
Actuarial Cost Method (for both years shown) **		Projected unit credit **
Asset Valuation Method (for both years shown)		Market value
For the Year Ended	June 30, 2011	June 30, 2012
Valuation Date	Dec 31, 2009	Dec 31, 2010
Remaining Amortization Period	21 years	20 years
Actuarial Assumptions (projected rates):		
Projected Rate of Adjustments for Cost-of-Living	0.00%	0.00%
Projected Rate of Return on Investments *	5.00%	5.00%
Projected Rate of Salary Increases *	4.5 to 12.3%	4.25 to 7.85%
* Includes Projected Rate of Inflation	3.75%	3.00%

** 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
2011	10	0	75	14	99
2010	4	0	55	30	89
2009	6	0	57	27	90
2008	9	0	55	29	93
2007	9	0	48	35	92
2006	12	0	46	34	92
2005	12	0	39	42	93
2004	10	0	43	39	92
2003	9	0	41	37	87
2002	10	0	43	36	89
2001	8	0	44	33	85
2000	7	0	40	33	80

* Other Plan Members include only terminated plan members entitled to, but not yet receiving, benefits as of year-end.

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

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

2. Other Post-Employment Benefits-Retirees Healthcare Coverage Financial Schedules

	<u>Identifier</u>	<u>Page No.</u>
a. OPEB-RHC Schedule of Funding Progress	Exhibit II.D.2.a	91
b. OPEB-RHC Schedule of Employer Contributions	Exhibit II.D.2.b	91
c. Notes to OPEB-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. OPEB-RHC Schedule of Funding Progress

For the Year Ended June 30, 2011

Year Ended December 31	Actuarial Value of Assets	AAL* - Projected Unit Credit	Unfunded AAL*	Funded Ratio	Covered Payroll	Ratio of Unfunded AAL to Covered Payroll
<i>--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2008</i>						
2010	\$ -	\$ 13,359,447	\$ 13,359,447	0.000%	\$ 28,517,138	46.847%
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. OPEB-RHC Schedule of Employer Contributions

For the Year Ended June 30, 2011

Fiscal Year Ended June 30	Actual Contributions	Annual Required Contributions	Percentage Contributed	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
<i>--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2008</i>						
2011	\$ 140,961	\$ 1,377,628	10.232%	\$ 1,390,893	10.135%	\$ 3,665,901
2010	121,916	1,377,628	8.850%	1,383,964	8.809%	2,415,969
2009	223,707	1,377,628	16.239%	1,377,628	16.239%	1,153,921

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

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

2. Other Post-Employment Benefits-Retirees Healthcare Coverage Financial Schedules
c. Notes to OPEB-RHC Financial Schedules

INFORMATION PERTAINING TO THE FISCAL YEAR ENDED JUNE 30, 2011

The actuarial valuation for the fiscal year ended 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 below.

ANNUAL PAYROLL FOR THE PERIOD ENDED DECEMBER 31, 2009

	<u>Number</u>	<u>Amount</u>
1) active members - current annual compensation	703	\$ 28,517,138
2) retired members - current annual benefits	59	-
total annual payroll		<u>\$ 28,517,138</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	13,359,447
total assets, as of December 31, 2009	<u>\$ 13,359,447</u>
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	<u>\$ 13,359,447</u>

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2011

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

	<u>Rate *</u>	<u>Amount</u>
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%	<u>\$ 1,174,891</u>

NET OPEB OBLIGATION (& ANNUAL OPEB COST) FOR THE YEAR ENDED JUNE 30, 2011

Net OPEB Obligation, as of June 30, 2010		\$ 2,415,969
annual required contribution	\$ 1,377,628	
adjustment to annual required contribution	(83,374)	
interest on net OPEB obligation	96,639	
annual OPEB cost	<u>\$ 1,390,893</u>	
contributions	(140,961)	
Change in net OPEB obligation		1,249,932
Net OPEB Obligation, as of June 30, 2011		<u>\$ 3,665,901</u>

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

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

D. Required Supplementary Information:

2. Other Post-Employment Benefits-Retirees Healthcare Coverage Financial Schedules

c. Notes to OPEB-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, 2011
Valuation Date	Dec 31, 2009
Remaining Amortization Period	30 years
Actuarial Assumptions (projected rates):	
Projected Rate of Increases to Medical Costs	5.0% to 10.5%
* Year of Ultimate Trend Rate	2017
Projected Rate of Return on Investments *	4.00%
* Includes Projected Rate of Inflation	3.75%

** Under the projected unit credit method of valuing the actuarial cost, the projected benefits of each individual included in the actuarial valuation are allocated to valuation years based on service. The actuarial present value of benefits allocated to the current year is called the normal cost. The actuarial present value of benefits allocated to all periods prior to the valuation year is called the actuarial accrued liability. The excess of the actuarial accrued liability over current assets is the unfunded actuarial accrued liability. The actuarially determined contribution requirements consist of the normal cost and amortization of the unfunded actuarial accrued liability within a 30-year period, assuming inflation will grow at 3.75% annually.

The following table displays the number of plan members participating in this benefit plan at June 30 of each of the last twelve fiscal years.

Fiscal Year Ended June 30	Retirees Receiving Benefits	Other * Plan Members	Vested Plan Members	Non-Vested Plan Members	Total Plan Members
2011	59	0	91	612	762
2010	59	0	91	612	762
2009	55	0	114	578	747

* Other Plan Members includes only terminated plan members entitled to, but not yet receiving, benefits as of year-end.

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2011
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
3. Major Governmental Funds Financial Statements

	Identifier	Page No.
a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)	Exhibit II.D.3.a	95
b. Capital Projects Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.D.3.b	104

The Major Governmental Funds Financial Statements reflect the detail level of presentation behind the individual fund columns in the Basic Financial Statements.

Cleveland County, North Carolina

a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)

For the Year Ended June 30, 2011

With Comparative Totals For the Year Ended June 30, 2010

	2011		Variance - Over (Under)	2010
	Budget	Actual		Actual
REVENUES				
Ad Valorem Taxes				
Current year - General Fund	\$ 36,214,950	\$ 36,633,453	\$ 418,503	\$ 36,325,175
Current year - Public Schools	9,530,250	9,640,332	110,082	9,559,002
Prior years	1,849,713	1,971,679	121,966	2,394,120
Penalties, interest, and advertising, net	305,224	668,211	362,987	682,222
Subtotal Ad Valorem Taxes	<u>47,900,137</u>	<u>48,913,675</u>	<u>1,013,538</u>	<u>48,960,519</u>
Other Taxes				
Local option sales tax	8,075,000	7,405,889	(669,111)	7,429,274
Occupancy tax	196,000	207,890	11,890	174,322
Heavy equipment tax	24,000	42,778	18,778	20,349
Rental tax	24,000	29,069	5,069	25,160
Privilege license	-	4,635	4,635	4,450
Register of Deeds excise stamp	200,000	143,701	(56,299)	154,626
Subtotal Other Taxes	<u>8,519,000</u>	<u>7,833,962</u>	<u>(685,038)</u>	<u>7,808,181</u>
Intergovernmental Revenues, unrestricted				
Video programming services	350,000	331,536	(18,464)	353,206
Payments in lieu of taxes	11,000	26,880	15,880	12,535
Sheriff court fees	45,000	39,912	(5,088)	43,088
Jail fees	40,000	60,834	20,834	56,743
Safe road taxes	9,000	8,439	(561)	9,748
Subtotal Intergovernmental Revenues, unrestricted	<u>455,000</u>	<u>467,601</u>	<u>12,601</u>	<u>475,320</u>
Intergovernmental Revenues, restricted				
County program grants	2,089,390	737,230	(1,352,160)	1,485,239
Social services program grants	17,402,268	15,654,247	(1,748,021)	15,419,278
Health program grants	2,728,048	2,647,144	(80,904)	2,904,376
Court facilities fees	193,640	168,230	(25,410)	190,573
Other grants	3,645,316	1,756,558	(1,888,758)	6,745
Subtotal Intergovernmental Revenues, restricted	<u>26,058,662</u>	<u>20,963,409</u>	<u>(5,095,253)</u>	<u>20,006,211</u>
Subtotal Intergovernmental Revenues	<u>26,513,662</u>	<u>21,431,010</u>	<u>(5,082,652)</u>	<u>20,481,531</u>
Licenses, Fees, and Permits				
Elections fees	-	21	21	7,411
Register of Deeds fees and permits	425,000	357,567	(67,433)	374,198
Marriage licenses	-	15,225	15,225	14,575
Street sign fees	-	880	880	500
Civil, pistol, and concealed weapons permits	150,000	153,801	3,801	158,252
Inmate fees	-	4,436	4,436	6,062
Emergency management fees	-	1,130	1,130	480
Building permit and inspection fees	200,000	216,982	16,982	190,738
Zoning permits and fees	19,800	23,235	3,435	28,868
Soil conservation signs	-	11	11	11
Environmental health permits	100,200	92,405	(7,795)	102,690
Subtotal Licenses, Fees, and Permits	<u>895,000</u>	<u>865,693</u>	<u>(29,307)</u>	<u>883,785</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, 2011

