

# CLEVELAND COUNTY NORTH CAROLINA



## ANNUAL FINANCIAL AND COMPLIANCE REPORT FOR THE YEAR ENDED JUNE 30, 2012

\*\* COMPARATIVE INFORMATION TO PRIOR YEAR INCLUDED \*\*

-- SIMILAR TO GFOA'S RECOGNIZED FORMAT FOR A COMPREHENSIVE ANNUAL FINANCIAL REPORT --



# CLEVELAND COUNTY NORTH CAROLINA



## ANNUAL FINANCIAL AND COMPLIANCE REPORT FOR THE YEAR ENDED JUNE 30, 2012

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



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**Cleveland County, North Carolina**  
**Annual and Financial Compliance Report**  
**For the Year Ended June 30, 2012**  
**I: PREFACE AND INTRODUCTION**  
**A. Message from the County Manager**

October 22, 2012

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

North Carolina General Statute (NCGS) 159-34(a) requires the County to contract with a certified public accountant to 1) have the financial records audited as soon as possible after the close of each year and 2) evaluate the County's performance with regard to compliance with all applicable federal and state regulations. The statute also requires that the auditor be permitted access to all records and other information upon request. In January 2012, the County entered a contract with Martin Starnes & Associates, CPAs, P.A. to conduct the audit for the fiscal year ended June 30, 2012. The auditor was permitted access to all requested information and no significant deficiencies have been noted. As of the date of this letter, the auditor's work is virtually completed.

More importantly, as the foundation of the County's financial planning and control, the annually adopted budget gives direction to County departments. The remaining text below is excerpted from a message concerning the budget for the fiscal year ending June 30, 2013.

The Board of Commissioners met on May 1, 2012 to discuss and evaluate budget and capital project priorities for fiscal year 2012-2013. The county has been facing challenging economic conditions over the past several years that have negatively affected county revenues, but because of the Commissioners strong leadership and sound fiscal management, Cleveland County has been able to present a balanced budget with no tax increase and no reduction in county funded services.

**General Fund Budget**

The projected tax base for fiscal year 2012-2013 is \$6,950,000,000. This is a projected increase of \$225,000,000 in value over the previous year, which translates into \$1,244,000 in new revenue at a 57 cents tax rate with a 97% collection rate. Sales tax revenues are projected to continue to stabilize this year but will still not rise to the levels from several years ago. Overall service-related fee collections also seem to have reached the bottom and are increasing slightly over last year.

We have recently seen a slight increase in residential building permits. We hope this trend continues through the coming year. We must continue to recruit new businesses to our community. Growth in the tax base and sales taxes must increase to match our mandated spending requirements or our current allocated funding levels will be difficult to sustain over time.