With Comparative Totals For the Year Ended June 30, 2010

	2011		Variance - Over (Under)	2010
	Budget	Actual		Actual
REVENUES (continued from previous page)				
Sales and Services				
Rents, concessions, and parking	1,478,000	1,485,531	7,531	1,489,059
Contracted revenues	806,080	882,520	76,440	1,017,277
County program fees	1,122,767	1,883,256	760,489	1,448,136
Social Services Department fees	54,685	25,552	(29,133)	23,045
Health Department fees	459,380	455,267	(4,113)	518,939
Medicaid / Medicare service fees	4,637,060	5,747,679	1,110,619	5,212,781
Subtotal Sales and Services	8,557,972	10,479,805	1,921,833	9,709,237
Investment Earnings	780,000	202,277	(577,723)	546,868
Miscellaneous				
Insurance proceeds	50,000	82,866	32,866	35,673
Vending and phone commissions	61,500	77,102	15,602	65,863
Contributions / donations	67,111	71,387	4,276	206,652
ABC net revenues	85,000	67,798	(17,202)	66,572
Sale of used surplus equipment and vehicles	25,000	49,413	24,413	49,454
Miscellaneous State refunds to County	-	16,041	16,041	22,669
Paving assessments	-	5,011	5,011	3,447
Miscellaneous others	630,681	17,103	(613,578)	4,078
Subtotal Miscellaneous	919,292	386,721	(532,571)	454,408
Total Revenues	94,085,063	90,113,143	(3,971,920)	88,844,529
EXPENDITURES				
General Government				
Commissioners (including grants received and awarded)				
Salaries / benefits	378,657	367,813	(10,844)	367,801
Other expenses	2,681,985	1,914,616	(767,369)	1,836,046
Subtotal Commissioners	3,060,642	2,282,429	(778,213)	2,203,847
County Manager / Administration				
Salaries / benefits	526,337	524,683	(1,654)	505,077
Other expenses	23,011	18,386	(4,625)	26,752
Subtotal County Manager / Administration	549,348	543,069	(6,279)	531,829
Finance and Purchasing				
Salaries / benefits	549,906	547,800	(2,106)	520,766
Other expenses	76,615	64,483	(12,132)	68,663
Subtotal Finance and Purchasing	626,521	612,283	(14,238)	589,429
Tax Administration (assessing, listing, and collection)				
Salaries / benefits	1,143,908	1,138,781	(5,127)	1,098,798
Other expenses	290,255	258,397	(31,858)	245,136
Capital outlay	15,356	15,355	(1)	-
Subtotal Tax Administration	1,449,519	1,412,533	(36,986)	1,343,934

(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, 2011

With Comparative Totals For the Year Ended June 30, 2010

	2011		Variance - Over (Under)	2010
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Legal / County Attorney				
Other expenses	94,200	88,245	(5,955)	101,506
Capital outlay	27,435	27,435	-	91,207
Subtotal Legal / County Attorney	121,635	115,680	(5,955)	192,713
Elections				
Salaries / benefits	249,922	242,269	(7,653)	313,104
Other expenses	107,294	81,157	(26,137)	197,595
Subtotal Elections	357,216	323,426	(33,790)	510,699
Register of Deeds (including Automation)				
Salaries / benefits	330,422	326,964	(3,458)	320,864
Other expenses	60,219	50,361	(9,858)	49,545
Capital outlay	71,868	64,906	(6,962)	-
Subtotal Register of Deeds	462,509	442,231	(20,278)	370,409
Information Technology				
Salaries / benefits	423,994	419,570	(4,424)	391,369
Other expenses	94,159	78,910	(15,249)	84,115
Capital outlay	-	-	-	81,095
Subtotal Information Technology	518,153	498,480	(19,673)	556,579
Human Resources				
Salaries / benefits	317,525	309,320	(8,205)	356,077
Other expenses	21,654	18,232	(3,422)	20,908
Capital outlay	-	-	-	24,000
Subtotal Human Resources	339,179	327,552	(11,627)	400,985
Facilities Maintenance				
Salaries / benefits	452,318	452,146	(172)	451,573
Other expenses	1,011,537	960,783	(50,754)	954,679
Capital outlay	61,642	46,107	(15,535)	28,010
Subtotal Facilities Maintenance	1,525,497	1,459,036	(66,461)	1,434,262
Juvenile Crime Prevention Council Administration, other expenses	1,776	1,598	(178)	4,088
Communities in Schools, other expenses	58,500	58,500	-	58,500
Property & Liability Insurance, other expenses	122,736	18,417	(104,319)	31,001
Court Facilities				
Salaries / benefits	96,990	95,468	(1,522)	93,564
Other expenses	244,150	221,174	(22,976)	188,464
Subtotal Court Facilities	341,140	316,642	(24,498)	282,028
Total General Government	9,534,371	8,411,876	(1,122,495)	8,510,303
Transportation				
TACC, other expenses	39,464	39,464	-	39,464
Total Transportation	39,464	39,464	-	39,464

(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, 2011

With Comparative Totals For the Year Ended June 30, 2010

	2011		Variance - Over (Under)	2010
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Public Safety				
Sheriff (including Schools Resource Officers)				
Salaries / benefits	5,104,685	5,035,833	(68,852)	5,049,000
Other expenses	917,851	862,797	(55,054)	718,839
Capital outlay	293,187	292,183	(1,004)	254,352
Subtotal Sheriff	6,315,723	6,190,813	(124,910)	6,022,191
Law Enforcement and Other Public Safety Grants				
Other expenses	58,614	34,289	(24,325)	65,248
Capital outlay	-	-	-	41,142
Subtotal Public Safety Grants	58,614	34,289	(24,325)	106,390
Criminal Justice Partnership (Day Reporting Center)				
Salaries / benefits	30,800	30,720	(80)	45,896
Other expenses	73,139	49,590	(23,549)	51,366
Subtotal Criminal Justice Partnership	103,939	80,310	(23,629)	97,262
Federal and State Forfeited Property				
Other expenses	128,237	117,115	(11,122)	73,597
Capital outlay	208,127	195,994	(12,133)	183,049
Subtotal Federal and State Forfeited Property	336,364	313,109	(23,255)	256,646
Detention Centers				
Salaries / benefits	1,818,523	1,792,686	(25,837)	1,509,710
Other expenses	1,199,324	1,155,300	(44,024)	982,478
Capital outlay	38,265	36,578	(1,687)	30,452
Subtotal Detention Centers	3,056,112	2,984,564	(71,548)	2,522,640
Emergency Management				
Salaries / benefits	220,643	214,087	(6,556)	209,864
Other expenses	83,016	74,244	(8,772)	174,641
Capital outlay	13,285	13,283	(2)	-
Subtotal Emergency Management	316,944	301,614	(15,330)	384,505
Emergency Medical Services				
Salaries / benefits	4,383,044	4,357,985	(25,059)	4,229,052
Other expenses	951,714	882,221	(69,493)	839,762
Capital outlay	346,773	213,625	(133,148)	486,665
Subtotal Emergency Medical Services	5,681,531	5,453,831	(227,700)	5,555,479
Rescue Squads, Other expenses	123,825	87,570	(36,255)	94,814
E911 Communications				
Salaries / benefits	928,631	923,475	(5,156)	895,326
Other expenses	48,540	31,237	(17,303)	28,849
Subtotal E911 Communications	977,171	954,712	(22,459)	924,175
Electronic Maintenance				
Salaries / benefits	255,315	253,653	(1,662)	223,319
Other expenses	168,553	135,472	(33,081)	129,471
Subtotal Electronic Maintenance	423,868	389,125	(34,743)	352,790
Inspections				
Salaries / benefits	360,505	355,278	(5,227)	350,128
Other expenses	35,346	29,303	(6,043)	28,016
Capital outlay	15,481	15,481	-	14,713
Subtotal Inspections	411,332	400,062	(11,270)	392,857

(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, 2011

With Comparative Totals For the Year Ended June 30, 2010

	2011		Variance - Over (Under)	2010
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Coroner				
Salaries / benefits	31,781	31,579	(202)	31,051
Other expenses	76,282	69,081	(7,201)	65,943
Subtotal Coroner	108,063	100,660	(7,403)	96,994
Hazardous Materials, Other expenses	20,855	20,080	(775)	20,460
Animal/Rabies Control				
Salaries / benefits	440,588	433,280	(7,308)	429,671
Other expenses	155,028	152,056	(2,972)	148,295
Capital outlay	26,167	26,166	(1)	-
Subtotal Animal/Rabies Control	621,783	611,502	(10,281)	577,966
Total Public Safety	18,556,124	17,922,241	(633,883)	17,405,169
Human Services				
Miscellaneous				
Pathways, other expenses	1,227,938	1,227,934	(4)	891,738
Veteran Services				
Salaries / benefits	87,516	84,706	(2,810)	66,382
Other expenses	5,028	3,510	(1,518)	5,350
Subtotal Veteran Services	92,544	88,216	(4,328)	71,732
Council on Aging, Other expenses	140,035	140,035	-	140,035
Social Services:				
Social Services Administration				
Salaries / benefits	1,014,292	999,288	(15,004)	963,214
Other expenses	882,005	686,297	(195,708)	669,016
Capital outlay	-	-	-	89,010
Subtotal Social Services Administration	1,896,297	1,685,585	(210,712)	1,721,240
Title XX				
Salaries / benefits	4,319,285	4,148,497	(170,788)	3,955,833
Other expenses	735,334	475,159	(260,175)	464,005
Subtotal Title XX	5,054,619	4,623,656	(430,963)	4,419,838
Outside Poor, Other expenses	7,103,666	5,784,944	(1,318,722)	6,138,681
Income Maintenance				
Salaries / benefits	4,113,300	3,993,985	(119,315)	3,891,598
Other expenses	984,031	683,441	(300,590)	363,474
Subtotal Income Maintenance	5,097,331	4,677,426	(419,905)	4,255,072
Special Assistance, Salaries / benefits	42,986	39,108	(3,878)	41,697
Aid to Blind, Other expenses	15,015	10,633	(4,382)	12,384
IVD Child Support				
Salaries / benefits	1,166,311	1,108,476	(57,835)	1,106,491
Other expenses	11,356	4,915	(6,441)	8,464
Subtotal IVD Child Support	1,177,667	1,113,391	(64,276)	1,114,955
Smart Start				
Smart Start, Salaries / benefits	84,548	83,935	(613)	81,956
Public Assistance, Other expenses	4,178,815	3,853,661	(325,154)	3,499,006
Total Social Services	24,650,944	21,872,339	(2,778,605)	21,284,829

(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, 2011

With Comparative Totals For the Year Ended June 30, 2010

	2011		Variance - Over (Under)	2010
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Health services				
Health Administration				
Salaries / benefits	888,037	796,132	(91,905)	912,828
Other expenses	702,422	598,111	(104,311)	598,095
Subtotal Health Administration	1,590,459	1,394,243	(196,216)	1,510,923
Smart Start				
Salaries / benefits	62,289	34,216	(28,073)	68,438
Other expenses	13,371	4,469	(8,902)	36,374
Subtotal Smart Start	75,660	38,685	(36,975)	104,812
AIDS				
Salaries / benefits	65,456	65,123	(333)	113,459
Other expenses	2,377	795	(1,582)	57,776
Subtotal AIDS	67,833	65,918	(1,915)	171,235
Tuberculosis/Communicable Diseases				
Salaries / benefits	142,463	141,967	(496)	139,461
Other expenses	23,450	21,711	(1,739)	22,699
Subtotal Tuberculosis/Communicable Diseases	165,913	163,678	(2,235)	162,160
Adult Health				
Salaries / benefits	537,313	457,372	(79,941)	539,525
Other expenses	291,824	213,261	(78,563)	323,113
Capital outlay	63,877	63,876	(1)	3,100
Subtotal Adult Health	893,014	734,509	(158,505)	865,738
School Health				
Salaries / benefits	1,092,452	1,053,545	(38,907)	993,094
Other expenses	104,945	73,828	(31,117)	114,212
Capital outlay	-	-	-	9,910
Subtotal School Health	1,197,397	1,127,373	(70,024)	1,117,216
Health Promotions				
Salaries / benefits	101,274	100,823	(451)	98,677
Other expenses	86,371	80,241	(6,130)	73,469
Subtotal Health Promotions	187,645	181,064	(6,581)	172,146
Child Health				
Salaries / benefits	533,714	526,521	(7,193)	469,713
Other expenses	78,362	69,827	(8,535)	57,092
Subtotal Child Health	612,076	596,348	(15,728)	526,805
Maternal Health				
Salaries / benefits	1,757,181	1,649,027	(108,154)	1,743,281
Other expenses	131,401	98,731	(32,670)	112,813
Subtotal Maternal Health	1,888,582	1,747,758	(140,824)	1,856,094
Family Planning				
Salaries / benefits	636,895	454,275	(182,620)	519,202
Other expenses	283,865	253,289	(30,576)	244,944
Capital outlay	-	-	-	11,550
Subtotal Family Planning	920,760	707,564	(213,196)	775,696

(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, 2011

With Comparative Totals For the Year Ended June 30, 2010

	2011		Variance - Over (Under)	2010
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Women - Infants - Children				
Salaries / benefits	466,367	406,028	(60,339)	406,743
Other expenses	98,224	96,621	(1,603)	62,611
Subtotal Women - Infants - Children	<u>564,591</u>	<u>502,649</u>	<u>(61,942)</u>	469,354
Environmental Health				
Salaries / benefits	638,561	636,398	(2,163)	722,252
Other expenses	47,283	42,124	(5,159)	45,521
Capital outlay	12,048	12,047	(1)	-
Subtotal Environmental Health	<u>697,892</u>	<u>690,569</u>	<u>(7,323)</u>	767,773
Other Public Health Grants				
Salaries / benefits	158,026	155,924	(2,102)	184,853
Other expenses	179,494	130,833	(48,661)	180,498
Capital outlay	-	-	-	154,735
Subtotal Other Public Health Grants	<u>337,520</u>	<u>286,757</u>	<u>(50,763)</u>	520,086
Dental Clinic				
Salaries / benefits	250,379	208,651	(41,728)	295,776
Other expenses	158,302	94,092	(64,210)	61,154
Subtotal Dental Clinic	<u>408,681</u>	<u>302,743</u>	<u>(105,938)</u>	356,930
Nurse Family Partnership				
Salaries / benefits	340,071	335,567	(4,504)	324,954
Other expenses	409,606	66,471	(343,135)	74,698
Subtotal Nurse Family Partnership	<u>749,677</u>	<u>402,038</u>	<u>(347,639)</u>	399,652
Carolina Access				
Salaries / benefits	1,091,313	869,084	(222,229)	713,455
Other expenses	644,642	598,276	(46,366)	405,711
Subtotal Carolina Access	<u>1,735,955</u>	<u>1,467,360</u>	<u>(268,595)</u>	1,119,166
CODAP				
Salaries / benefits	131,779	103,264	(28,515)	165,783
Other expenses	17,150	9,198	(7,952)	11,111
Subtotal CODAP	<u>148,929</u>	<u>112,462</u>	<u>(36,467)</u>	176,894
Total Health Services	<u>12,242,584</u>	<u>10,521,718</u>	<u>(1,720,866)</u>	11,072,680
Total Human Services	<u>38,354,045</u>	<u>33,850,242</u>	<u>(4,503,803)</u>	33,461,014
Debt Service				
Principal reduction	63,276	63,273	(3)	59,229
Interest and fees	6,586	6,585	(1)	9,135
Total Debt Service	<u>69,862</u>	<u>69,858</u>	<u>(4)</u>	68,364
Education				
Public Schools				
Distribution of collected property taxes	10,279,578	10,150,311	(129,267)	10,170,229
Current expenses	10,408,213	10,408,213	-	10,408,213
Schools capital outlay	4,015,000	3,936,014	(78,986)	3,400,000
Subtotal Public Schools	<u>24,702,791</u>	<u>24,494,538</u>	<u>(208,253)</u>	23,978,442
Community College, other expenses	1,415,129	1,415,129	-	1,340,129
Total Education	<u>26,117,920</u>	<u>25,909,667</u>	<u>(208,253)</u>	25,318,571

(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, 2011

With Comparative Totals For the Year Ended June 30, 2010

	2011		Variance - Over (Under)	2010
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Economic and Physical Development				
Planning and Zoning				
Salaries / benefits	280,581	279,565	(1,016)	274,158
Other expenses	54,312	46,702	(7,610)	76,721
Subtotal Planning and Zoning	334,893	326,267	(8,626)	350,879
Economic Development				
Other expenses	3,126,446	810,470	(2,315,976)	612,810
Capital outlay	1,000,000	996,108	(3,892)	-
Subtotal Economic Development	4,126,446	1,806,578	(2,319,868)	612,810
Cooperative Extension				
Salaries / benefits	241,024	237,135	(3,889)	223,733
Other expenses	80,270	53,653	(26,617)	50,621
Subtotal Cooperative Extension	321,294	290,788	(30,506)	274,354
Forestry, Other Expenses	73,804	64,780	(9,024)	65,396
Soil conservation				
Salaries / benefits	74,271	73,157	(1,114)	74,663
Other expenses	13,535	8,109	(5,426)	9,463
Subtotal Soil Conservation	87,806	81,266	(6,540)	84,126
Waterline and Sewer Maintenance				
Other expenses	668,349	483,723	(184,626)	(40,939)
Capital outlay	25,000	25,000	-	263,426
Subtotal Waterline and Sewer Maintenance	693,349	508,723	(184,626)	222,487
Total Economic and Physical Development	5,637,592	3,078,402	(2,559,190)	1,610,052
Cultural				
Library System				
Salaries / benefits	677,470	668,335	(9,135)	687,724
Other expenses	484,708	383,825	(100,883)	351,310
Capital outlay	11,466	11,466	-	-
Subtotal Library System	1,173,644	1,063,626	(110,018)	1,039,034
Broad River Greenway				
Other expenses	74,300	74,171	(129)	60,950
Capital outlay	8,200	8,200	-	-
Subtotal Broad River Greenway	82,500	82,371	(129)	60,950
Historic Courthouse, Other expenses	40,000	38,261	(1,739)	21,998
Total Cultural	1,296,144	1,184,258	(111,886)	1,121,982
Total Expenditures	\$ 99,605,522	\$ 90,466,008	\$ (9,139,514)	\$ 87,534,919
Excess of Revenues Over (Under) Expenditures	(5,520,459)	(352,865)	5,167,594	1,309,610

(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, 2011

With Comparative Totals For the Year Ended June 30, 2010

	2011		Variance - Over (Under)	2010
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Excess of Revenues Over (Under) Expenditures (repeated from prior page)	(5,520,459)	(352,865)	5,167,594	1,309,610
OTHER FINANCING SOURCES (USES)				
Transfers In:				
From Special Revenue Fund - Revaluation	-	-	-	15,412
From Special Revenue Fund - Emergency Telephone	69,097	69,097	-	68,316
From Capital Projects Fund	2,015,000	1,936,014	(78,986)	1,400,000
From Enterprise Fund	328,607	335,925	7,318	335,999
Transfers Out:				
To Special Revenue Fund - Community Development	(100,000)	(94,913)	5,087	-
To Debt Service Fund	(1,938,536)	(1,909,966)	28,570	(2,389,982)
To Capital Projects Fund	(1,678,890)	(1,283,781)	395,109	(1,959,081)
To Enterprise Fund	-	-	-	(940)
Installment Financing Issued	-	-	-	81,095
Fund Balance Appropriated	6,825,181	-	(6,825,181)	-
Total Other Financing Sources (Uses)	5,520,459	(947,624)	(6,468,083)	(2,449,181)
Net Change in Fund Balance	\$ -	(1,300,489)	\$ (1,300,489)	(1,139,571)
FUND BALANCES				
Beginning Fund Balances, as previously reported		23,582,128		24,721,648
Change from consolidating Revaluation and Public School funds		-		51
Beginning Fund Balances, as restated		<u>23,582,128</u>		<u>24,721,699</u>
Ending Fund Balances		<u>\$ 22,281,639</u>		<u>\$ 23,582,128</u>

(continued from previous page)

Cleveland County, North Carolina

b. Capital Projects Fund: Statements of Revenues, Expenditures, and Changes
in Fund Balances -- Budget to Actual