**Human Services**

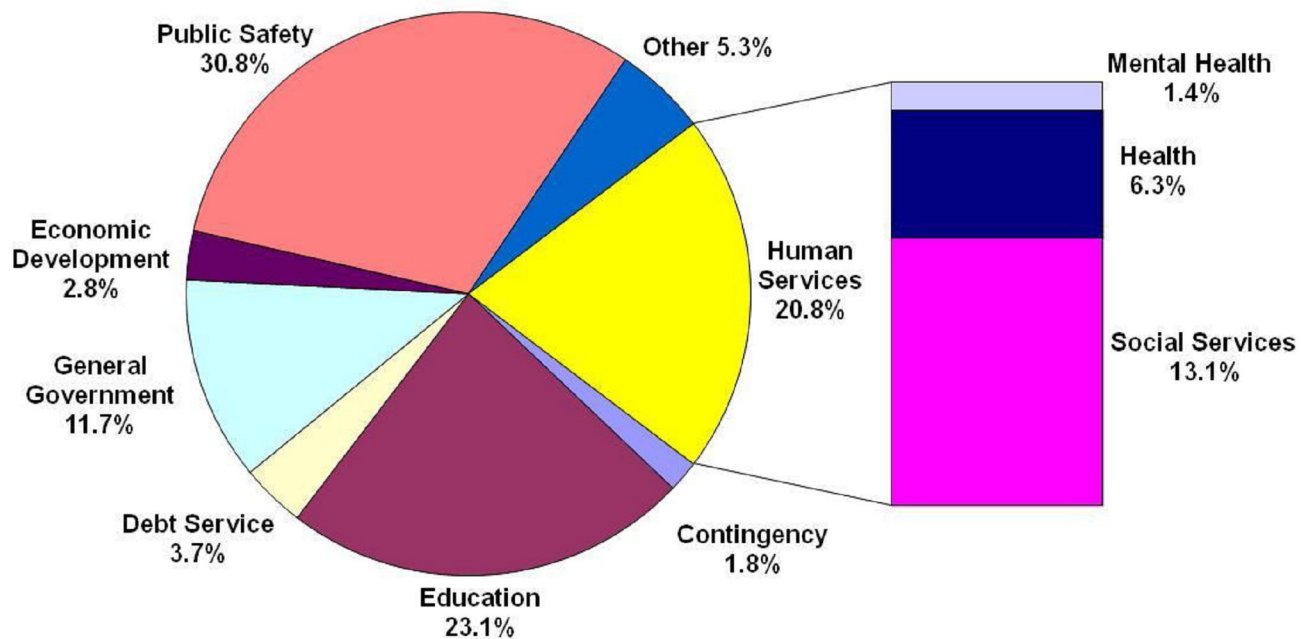
The overall appropriation of county funding for the *Department of Social Services* is \$7,624,984 for an increase in funding of 7.31% over the previous year. This increase is primarily due to a reduction in Federal and State funding for county mandated programs and services. These programs provide essential services for families and children.

The *Health Department* budget reflects an overall increase of 0.04% for a total county appropriation of \$3,690,936. A Pharmacist, Public Health Nurse II, and a Processing Assistant III have been added to the Health Department. All of these new positions are fully funded by Carolina Access grant funds.

**Landfill (Enterprise Fund)**

In the budget, there is the addition of a \$200.00 fee that will be charged for any banned materials that are brought into the Cleveland County Solid Waste Management Facilities. Any violations of these rules will result in the rejection of the load, additional acceptance fee of \$200.00 plus tipping fees and possible legal action. Some of the banned items include used oil, yard waste, whole scrap tires, and wooden pallets. While they may not be dumped in the landfill, many of the banned items are still being collected at the recycling centers.

**Cleveland County Expenditures**  
**FY 2012-2013 Primary Fund By Function**



**Public Safety**

The *Emergency Medical Services* department budget is allocated a total of \$5,443,141. This department budget reflects an increase of 0.43%.

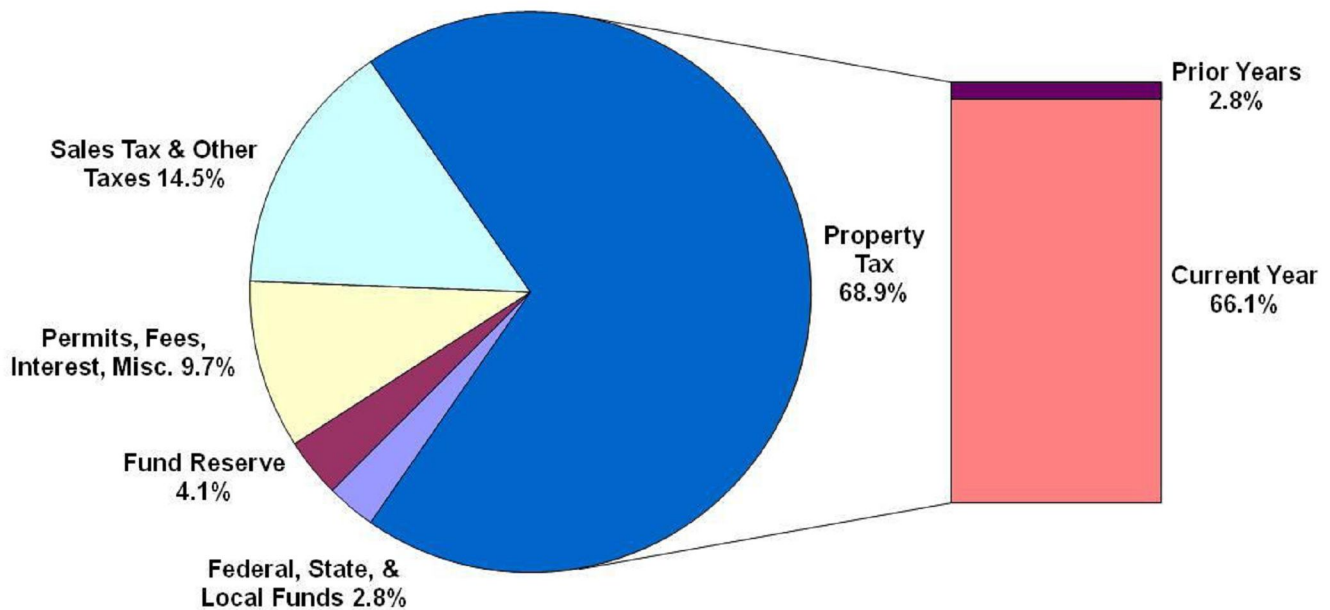
The *Sheriff's Office* budget reflects an increase of 0.79% for a total appropriation of \$5,791,137. This budget includes the addition of 11 new Sheriff's vehicles to replace current high mileage vehicles.

The Detention Center appropriation is increasing by 25.80% for a total allocation of \$4,051,761. The State recently implemented a voluntary program offering county detention facilities the opportunity to house misdemeanants that have been sentenced for a period of 91 to 180 days. In order to participate, the county has hired an additional 15 new detention officers. The revenues from this program will be used to offset their salaries and other departmental expenses. Along with this program and the expansion at the Detention Center annex, the budget includes additional expenditures for food, laundry, utilities, fuel, and health care costs. We have been working closely with the Sheriff’s Office to keep costs down as much as possible, but with the new jail expenses some increases in operational costs are unavoidable.

**Volunteer Fire Service Districts**

All fire service district tax rates will remain unchanged from last fiscal year. It is often difficult for many volunteers to be available to respond to calls during the day, so it may be necessary in the near future to explore the probability of having some paid staff during daytime hours. This county is fortunate to have a well trained and well equipped fire service. Our volunteers are enthusiastic in their desire to provide outstanding service to the citizens of Cleveland County.

**Cleveland County Revenues**  
**FY 2012-2013 Primary Fund By Source**



**Tax Administration**

This budget proposes no change in the current property tax rate of 57 cents per \$100 of valuation. The tax rates for the county-wide school district and the county fire district will also remain at 15 cents and 3 cents respectively. The early payment discount for taxpayers who pay during the month of August will remain at the current discount rate of one-half of 1%.

**Veterans Services**

The Cleveland County Veterans Services office assists our 8,759 local veterans and their dependents in applying for pension, health care, compensation, and other benefits and

services. Due to the economy and rising costs in health care, the Veterans Office has seen a 30% increase in applications for health care benefits. The county staff has been doing an outstanding job in providing exceptional service to our local veterans.

### **Human Resources**

It has been several years since county employees have received the opportunity for a pay increase. This budget includes a \$500 bonus for all permanently budgeted full time employees with one or more years of service as of July 1, 2012. The \$500 bonus will be pro-rated for part time employees in permanently budgeted positions.

In addition to the bonus payment, county employees will receive additional vacation hours based on years of service. The years of service will be determined as of July 1, 2012. These vacation hours may be used like any other vacation time. The hours will be pro-rated for part time employees in permanently budgeted positions.