For the Year Ended June 30, 2011

With Comparative Totals from Project Inception to June 30, 2010

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, restricted				
Communications Equipment Project	\$ 1,084,920	\$ 1,084,920	\$ -	\$ 1,084,920
Early College High School (5-Year Diploma/Degree)	1,000,000	90,000	-	90,000
Kings Mountain Gateway Trails	785,000	450,000	135,000	585,000
Historic Courthouse Renovation	1,543,000	-	267,800	267,800
Subtotal	4,412,920	1,624,920	402,800	2,027,720
Investment earnings				
No assigned project	-	-	49,928	49,928
Miscellaneous				
Communications Equipment Project	-	281,877	-	281,877
Industrial Park - US Highway 74 Business	6,952	6,951	-	6,951
No assigned project	-	-	167,387	167,387
Subtotal	6,952	288,828	167,387	456,215
Local Option Sales Taxes, restricted portions of Articles 40 and 42				
Other taxes-sales taxes	3,152,400	-	2,439,215	2,439,215
Investment earnings	-	-	57,318	57,318
Subtotal	3,152,400	-	2,496,533	2,496,533
State Corporate Income Taxes				
Investment earnings	-	-	86	86
Subtotal	-	-	86	86
State Education Lottery Proceeds				
Intergovernmental revenues-proceeds from state	615,000	8,432	340,649	349,081
Investment earnings	-	116,679	70,254	186,933
Subtotal	615,000	125,111	410,903	536,014
Total Revenues	8,187,272	2,038,859	3,527,637	5,566,496
EXPENDITURES				
General government:				
Computer replacement program	421,587	187,884	194,447	382,331
Various other projects	241,427	-	113,032	113,032
Subtotal	663,014	187,884	307,479	495,363
Public safety				
Communications Equipment Project	8,100,912	8,092,910	8,000	8,100,910
Jail Annex Expansion	8,107,206	4,627,704	2,449,216	7,076,920
E911 Dispatch Equipment	312,700	3,485	-	3,485
EMS Base Station - No. 3 Township	569,343	290,298	20,887	311,185
Animal Shelter Building Renovations	286,790	277,338	9,451	286,789
Public Shooting Range	3,000	-	3,000	3,000
Subtotal	17,379,951	13,291,735	2,490,554	15,782,289
Education				
Early College High School (5-Year Diploma/Degree)	22,860,483	645,174	6,693,455	7,338,629
Shelby Middle School	26,694,512	2,141,042	18,222,219	20,363,261
Community College Grant	75,000	-	75,000	75,000
Subtotal	49,629,995	2,786,216	24,990,674	27,776,890

(continued on next page)

Cleveland County, North Carolina

b. Capital Projects Fund: Statements of Revenues, Expenditures, and Changes
in Fund Balances -- Budget to Actual

For the Year Ended June 30, 2011

With Comparative Totals from Project Inception to June 30, 2010

	Project Authorization	Prior Years	Current Year	Total to Date
EXPENDITURES (continued from previous page)				
Economic and physical development				
Foothills Commerce Center - West Shelby	1,353,000	696,085	183,781	879,866
Industrial Park - Washburn Switch Road	1,186,794	1,186,792	-	1,186,792
Industrial Park - US Highway 74 Business	845,790	758,590	11,600	770,190
Kings Mountain Gateway Trails	915,000	643,600	231,713	875,313
Industrial Park - US Highway 29	631,884	636,846	-	636,846
American Legion World Series	262,535	87,535	175,000	262,535
Airport Renovations	238,375	203,375	35,000	238,375
Subtotal	5,433,378	4,212,823	637,094	4,849,917
Cultural and recreational				
Historic Courthouse Renovation	3,060,738	750,000	826,109	1,576,109
Upper Cleveland Sports Facility	534,814	283,935	15,538	299,473
Subtotal	3,595,552	1,033,935	841,647	1,875,582
Total Expenditures	76,701,890	21,512,593	29,267,448	50,780,041
Excess of Revenues over (under)				
Expenditures	(68,514,618)	(19,473,734)	(25,739,811)	(45,213,545)
OTHER FINANCING SOURCES (USES)				
Transfers in				
From General Fund for specific projects	5,412,622	4,733,736	183,781	4,917,517
From General Fund for no specific project	1,100,000	-	1,100,000	1,100,000
Subtotal	6,512,622	4,733,736	1,283,781	6,017,517
Installment financing issued				
Communications Equipment Project	6,000,000	6,000,000	-	6,000,000
Jail Annex Expansion	6,720,000	6,720,000	-	6,720,000
Early College High School (5-Year Diploma/Degree)	18,000,000	-	17,582,950	17,582,950
Shelby Middle School	22,000,000	22,000,000	-	22,000,000
Subtotal	52,720,000	34,720,000	17,582,950	52,302,950
Fund balance appropriated	8,354,884	-	-	-
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 Debt Service Fund	(1,752,400)	-	(1,589,689)	(1,589,689)
Fund balance appropriated	4,694,512	-	-	-
Subtotal	1,542,112	-	(2,989,689)	(2,989,689)
State Education Lottery Proceeds				
Transfers out:				
To General Fund	(615,000)	-	(536,014)	(536,014)
Total Other Financing Sources (Uses)	68,514,618	39,453,736	15,341,028	54,794,764
Net Change in Fund Balance	-	19,980,002	(10,398,783)	9,581,219

(continued on next page)

Cleveland County, North Carolina
b. Capital Projects Fund: Statements of Revenues, Expenditures, and Changes
in Fund Balances -- Budget to Actual

For the Year Ended June 30, 2011

With Comparative Totals from Project Inception to June 30, 2010

	Project Authorization	Prior Years	Current Year	Total to Date
(continued from previous page)				
Net Change in Fund Balance (repeated from prior page)	\$ -	\$ 19,980,002	(10,398,783)	\$ 9,581,219
FUND BALANCES				
Beginning fund balances, as previously reported			(133,601)	
Change from consolidating County Capital Reserve Fund			26,341,019	
Change from consolidating Schools Capital Reserve Fund			6,650,462	
Beginning fund balances, as restated			<u>32,857,880</u>	
Ending fund balances			<u>22,459,097</u>	
Breakdown of fund balances:				
Local Option Sales Taxes, restricted portions of Articles 40 and 42				
Beginning fund balances (new from Schools Capital Reserve Fund)			6,524,975	
Ending fund balances			<u>6,031,819</u>	
State Corporate Income Taxes				
Beginning fund balances (new from Schools Capital Reserve Fund)			376	
Ending fund balances			<u>462</u>	
State Education Lottery Proceeds				
Beginning fund balances (new from Schools Capital Reserve Fund)			125,111	
Ending fund balances			<u>-</u>	
All Other Capital Projects				
Beginning fund balances, as restated			26,207,418	
Ending fund balances			<u>\$ 16,426,816</u>	

(continued from previous page)

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2011
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
4. Non-major Governmental Funds Financial Statements**

	Identifier	Page No.
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. Emergency Telephone Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.c	112
d. County Fire Service District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.d	113
e. Community Development Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (since projects' inception)	Exhibit II.D.4.e	114
f. Debt Service Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.f	115

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, 2011

With Comparative Totals as of June 30, 2010

	Non-Major Governmental Funds		
	Emergency Telephone	County Fire Service District	Community Development
ASSETS			
Cash and cash equivalents	\$ 1,508,027	\$ 469,456	\$ 997,283
Taxes receivable, net	-	39,869	-
Accounts receivable, net	52,186	61,517	450,327
Due from other funds	507	7,531	-
Prepaid items	-	832	-
Total assets	\$ 1,560,720	\$ 579,205	\$ 1,447,610
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 31,060	\$ 692	\$ 269,871
Contract retainage	-	-	86,104
Unearned revenues	-	5,702	803,456
Deferred revenues	-	39,869	162,568
Due to other funds	-	-	288,179
Total liabilities	31,060	46,263	1,610,178
Fund balances:			
Non-spendable			
Prepaid items	-	832	-
Restricted			
Stabilization of State Statute	85,458	69,048	337,715
Emergency Telephone	1,444,202	-	-
County Fire Service District	-	463,062	-
Unassigned	-	-	(500,283)
Total fund balances	1,529,660	532,942	(162,568)
Total liabilities and fund balances	\$ 1,560,720	\$ 579,205	\$ 1,447,610

(continued on next page)

Non-Major Governmental Funds			
Debt Service	Totals		
	2011	2010	
\$ -	\$ 2,974,766	\$	2,565,857
-	39,869	\$	44,494
143,087	707,117		104,893
-	8,038		7,047
-	832		9,016
\$ 143,087	\$ 3,730,622	\$	2,731,307
\$ 116	\$ 301,739	\$	73
-	86,104		-
-	809,158		6,409
-	202,437		44,494
142,971	431,150		20,426
143,087	1,830,588		71,402
-	832		4,016
143,087	635,308		111,940
-	1,444,202		1,723,360
-	463,062		820,589
(143,087)	(643,370)		-
-	1,900,034		2,659,905
\$ 143,087	\$ 3,730,622	\$	2,731,307

(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, 2011

With Comparative Totals For the Year Ended June 30, 2010

	Non-Major Governmental Funds		
	Emergency Telephone	County Fire Service District	Community Development
REVENUES			
Ad valorem taxes	\$ -	\$ 871,557	\$ -
Other taxes	585,975	222,625	-
Intergovernmental revenues, restricted	27,013	27,917	971,427
Investment earnings	11,083	3,267	-
Miscellaneous	(2,474)	-	-
Total revenues	621,597	1,125,366	971,427
EXPENDITURES			
Public safety	801,298	1,473,871	-
Economic and physical development	-	-	1,228,908
Debt service, principal reduction	-	-	-
Debt service, interest and fees	-	-	-
Total expenditures	801,298	1,473,871	1,228,908
Excess of revenues over (under) expenditures	(179,701)	(348,505)	(257,481)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	94,913
Transfers out	(69,097)	-	-
Total other financing sources (uses)	(69,097)	-	94,913
Net change in fund balance	(248,798)	(348,505)	(162,568)
FUND BALANCES			
Beginning fund balances	1,778,458	881,447	-
Ending fund balances	\$ 1,529,660	\$ 532,942	\$ (162,568)

(continued on next page)