Years of Service	Bonus Vacation Hours
1-10	24
11-25	32
25+	40

Beginning this year, the county will provide employees with a Health Savings Account (HSA) as the only health insurance plan option. Our health insurance costs have remained stable over the past several years due primarily to the savings of the HSA plan. We are fortunate in that we have been able to maintain our increase in premium costs over the past several years in the single digits. For next year, the premiums paid by the county on behalf of the employees will rise by 4.5%. The dental program has been stable this past year so there will not be an increase in dental premiums in the budget.

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

The North Carolina Local Government Employees' Retirement System Board of Trustees approved a decrease in the employer retirement contribution rate. Effective July 1, 2012, the new county budgeted rate will be reduced from 7.00% to 6.75%.

### **Cleveland County Library System**

The Cleveland County Library System consists of two facilities that provide up-to-date library services to the people of Cleveland County. The main library in Shelby, located across from the Shelby City Park, is open 6 days a week. Besides the traditional library services, the main library provides free access to the Internet for the public as well as free access to the latest in ebooks and audiobooks. Over 150,000 people visit the main library every year and check out approximately 250,000 items. The Spangler Branch Library, located in Lawndale, serves the

residents of upper Cleveland County. Offering all the same services of the main library but on a smaller scale, the branch is open 26 hours a week and circulates more than 30,000 items each year.

The Library Board of Trustees is recommending that the county approve an increase in overdue fines to twenty-five cents a day up to a maximum of \$10.00 per item. Effective July 1, 2012, this increase will make the fee structure compatible with other members of the NC Cardinal consortium.

### **Public Schools**

The current expense allocation for the Cleveland County School System will remain the same as in the previous year. The county allocation in the budget totals \$24,058,213 with the overall funding equating to over \$1,744 per pupil. The increase in per pupil funding is due primarily to a projected decrease in the number of students. Capital outlay will be reduced by \$200,000 and special capital projects will be funded at a total of \$1.2 million.

<b>COUNTY OF CLEVELAND, NORTH CAROLINA SCHOOL FUNDING WORKSHEET (ACCRUAL BASIS) April 23, 2012</b>						
<b>FISCAL YEAR</b>	<b>2013 <i>projected</i></b>	<b>2012 <i>estimated</i></b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Current Expense</b>	10,408,213	10,408,213	10,408,213	10,408,213	10,408,213	9,908,213
<b>Capital Outlay</b>	1,550,000	1,750,000	2,000,000	2,000,000	2,000,000	2,000,000
<b>Special Capital Projects</b>	1,200,000	1,200,000	1,400,000	1,400,000	1,400,000	1,400,000
<b>Supplemental Tax</b>	10,900,000	10,725,000	10,150,211	10,170,229	10,099,060	9,215,690
<b>Fines &amp; Forfeitures</b>	500,000	500,000	506,623	580,292	590,056	640,742
<b>Sales Tax</b>	2,740,500	2,690,500	2,589,580	2,600,505	3,282,542	4,022,266
<b>Total Funding</b>	<b>27,298,713</b>	<b>27,273,713</b>	<b>27,054,626</b>	<b>27,159,239</b>	<b>27,779,872</b>	<b>27,186,911</b>
<b>Student Population</b>	15,651	15,886	16,107	16,411	16,768	16,957
<b>Per Pupil Funding</b>	<b>1,744.22</b>	<b>1,716.84</b>	<b>1,679.68</b>	<b>1,654.94</b>	<b>1,656.72</b>	<b>1,603.29</b>
<b>Annual Amount Change</b>	27.38	37.16	24.74	(1.78)	53.43	35.23
<b>Annual Percent Change</b>	1.59%	2.21%	1.49%	-0.11%	3.33%	2.25%

### **Community College**

The budget includes an allocation of \$1,481,000 in current expenditures for Cleveland Community College. Funding for capital projects will remain unchanged. The construction of the LeGrand Center, located on the campus at the Community College, is progressing well and is anticipated to be completed in July 2012.

### **Capital Projects**

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

- Farmers' Market – Working on a joint project with the City of Shelby to create a new farmers' market located in Uptown Shelby.
- Conference Center/Early College High School/Continuing Education facility- Collaborating with the Cleveland County Schools and the Cleveland Community College to construct a multi-purpose facility.

- Foothills Commerce Center – Working on a joint venture with the City of Shelby to develop an industrial park west of Shelby. A 100,000 square foot shell building has been completed in the park and is currently being marketed to prospective clients.
- Historic Courthouse Renovations – Assisting with the renovation of the historic courthouse. The Earl Scruggs Center is scheduled to be completed early next year.
- American Legion Baseball Facilities – Assisting with the renovation of the Shelby High School Baseball Stadium in preparation for another successful American Legion World Series in August.

### **Economic Development/Tourism**

The budget appropriates \$161,000 to the Cleveland County Economic Development Partnership to be used in the recruitment of new businesses, as well as existing industry expansions. We continue to receive calls and visits from potential businesses considering locating to our area. We will also continue to explore new and innovative ways to be more marketable to current and future businesses.

The county has continued to place an emphasis on local travel and tourism within our community. This budget is allocating \$104,352 for travel and tourism with a majority of funding coming from the local occupancy tax. Work continues at the Shelby High School baseball stadium to prepare for the American Legion World Series baseball tournament. As a result of the hard work of many dedicated volunteers, our community will see a tremendous economic benefit and national recognition from this event. Along with the support of the county, private donors, and a grant from the Economic Development Administration, Destination Cleveland County is continuing with the renovations of the former historic county courthouse. The new Scruggs Center, once complete, along with the Don Gibson Theatre, will have a significant impact on the number of visitors to our county.

### **Conclusion**

The county unemployment rate is currently 10.8%. While the overall economy is still struggling, retail sales have been stabilizing over the past couple of years and local housing starts have been improving but are not near the levels of several years ago. With economic uncertainty, this budget focuses on keeping operating costs down while maintaining the same level of public services. The county departments have been exploring all avenues to manage costs while providing exceptional quality services. With the County Commissioners' direction and leadership, we will continue to operate with no reduction in county funded services and no increase in property taxes.

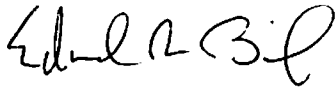
We look forward to continuing our focus on the recruitment of new businesses and the retention of our current businesses. There have been several recent existing industry job expansions and new company announcements. Creating and retaining jobs for our citizens will help stabilize our local economy as well as assist with maintaining a stable tax rate. We are currently working on several more economic development projects which, if successful, will have a positive impact on our overall economy and unemployment rate.