Non-Major Governmental Funds			
Debt Service	Totals		
	2011	2010	
\$ -	\$ 871,557	\$	873,074
-	808,600	-	861,791
989,085	2,015,442	-	322,602
-	14,350	-	39,311
-	(2,474)	-	-
989,085	3,707,475	2,096,778	
-	2,275,169	-	1,631,073
-	1,228,908	-	107,586
2,783,775	2,783,775	-	3,191,642
1,704,965	1,704,965	-	634,854
4,488,740	7,992,817	5,565,155	
(3,499,655)	(4,285,342)	(3,468,377)	
3,499,655	3,594,568	-	3,826,496
-	(69,097)	-	(83,728)
3,499,655	3,525,471	3,742,768	
-	(759,871)	-	274,391
-	2,659,905	-	2,385,514
\$ -	\$ 1,900,034	\$	2,659,905

(continued from previous page)

Cleveland County, North Carolina
c. Emergency Telephone Fund: Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget to Actual

For the Year Ended June 30, 2011

With Comparative Totals For the Year Ended June 30, 2010

	2011		Variance - Over (Under)	2010
	Budget	Actual		Actual
REVENUES				
System subscriber/surcharge fees	\$ 351,724	\$ 585,975	\$ 234,251	\$ 637,280
Other intergovernmental revenues	25,116	27,013	1,897	26,950
Investment earnings	-	11,083	11,083	26,462
Miscellaneous	-	(2,474)	(2,474)	-
Total revenues	376,840	621,597	244,757	690,692
EXPENDITURES				
Public safety:				
Supplies and materials	205,451	177,259	(28,192)	-
Travel and training	1,000	-	(1,000)	-
Telecommunications	149,206	113,667	(35,539)	115,344
Contracted services	35,996	33,856	(2,140)	-
Professional services	48,600	21,002	(27,598)	78,211
Grants	50,232	49,115	(1,117)	49,001
Other	15,275	(782)	(16,057)	33,421
Capital outlay, equipment	448,197	407,181	(41,016)	-
Total public safety expenditures	953,957	801,298	(152,659)	275,977
Excess of revenues over (under) expenditures	(577,117)	(179,701)	397,416	414,715
OTHER FINANCING SOURCES (USES)				
Transfers out:				
To General Fund	(69,097)	(69,097)	-	(68,316)
Fund balance appropriated	646,214	-	(646,214)	-
Total other financing sources (uses)	577,117	(69,097)	(646,214)	(68,316)
Net change in fund balance	\$ -	(248,798)	\$ (248,798)	346,399
FUND BALANCES				
Beginning fund balances		1,778,458		1,432,059
Ending fund balances		<u>\$ 1,529,660</u>		<u>\$ 1,778,458</u>

Cleveland County, North Carolina
d. County Fire Service District Fund: Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget to Actual

For the Year Ended June 30, 2011

With Comparative Totals For the Year Ended June 30, 2010

	2011		Variance - Over (Under)	2010
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year	\$ 829,350	\$ 823,124	\$ (6,226)	\$ 818,191
Prior years	25,650	38,817	13,167	44,624
Penalties and interest	10,000	9,616	(384)	10,259
Subtotal ad valorem taxes	<u>865,000</u>	<u>871,557</u>	<u>6,557</u>	<u>873,074</u>
Other taxes, local option sales taxes	260,000	222,625	(37,375)	224,511
Intergovernmental revenues, restricted	25,000	27,917	2,917	1,815
Investment earnings	20,000	3,267	(16,733)	12,820
Total revenues	<u>1,170,000</u>	<u>1,125,366</u>	<u>(44,634)</u>	<u>1,112,220</u>
EXPENDITURES				
Public safety:				
Supplies	4,015	810	(3,205)	788
Repairs on equipment	1,750	-	(1,750)	-
Contracted and professional services	7,200	1,495	(5,705)	1,190
Insurance	46,000	49,965	3,965	52,119
Awards to Volunteer Fire Departments	1,421,001	1,421,601	600	1,300,999
Total expenditures	<u>1,479,966</u>	<u>1,473,871</u>	<u>(6,095)</u>	<u>1,355,096</u>
Excess of revenues over (under) expenditures	<u>(309,966)</u>	<u>(348,505)</u>	<u>(38,539)</u>	<u>(242,876)</u>
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	309,966	-	(309,966)	-
Total other financing sources (uses)	<u>309,966</u>	<u>-</u>	<u>(309,966)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(348,505)</u>	<u>\$ (348,505)</u>	<u>(242,876)</u>
FUND BALANCES				
Beginning fund balances		881,447		1,124,323
Ending fund balances		<u>\$ 532,942</u>		<u>\$ 881,447</u>

Cleveland County, North Carolina

e. Community Development Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (since projects' inception)

For the Year Ended June 30, 2011

With Comparative Totals from Project Inception to June 30, 2010

	Project Authorization	Current Year	Total to Date	Remaining Balance
REVENUES				
Intergovernmental revenues, federal restricted	\$ 2,000,000	\$ 538,449	\$ 538,449	\$ 1,461,551
Intergovernmental revenues, state restricted	500,000	432,978	432,978	67,022
Total revenues	2,500,000	971,427	971,427	1,528,573
EXPENDITURES				
Economic and physical development:				
Community Development Block Grant - Economic Development (CDBG-ED):				
Administration	35,000	26,276	26,276	8,724
Roadway/Railway expansion	1,565,000	1,006,088	1,006,088	558,912
Community Development Block Grant - Section 108 Loan Guarantee (CDBG-LG):				
Shell Building	1,000,000	196,544	196,544	803,456
Total expenditures	2,600,000	1,228,908	1,228,908	1,371,092
Excess of revenues over (under) expenditures	(100,000)	(257,481)	(257,481)	157,481.00
OTHER FINANCING SOURCES (USES)				
Transfers in:				
From General Fund	100,000	94,913	94,913	5,087.00
Total other financing sources (uses)	100,000	94,913	94,913	5,087.00
Net change in fund balance	\$ -	(162,568)	\$ (162,568)	\$ 162,568
FUND BALANCES				
Beginning fund balances		-		
Ending fund balances		\$ (162,568)		

Cleveland County, North Carolina
 f. Debt Service Fund: Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget to Actual

For the Year Ended June 30, 2011

With Comparative Totals For the Year Ended June 30, 2010

	2011		Variance - Over (Under)	2010
	Budget	Actual		Actual
REVENUES				
Intergovernmental revenues, restricted	\$ 1,091,200	\$ 989,085	\$ (102,115)	\$ -
Total revenues	1,091,200	989,085	(102,115)	-
EXPENDITURES				
Debt service:				
Principal retirement	2,817,677	2,783,775	(33,902)	3,191,642
Interest	1,959,459	1,696,913	(262,546)	629,854
Fees	5,000	8,052	3,052	5,000
Total expenditures	4,782,136	4,488,740	(293,396)	3,826,496
OTHER FINANCING SOURCES (USES)				
Transfers in				
From General Fund	1,938,536	1,909,966	(28,570)	2,389,982
From Schools Capital Reserve Fund	1,752,400	1,589,689	(162,711)	1,436,514
Total other financing sources (uses)	3,690,936	3,499,655	(191,281)	3,826,496
Net change in fund balance	\$ -	-	\$ -	-
FUND BALANCES				
Beginning fund balances		-		-
Ending fund balances		\$ -		\$ -

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2011
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
5. Major Enterprise Fund Financial Schedule

	Identifier	Page No.
a. Solid Waste Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis	Exhibit II.D.5.a	117

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 Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis

For the Year Ended June 30, 2011

With Comparative Totals For the Year Ended June 30, 2010

	2011		Variance - Over (Under)	2010
	Budget	Actual		Actual
REVENUES				
Operating revenues:				
Household user fees	\$ 1,400,000	\$ 1,428,027	\$ 28,027	\$ 1,446,245
Departmental fees	3,258,000	3,561,955	303,955	2,945,095
Miscellaneous	135,500	200,196	64,696	316,481
Total operating revenues	<u>4,793,500</u>	<u>5,190,178</u>	<u>396,678</u>	<u>4,707,821</u>
Non-operating revenues:				
Other taxes	151,000	440,791	289,791	423,888
Intergovernmental revenues	88,967	130,666	41,699	48,945
Interest earned	100,000	44,053	(55,947)	14,553
Total non-operating revenues	<u>339,967</u>	<u>615,510</u>	<u>275,543</u>	<u>487,386</u>
Total revenues	<u>5,133,467</u>	<u>5,805,688</u>	<u>672,221</u>	<u>5,195,207</u>
EXPENDITURES				
Administration and operating expenditures:				
Salaries and benefits	1,857,336	1,750,698	(106,638)	1,775,616
Supplies and materials	104,848	97,024	(7,824)	51,889
Uniforms	8,045	6,159	(1,886)	8,083
Travel and training	7,850	9,465	1,615	9,827
Utilities, telecommunications, and postage	114,038	81,732	(32,306)	82,184
Repairs and maintenance	179,540	118,395	(61,145)	236,671
Advertising	5,820	5,181	(639)	3,376
Laundry and dry cleaning	18,417	15,965	(2,452)	12,582
Rent	35,350	27,098	(8,252)	20,367
Contracted services	379,613	335,128	(44,485)	300,205
Insurance	80,400	80,400	-	80,400
Garbage	1,037,640	922,920	(114,720)	900,917
Professional and legal services	550,367	123,350	(427,017)	192,950
Solid waste disposal tax to State	242,000	282,962	40,962	248,497
Automotive fuels and supplies	492,347	478,932	(13,415)	426,973
Miscellaneous	22,259	22,368	109	11,104
Total administration and operating expenditures	<u>5,135,870</u>	<u>4,357,777</u>	<u>(778,093)</u>	<u>4,361,641</u>
Capital outlay expenditures	4,036,610	1,027,093	(3,009,517)	874,601
Total expenditures	<u>9,172,480</u>	<u>5,384,870</u>	<u>(3,787,610)</u>	<u>5,236,242</u>
Excess of revenues over (under) expenditures	<u>\$ (4,039,013)</u>	<u>\$ 420,818</u>	<u>\$ 4,459,831</u>	<u>\$ (41,035)</u>

(continued on next page)