DESCRIPTION	FY 2013 BUDGET ORDINANCE	FY 2012 BUDGET ORDINANCE	FY 2011 BUDGET ORDINANCE
<b><u>GENERAL FUND CLASSIFICATION:</u></b>			
Primary Government Services	\$ 60,242,441	\$ 58,947,189	\$ 58,461,375
Social Services & Public Assistance	23,828,890	23,470,053	23,425,299
Public Health	12,917,250	13,183,322	12,270,614
Employee Wellness	778,579	863,200	753,412
Court Facilities	322,822	321,078	321,140
Schools Property Taxes	10,425,000	10,080,000	9,530,250
Workers' Compensation	720,000	722,000	722,000
Health Insurance	632,000	720,000	630,000
TOTAL, INCLUDING TRANSFERS:	108,866,982	108,306,842	106,114,090
LESS TRANSFERS:	(13,700,762)	(13,454,952)	(13,748,976)
TOTAL, EXCLUDING TRANSFERS:	95,166,220	94,851,890	92,365,114
<b><u>SPECIAL REVENUE FUND CLASSIFICATION:</u></b>			
Emergency Telephone (E911)	353,291	381,896	376,840
County Fire Service District	1,515,966	1,554,266	1,454,966
TOTAL, INCLUDING TRANSFERS:	1,869,257	1,936,162	1,831,806
LESS TRANSFERS:	(300,000)	-	-
TOTAL, EXCLUDING TRANSFERS:	1,569,257	1,936,162	1,831,806
<b><u>DEBT SERVICE FUND CLASSIFICATION:</u></b>			
	5,531,160	5,650,061	4,782,136
LESS TRANSFERS:	(3,968,572)	(4,037,251)	(3,690,936)
TOTAL, EXCLUDING TRANSFERS:	1,562,588	1,612,810	1,091,200
<b><u>CAPITAL PROJECT FUND CLASSIFICATION:</u></b>			
Capital Projects	1,183,334	1,500,000	1,406,000
County Capital Reserve	1,183,344	1,500,000	1,256,000
Schools Capital Reserve	3,187,174	3,204,254	3,152,400
TOTAL, INCLUDING TRANSFERS:	5,553,842	6,204,254	5,814,400
LESS TRANSFERS:	(2,283,334)	(2,600,000)	(2,356,000)
TOTAL, EXCLUDING TRANSFERS:	3,270,508	3,604,254	3,458,400
<b><u>ENTERPRISE FUND CLASSIFICATION:</u></b>			
Solid Waste-Collection and Disposal	6,252,447	5,569,951	8,980,518
Conference Center	250,000	1,554,266	1,454,966
TOTAL, INCLUDING TRANSFERS:	6,502,447	5,569,951	8,980,518
LESS TRANSFERS:	(500,000)	(250,000)	-
TOTAL, EXCLUDING TRANSFERS:	6,002,447	5,319,951	8,980,518
<b>TOTAL, INCLUDING TRANSFERS:</b>	<b>128,323,688</b>	<b>127,667,270</b>	<b>127,522,950</b>
<b>LESS TRANSFERS**</b>	<b>(20,752,668)</b>	<b>(20,342,203)</b>	<b>(19,795,912)</b>
<b>TOTAL, EXCLUDING TRANSFERS:</b>	<b>\$107,571,020</b>	<b>\$107,325,067</b>	<b>\$107,727,038</b>

I would like to thank Chris Crepps, Finance Director and his staff for their outstanding work in assisting with the preparation of this budget. Our county departments and staff continue to work diligently to contain costs and manage our resources wisely while providing exceptional public services.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Eddie Bailes". The signature is written in a cursive style with a large initial "E" and a stylized "B".

Eddie Bailes  
County Manager

Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2012  
I: PREFACE AND INTRODUCTION  
B. List of Principal County Officials

BOARD OF COUNTY COMMISSIONERS

JOHNNY HUTCHINS  
Commission Chair  
Term Expires 2012



MARY ACCOR  
Commissioner  
Term Expires 2012



EDDIE HOLBROOK  
Commissioner  
Term Expires 2014



JASON FALLS  
Commissioner  
Term Expires 2014



RONNIE HAWKINS  
Commission Vice-Chair  
Term Expires 2012

COUNTY OFFICIALS

EDWARD "EDDIE" BAILES  
Manager



VACANT  
Assistant Manager

PAUL EZELL  
Building Codes Administrator

MARK DELLINGER  
Electronic Equipment Services Manager

JOE LORD  
Emergency Medical Services Director

C. D. CREPPS  
Finance Director

DEWEY COOK  
Fire Marshall / Emergency Management Coordinator

VACANT  
Human Resources Director

MARTY GOLD  
Information Technology Director

CAROL WILSON  
Library Director

SCOTT BOWMAN  
Maintenance Director

BILL MCCARTER  
Planning/Zoning Director

MIKE BRANCH  
Telecommunications Director

BOB YELTON  
Attorney

KERRI MELTON  
Clerk to the Board

APRIL CROTTS  
Administrative Assistant

BONNIE REECE  
Register of Deeds (Term Expires 2014)

ALAN NORMAN  
Sheriff (Term Expires 2014)

DWIGHT TESSNEER  
Coroner (Term Expires 2014)