Cleveland County, North Carolina

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

For the Year Ended June 30, 2011

With Comparative Totals For the Year Ended June 30, 2010

	2011		Variance - Over (Under)	2010
	Budget	Actual		Actual
(continued from previous page)				
Excess of revenues over (under) expenditures (repeated from prior page)	\$ (4,039,013)	\$ 420,818	\$ 4,459,831	\$ (41,035)
OTHER FINANCING SOURCES (USES)				
Transfers in from General Fund	-	-	-	940
Transfers out to General Fund	(328,607)	(335,925)	(7,318)	(335,999)
Fund balance appropriated	4,367,620	-	(4,367,620)	-
Total other financing sources (uses)	4,039,013	(335,925)	(4,374,938)	(335,999)
Net change in fund balance (modified accrual basis)	\$ -	\$ 84,893	\$ 84,893	\$ (377,034)

Reconciliation of Modified Accrual Basis with Full Accrual Basis

Net change in fund balance

(modified accrual basis)	\$	84,893	\$	(377,034)
Capital outlay expenditures		1,027,093		883,101
Trade-in allowance on purchase of capital asset		16,000		
Non-cash gain (loss) on disposals of capital assets		(26,551)		(501,195)
Acquisition of capital assets through landfill closure activity		1,500,710		-
Depreciation expense		(677,696)		(664,964)
Change in accrued retirement benefits		(85,930)		(68,968)
Change in accrued leave earned expense		8,455		(21,274)
Change in accrued landfill closure and post-closure care expense		(3,527,692)		1,503,808
Change in net assets (full accrual basis)	\$	(1,680,718)	\$	753,474

Another Difference in Reporting under Modified Accrual (MA) Basis Versus Full Accrual (FA) Basis

Departmental fees (modified accrual basis)	\$	3,561,955	\$	2,945,095
Bad debt expense (reduces departmental fees revenue under MA basis)		21		881
Departmental fees (full accrual basis)	\$	3,561,976	\$	2,945,976

(continued from previous page)

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2011
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
6. Fiduciary Funds Financial Statement

	Identifier	Page No.
a. Combining Statement of Changes in Assets and Liabilities -- Fiduciary Funds	Exhibit II.D.6.a	120

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

Cleveland County, North Carolina
a. Combining Statement of Changes in Assets and Liabilities -- Fiduciary Funds

For the Year Ended June 30, 2011

	Beginning Balance 2010	Additions	Deductions	Ending Balance 2011
Fines and Forfeitures Agency Fund				
Assets				
Intergovernmental receivable *	\$ 4,775	\$ 539,269	\$ (539,004)	\$ 5,040
Liabilities				
Due to other taxing units - State of North Carolina *	\$ 4,775	\$ 582,232	\$ (581,967)	\$ 5,040
Due to other taxing units - Cleveland County Board of Education	-	534,673	(534,673)	-
Total liabilities	\$ 4,775	\$ 1,116,905	\$ (1,116,640)	\$ 5,040
Inmate Agency Fund				
Assets				
Cash and cash equivalents	\$ 3,265	\$ 186,139	\$ (184,975)	\$ 4,429
Intergovernmental receivable	1,795	116,592	(116,540)	1,847
Total assets	\$ 5,060	\$ 302,731	\$ (301,515)	\$ 6,276
Liabilities				
Accounts payable	\$ 5,060	\$ 408,054	\$ (406,838)	\$ 6,276
Property Tax Agency Fund				
Assets				
Taxes receivable	\$ 37,589	\$ 422,438	\$ (424,824)	\$ 35,203
Accounts receivable	851,077	12,472,671	(12,518,342)	805,406
Intergovernmental receivable	223,806	13,015,572	(13,020,909)	218,469
Total assets	\$ 1,112,472	\$ 25,910,681	\$ (25,964,075)	\$ 1,059,078
Liabilities				
Accounts payable	\$ 172,053	\$ 15,230,587	\$ (15,223,195)	\$ 179,445
Due to other taxing units	940,419	13,182,089	(13,242,875)	879,633
Total liabilities	\$ 1,112,472	\$ 28,412,676	\$ (28,466,070)	\$ 1,059,078
Rescue Squad Agency Fund				
Assets				
Cash and cash equivalents	\$ 9,513	\$ 2,919	\$ (7,310)	\$ 5,122
Accounts receivable	942,508	-	(942,508)	-
Total assets	\$ 952,021	\$ 2,919	\$ (949,818)	\$ 5,122
Liabilities				
Accounts payable	\$ 9,513	\$ 2,919	\$ (7,310)	\$ 5,122
Due to other taxing units	942,508	-	(942,508)	-
Total liabilities	\$ 952,021	\$ 2,919	\$ (949,818)	\$ 5,122

(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, 2011

	Beginning Balance 2010	Additions	Deductions	Ending Balance 2011
(continued from previous page)				
Social Services Agency Fund				
Assets				
Cash and cash equivalents	\$ 56,877	\$ 365,167	\$ (329,432)	\$ 92,612
Liabilities				
Accounts payable	\$ 56,877	\$ 365,167	\$ (329,432)	\$ 92,612
TOTALS, All Agency Funds				
Assets				
Cash and investments	\$ 69,655	\$ 554,225	\$ (521,717)	\$ 102,163
Taxes receivable	37,589	422,438	(424,824)	35,203
Accounts receivable	1,793,585	12,472,671	(13,460,850)	805,406
Intergovernmental receivable	230,376	13,671,433	(13,676,453)	225,356
Total assets	\$ 2,131,205	\$ 27,120,767	\$ (28,083,844)	\$ 1,168,128
Liabilities				
Accounts payable	\$ 243,503	\$ 16,006,727	\$ (15,966,775)	\$ 283,455
Due to other taxing units	1,887,702	14,298,994	(15,302,023)	884,673
Total liabilities	\$ 2,131,205	\$ 30,305,721	\$ (31,268,798)	\$ 1,168,128

Note:

* These amounts in the Fines and Forfeitures Agency Fund concern the 3% late penalty on delinquent property taxes on motor vehicle

(continued from previous page)

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2011
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
E. Other Supplementary Information**

	Identifier	Page No.
1. Schedule of Cash and Investment Balances	Exhibit II.E.01	123
2. Schedule of Interfund Transfers	Exhibit II.E.02	124
3. Analysis of Current Tax Levy - County Government (10)	Exhibit II.E.03	125
4. Schedule of Ad Valorem Taxes Receivable - County Government (10) and Public Schools (20)	Exhibit II.E.04	126
5. Schedule of Ad Valorem Taxes Receivable - County Fire Service District (28)	Exhibit II.E.05	127
6. Schedule of Ad Valorem Taxes Receivable - Fallston Fire District (74)	Exhibit II.E.06	128
7. Schedule of Ad Valorem Taxes Receivable - Lattimore Fire District (75)	Exhibit II.E.07	128
8. Schedule of Ad Valorem Taxes Receivable - Rippy Fire District (76)	Exhibit II.E.08	129
9. Schedule of Ad Valorem Taxes Receivable - County Sanitary District (82)	Exhibit II.E.09	129
10. Schedule of Ad Valorem Taxes Receivable - City of Shelby (77)	Exhibit II.E.10	130
11. Schedule of Ad Valorem Taxes Receivable - Town of Boiling Springs (78)	Exhibit II.E.11	130
12. Schedule of Ad Valorem Taxes Receivable - Town of Grover (79)	Exhibit II.E.12	131
13. Schedule of Ad Valorem Taxes Receivable - City of Kings Mountain (80)	Exhibit II.E.13	131
14. Schedule of Ad Valorem Taxes Receivable - Town of Lattimore (81)	Exhibit II.E.14	132
15. Schedule of Ad Valorem Taxes Receivable - Town of Kingstown (83)	Exhibit II.E.15	132
16. Schedule of Ad Valorem Taxes Receivable - Town of Fallston (84)	Exhibit II.E.16	133
17. Schedule of Ad Valorem Taxes Receivable - Town of Earl (85)	Exhibit II.E.17	133
18. Schedule of Ad Valorem Taxes Receivable - Town of Polkville (86)	Exhibit II.E.18	134
19. Schedule of Ad Valorem Taxes Receivable - Town of Lawndale (87)	Exhibit II.E.19	134
20. Schedule of Ad Valorem Taxes Receivable - Town of Casar (88)	Exhibit II.E.20	135
21. Schedule of Ad Valorem Taxes Receivable - Town of Waco (89)	Exhibit II.E.21	135

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, 2011

Cash Distribution by Funds			
Fund Number	Amounts Presented on Statements *	Amounts Presented on Statements *	Totals
Unrestricted Cash and Cash Equivalents			
General Fund	10-20, 60-66	\$ 19,228,042	
Special Revenue Funds:			
Emergency Telephone Fund	26	\$ 1,508,027	
Fire District Fund	28	469,456	
Community Development Fund	29	997,283	2,974,766
Capital Projects Funds, unrestricted cash	40-42		6,485,161
Enterprise Fund, unrestricted cash	54		5,390,359
Agency Funds	70-89		102,163
Total unrestricted cash and cash equivalents			\$ 34,180,491
Restricted cash and cash equivalents			
Capital Projects Funds, restricted cash	40-42		20,197,899
Total restricted cash			20,197,899
Total cash and cash equivalents			\$ 54,378,390
	Purchase Value	Fair (Market) Value	Amounts Presented on Statements *
Cash			
In physical possession	\$ 11,519	\$ 11,519	\$ 11,519
In demand deposits	41,437,444	41,437,444	41,437,444
Total cash	41,448,963	41,448,963	41,448,963
Cash equivalents			
NC Capital Management Trust (money market accounts)	12,929,427	12,929,427	12,929,427
Total cash equivalents	12,929,427	12,929,427	12,929,427
Total cash and cash equivalents	\$ 54,378,390	\$ 54,378,390	\$ 54,378,390

* '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, 2011

	Transfers out from:				Total
	General Fund	Capital Projects Fund	Emergency Telephone Fund	Enterprise Fund	
Transfers in to:					
General Fund	\$ -	\$ 1,936,014	\$ 69,097	\$ 335,925	\$ 2,341,036
Capital Projects Fund	1,283,781	-	-	-	1,283,781
Community Development Fund	94,913	-	-	-	94,913
Debt Service Fund	1,909,966	1,589,689	-	-	3,499,655
Total	\$ 3,288,660	\$ 3,525,703	\$ 69,097	\$ 335,925	\$ 7,219,385

Cleveland County, North Carolina
3. Analysis of Current Tax Levy - County Government (10)

For the Year Ended June 30, 2011

	County-Wide			Levy	
	Property Valuation	Rate per \$100	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy					
Property taxed at current year's rate	\$ 6,235,091,105	0.57000	\$ 35,540,019	\$ 32,329,928	\$ 3,210,092
Penalties (late charges)			92,913	92,913	-
Subtotals	<u>6,235,091,105</u>		<u>35,632,933</u>	<u>32,422,841</u>	<u>3,210,092</u>
Discoveries, Late Listings, and Other Supplements (including Public Service Companies)					
Public Service Companies	374,726,300	0.57000	2,135,940	2,135,940	-
Property taxed at current year's rate	102,198,933	0.57000	582,534	243,896	338,638
Subtotals	<u>476,925,233</u>		<u>2,718,474</u>	<u>2,379,836</u>	<u>338,638</u>
Abatements					
Property taxed at current year's rate	(35,253,075)	0.57000	(200,943)	(168,112)	(32,830)
Subtotals	<u>(35,253,075)</u>		<u>(200,943)</u>	<u>(168,112)</u>	<u>(32,830)</u>
Totals	<u>\$ 6,676,763,263</u>		<u>\$ 38,150,464</u>	<u>\$ 34,634,565</u>	<u>\$ 3,515,899</u>
Net Levy			38,150,464	34,634,565	3,515,899
Less Uncollected Taxes, Current Year, at June 30			(1,441,140)	(947,460)	(493,680)
Current Year's Taxes Collected			<u>\$ 36,709,324</u>	<u>\$ 33,687,105</u>	<u>\$ 3,022,219</u>
Current Levy Collection Percentage (current year's taxes collected / net levy)			96.222%	97.264%	85.959%

Secondary Market Disclosures:

Assessed Valuations:

Assessment Ratio

100%

Real Property

\$ 5,008,320,561 0.57000 \$ 28,547,427

Personal Property (current rate)

1,293,716,402 0.57000 7,374,183

Public Service Companies

374,726,300 0.57000 2,135,940

Penalties

- 92,913

Totals

\$ 6,676,763,263 \$ 38,150,463

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 public school district)-(20) \$ 10,039,541

County Fire Protection Service District (serves portion of County)-(28) 859,529

NCGS Chapter 69 Fire Protection District-Fallston (74) 135,345

NCGS Chapter 69 Fire Protection District-Lattimore (75) 93,711

NCGS Chapter 69 Fire Protection District-Rippy (76) 192,833

Totals

\$ 49,471,422

Cleveland County, North Carolina

4. Schedule of Ad Valorem Taxes Receivable - County Government (10) and Public Schools (20)

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
County Government (10)						
2011	\$ -	\$ 35,632,933	\$ 2,718,474	\$ (36,709,324)	\$ (200,943)	\$ 1,441,140
2010	1,537,793	-	10,843	(1,182,665)	(20,672)	345,299
2009	393,740	-	1,986	(211,767)	(5,893)	178,066
2008	207,093	-	1,893	(66,799)	(3,216)	138,971
2007	138,160	-	1,364	(29,617)	(1,869)	108,037
2006	118,117	-	784	(22,089)	(1,116)	95,695
2005	102,535	-	224	(17,284)	(382)	85,093
2004	101,937	-	66	(10,922)	(195)	90,887
2003	91,546	-	69	(9,058)	(76)	82,481
2002	92,495	-	185	(9,298)	(322)	83,061
2001	79,183	-	287	(1,557)	(77,089)	823
older	1,657	-	-	(481)	-	1,176
	<u>2,864,256</u>	<u>\$ 35,632,933</u>	<u>\$ 2,736,174</u>	<u>\$ (38,270,862)</u>	<u>\$ (311,772)</u>	<u>2,650,729</u>
Public Schools (20)						
2011	-	\$ 9,377,267	\$ 765,015	\$ (9,660,274)	\$ (102,741)	379,267
2010	404,676	-	2,853	(311,214)	(5,440)	90,876
2009	103,439	-	523	(55,678)	(1,551)	46,733
2008	53,565	-	490	(17,277)	(832)	35,946
2007	35,738	-	353	(7,661)	(483)	27,946
2006	30,553	-	203	(5,713)	(289)	24,753
2005	26,568	-	58	(4,469)	(99)	22,058
2004	26,410	-	17	(2,819)	(50)	23,558
2003	23,625	-	18	(2,338)	(20)	21,285
2002	24,248	-	48	(2,400)	(83)	21,813
2001	20,055	-	46	(406)	(19,482)	212
older	450	-	-	(167)	-	283
	<u>749,327</u>	<u>\$ 9,377,267</u>	<u>\$ 769,623</u>	<u>\$ (10,070,414)</u>	<u>\$ (131,070)</u>	<u>694,731</u>
	(1,079,405)	Less allowance for uncollectible ad valorem taxes receivable-County Gov't				(1,005,993)
	(280,507)	Less allowance for uncollectible ad valorem taxes receivable-Public Schools				(262,294)
	<u>\$ 2,253,671</u>	Ad valorem taxes receivable, net				<u>\$ 2,077,174</u>

Reconciliation with revenues:

Total reported ad valorem tax revenues	\$ 48,913,675
Discounts	95,813
Penalties, Interest, and advertising fees	(668,211)
Total collections of taxes (as above)	<u>\$ 48,341,276</u>

Cleveland County, North Carolina

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

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2011	\$ -	\$ 819,320	\$ 50,396	\$ (824,822)	\$ (10,186)	\$ 34,707
2010	38,685	-	304	(29,553)	(564)	8,871
2009	9,968	-	69	(5,359)	(148)	4,530
2008	4,872	-	59	(1,681)	(83)	3,167
2007	3,009	-	42	(748)	(54)	2,248
2006	2,608	-	41	(562)	(44)	2,043
2005	2,374	-	12	(352)	(14)	2,020
2004	2,261	-	-	(202)	(3)	2,056
2003	1,768	-	-	(152)	(0)	1,616
2002	1,770	-	3	(186)	(10)	1,578
2001	1,588	-	9	(22)	(1,572)	4
older	6	-	-	(1)	-	5
	<u>68,910</u>	<u>\$ 819,320</u>	<u>\$ 50,934</u>	<u>\$ (863,640)</u>	<u>\$ (12,679)</u>	<u>62,845</u>
	(24,416)	Less allowance for uncollectible ad valorem taxes receivable				(22,976)
	<u>\$ 44,494</u>	Ad valorem taxes receivable, net				<u>\$ 39,869</u>

Reconciliation with revenues:

Total reported ad valorem tax revenues	\$ 871,557
Discounts	1,699
Penalties, Interest, and advertising fees	(9,616)
Total collections of taxes (as above)	<u>\$ 863,640</u>

Cleveland County, North Carolina

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

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2011	\$ -	\$ 128,597	\$ 7,948	\$ (128,656)	\$ (1,200)	\$ 6,688
2010	7,459	-	52	(5,084)	(94)	2,333
2009	1,896	-	-	(1,212)	(5)	679
2008	721	-	-	(150)	(1)	570
2007	435	-	-	(76)	(1)	357
2006	475	-	-	(54)	(1)	420
2005	542	-	-	(105)	(1)	436
2004	385	-	8	(50)	(8)	334
2003	432	-	8	(53)	(8)	379
2002	413	-	8	(8)	(8)	405
2001	476	-	-	(3)	(473)	-
older	-	-	-	-	-	-
Total	\$ 13,232	\$ 128,597	\$ 8,023	\$ (135,452)	\$ (1,799)	\$ 12,601

Cleveland County, North Carolina

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

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2011	\$ -	\$ 88,460	\$ 6,107	\$ (89,692)	\$ (857)	\$ 4,018
2010	4,192	-	79	(3,340)	(100)	830
2009	1,040	-	-	(645)	(16)	379
2008	400	-	-	(71)	(8)	321
2007	368	-	-	(37)	-	331
2006	184	-	-	(30)	-	154
2005	143	-	-	(20)	-	123
2004	123	-	-	(13)	-	110
2003	137	-	-	(7)	-	129
2002	110	-	-	(8)	-	102
2001	120	-	-	(2)	(111)	7
older	5	-	-	-	-	5
Total	\$ 6,822	\$ 88,460	\$ 6,185	\$ (93,867)	\$ (1,092)	\$ 6,509

Cleveland County, North Carolina
8. Schedule of Ad Valorem Taxes Receivable - Rippy Fire District (76)

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2011	\$ -	\$ 186,138	\$ 7,606	\$ (183,022)	\$ (911)	\$ 9,812
2010	10,563	-	26	(8,230)	(59)	2,300
2009	2,909	-	-	(1,740)	(24)	1,145
2008	1,046	-	-	(422)	(5)	619
2007	647	-	-	(206)	(4)	437
2006	518	-	-	(82)	-	436
2005	362	-	-	(59)	-	302
2004	462	-	-	(48)	-	415
2003	338	-	-	(27)	-	311
2002	377	-	4	(59)	(4)	318
2001	315	-	-	-	(314)	-
older	-	-	-	-	-	-
Total	\$ 17,535	\$ 186,138	\$ 7,636	\$ (193,895)	\$ (1,322)	\$ 16,093

Cleveland County, North Carolina
9. Schedule of Ad Valorem Taxes Receivable - County Sanitary District (82)

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2011	\$ -	\$ 682,897	\$ 34,153	\$ (679,131)	\$ (7,996)	\$ 29,924
2010	32,930	-	275	(25,365)	(478)	7,362
2009	8,362	-	46	(4,732)	(120)	3,556
2008	4,326	-	40	(1,414)	(65)	2,887
2007	2,747	-	28	(654)	(40)	2,082
2006	2,233	-	27	(459)	(30)	1,771
2005	2,016	-	8	(316)	(10)	1,698
2004	1,915	-	2	(186)	(4)	1,727
2003	1,557	-	2	(134)	(2)	1,423
2002	1,515	-	6	(166)	(10)	1,344
2001	1,409	-	9	(17)	(1,391)	9
older	11	-	-	(1)	-	10
Total	\$ 59,022	\$ 682,897	\$ 34,595	\$ (712,575)	\$ (10,145)	\$ 53,793

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

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2011	\$ -	\$ 7,408,255	\$ 274,902	\$ (7,402,923)	\$ (47,837)	\$ 232,396
2010	242,470	-	1,343	(189,357)	(3,320)	51,137
2009	57,170	-	427	(26,799)	(1,524)	29,274
2008	35,355	-	385	(10,647)	(518)	24,574
2007	26,215	-	406	(3,462)	(497)	22,662
2006	24,842	-	-	(2,732)	(66)	22,045
2005	18,884	-	-	(2,477)	(23)	16,383
2004	16,266	-	-	(1,319)	-	14,947
2003	17,753	-	-	(1,392)	-	16,361
2002	13,334	-	-	(1,239)	-	12,096
2001	12,662	-	-	(429)	(11,876)	357
older	980	-	-	(337)	-	643
Total	\$ 465,931	\$ 7,408,255	\$ 277,463	\$ (7,643,113)	\$ (65,660)	\$ 442,875

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

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2011	\$ -	\$ 765,355	\$ 23,633	\$ (767,924)	\$ (4,446)	\$ 16,617
2010	18,419	-	100	(14,290)	(395)	3,834
2009	3,835	-	-	(2,234)	(3)	1,597
2008	1,912	-	-	(671)	-	1,241
2007	1,212	-	-	(276)	-	935
2006	1,001	-	-	(236)	-	764
2005	863	-	-	(187)	-	676
2004	820	-	-	(36)	-	784
2003	697	-	-	(56)	-	641
2002	696	-	-	(9)	-	687
2001	485	-	-	-	(485)	-
older	-	-	-	-	-	-
Total	\$ 29,940	\$ 765,355	\$ 23,733	\$ (785,920)	\$ (5,331)	\$ 27,777

Cleveland County, North Carolina

12. Schedule of Ad Valorem Taxes Receivable - Town of Grover (79)

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2011	\$ -	\$ 121,634	\$ 14,855	\$ (127,001)	\$ (2,397)	\$ 7,091
2010	6,031	-	24	(4,343)	(41)	1,671
2009	1,833	-	-	(747)	-	1,086
2008	1,321	-	-	(595)	-	726
2007	456	-	-	(207)	-	249
2006	293	-	-	(60)	-	233
2005	709	-	-	(117)	-	592
2004	277	-	-	(18)	-	259
2003	206	-	-	(21)	-	185
2002	272	-	-	-	-	272
2001	478	-	-	-	(478)	-
Total	\$ 11,877	\$ 121,634	\$ 14,879	\$ (133,109)	\$ (2,915)	\$ 12,365

Cleveland County, North Carolina

13. Schedule of Ad Valorem Taxes Receivable - City of Kings Mountain (80)

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2011	\$ -	\$ 2,440,666	\$ 85,012	\$ (2,348,168)	\$ (59,201)	\$ 118,309
2010	104,911	-	484	(83,876)	(918)	20,601
2009	28,188	-	82	(15,110)	(409)	12,750
2008	12,955	-	160	(3,746)	(402)	8,966
2007	9,543	-	-	(2,435)	(44)	7,064
2006	7,203	-	-	(2,360)	(109)	4,735
2005	6,398	-	-	(2,315)	(40)	4,043
2004	7,542	-	-	(1,608)	(40)	5,894
2003	6,920	-	-	(1,310)	-	5,610
2002	11,859	-	-	(1,204)	-	10,655
2001	4,872	-	-	(225)	(4,647)	-
older	-	-	-	-	-	-
Total	\$ 200,392	\$ 2,440,666	\$ 85,738	\$ (2,462,357)	\$ (65,811)	\$ 198,627

Cleveland County, North Carolina

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

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2011	\$ -	\$ 28,123	\$ 4,775	\$ (32,027)	\$ (73)	798
2010	1,102	-	9	(978)	(23)	111
2009	125	-	-	(33)	-	92
2008	25	-	-	-	-	25
2007	31	-	-	-	-	31
2006	253	-	-	-	-	253
2005	35	-	-	(10)	-	25
2004	66	-	-	(2)	-	64
2003	78	-	-	-	-	78
2002	83	-	-	-	-	83
2001	61	-	-	-	(61)	-
Total	\$ 1,858	\$ 28,123	\$ 4,785	\$ (33,049)	\$ (157)	1,560

Cleveland County, North Carolina

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

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2011	\$ -	\$ 73,910	\$ 4,679	\$ (65,259)	\$ (378)	12,951
2010	14,489	-	92	(11,141)	(113)	3,328
2009	5,017	-	62	(2,922)	(62)	2,095
2008	2,367	-	67	(915)	(67)	1,451
2007	1,417	-	67	(230)	(67)	1,187
2006	1,649	-	67	(96)	(67)	1,553
2005	1,666	-	135	(72)	(135)	1,594
2004	911	-	-	(19)	-	892
2003	283	-	-	(2)	-	281
2002	431	-	-	-	-	431
2001	593	-	-	(52)	(541)	-
Total	\$ 28,824	\$ 73,910	\$ 5,170	\$ (80,708)	\$ (1,430)	25,765

Cleveland County, North Carolina

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

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2011	\$ -	\$ 19,465	\$ 577	\$ (19,192)	\$ (34)	\$ 817
2010	896	-	4	(513)	(16)	371
2009	117	-	-	(80)	-	36
2008	54	-	-	(24)	-	31
2007	33	-	-	(17)	-	16
2006	54	-	-	(0)	-	54
2005	65	-	-	(3)	-	62
2004	65	-	-	(11)	-	53
2003	33	-	-	(5)	-	28
2002	81	-	-	-	-	81
2001	135	-	-	-	(135)	-
Total	\$ 1,532	\$ 19,465	\$ 581	\$ (19,845)	\$ (184)	\$ 1,549

Cleveland County, North Carolina

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

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2011	\$ -	\$ 15,079	\$ 1,281	\$ (15,556)	\$ (19)	\$ 785
2010	945	-	-	(555)	-	389
2009	381	-	-	(183)	-	197
2008	106	-	-	(23)	-	83
2007	43	-	-	(14)	-	29
2006	94	-	-	(47)	-	47
2005	92	-	-	(28)	-	64
2004	220	-	-	(27)	-	192
2003	298	-	-	(1)	-	297
2002	120	-	-	(8)	-	112
2001	158	-	-	-	(158)	-
Total	\$ 2,458	\$ 15,079	\$ 1,281	\$ (16,443)	\$ (178)	\$ 2,197

Cleveland County, North Carolina

18. Schedule of Ad Valorem Taxes Receivable - Town of Polkville (86)

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2011	\$ -	\$ 13,000	\$ 874	\$ (13,204)	\$ (137)	\$ 534
2010	419	-	61	(240)	(61)	180
2009	117	-	61	(12)	(61)	105
2008	128	-	58	(18)	(58)	111
2007	117	-	58	(21)	(58)	96
2006	105	-	58	-	(58)	105
2005	118	-	-	(13)	-	105
2004	84	-	-	(5)	-	79
2003	22	-	-	(1)	-	21
2002	8	-	-	-	-	8
2001	10	-	-	-	(10)	-
Total	\$ 1,129	\$ 13,000	\$ 1,170	\$ (13,514)	\$ (442)	\$ 1,343

Cleveland County, North Carolina

19. Schedule of Ad Valorem Taxes Receivable - Town of Lawndale (87)

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2011	\$ -	\$ 47,678	\$ 2,854	\$ (46,351)	\$ (52)	\$ 4,130
2010	4,026	-	-	(2,741)	-	1,285
2009	1,383	-	-	(805)	(1)	577
2008	631	-	-	(239)	-	392
2007	363	-	-	(108)	-	255
2006	366	-	-	(112)	-	254
2005	261	-	-	(86)	-	175
2004	314	-	-	(68)	-	246
2003	309	-	-	(72)	-	237
2002	162	-	-	-	-	162
2001	381	-	-	-	(381)	-
Total	\$ 8,196	\$ 47,678	\$ 2,854	\$ (50,582)	\$ (434)	\$ 7,713

Cleveland County, North Carolina

20. Schedule of Ad Valorem Taxes Receivable - Town of Casar (88)

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2011	\$ -	\$ 6,282	\$ 243	\$ (6,183)	\$ (31)	\$ 311
2010	205	-	-	(172)	-	33
2009	32	-	-	(19)	-	13
2008	18	-	-	(1)	-	18
2007	4	-	-	(1)	-	3
2006	17	-	-	-	-	17
2005	5	-	-	-	-	5
2004	6	-	-	-	-	6
2003	5	-	-	(1)	-	4
2002	6	-	-	(1)	-	5
2001	5	-	-	-	(5)	-
Total	\$ 303	\$ 6,282	\$ 243	\$ (6,378)	\$ (36)	\$ 415

Cleveland County, North Carolina

21. Schedule of Ad Valorem Taxes Receivable - Town of Waco (89)

June 30, 2011

Fiscal Year Ended June 30	Uncollected Balance 2010	Additions		Deductions		Uncollected Balance 2011
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2011	\$ -	\$ 17,815	\$ 1,647	\$ (18,754)	\$ (32)	\$ 677
2010	909	-	1	(653)	(5)	252
2009	392	-	-	(218)	-	175
2008	245	-	-	(77)	-	168
2007	151	-	-	(11)	-	140
2006	94	-	-	(24)	-	71
2005	48	-	-	-	-	48
2004	39	-	-	-	-	39
2003	46	-	-	-	-	46
2002	19	-	-	(7)	-	12
2001	43	-	23	-	(66)	-
Total	\$ 1,987	\$ 17,815	\$ 1,672	\$ (19,742)	\$ (103)	\$ 1,628