GREG TRAYWICK  
Cooperative Extension Director

DEBRA BLANTON  
Elections Director \*

DOROTHEA WYANT  
Health Director \*

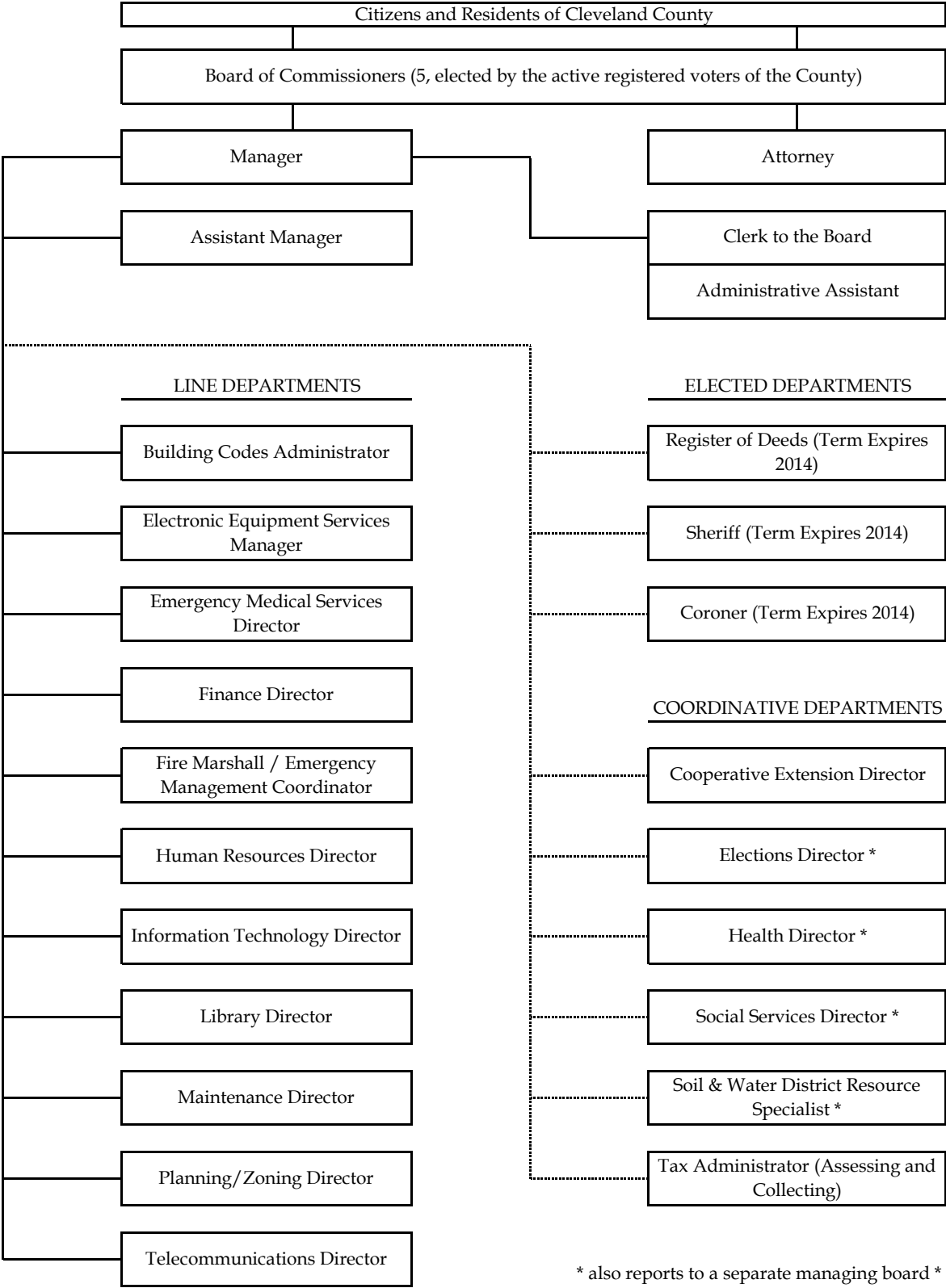
KAREN ELLIS  
Social Services Director \*

ELTON BARBER  
Soil & Water District Resource Specialist \*

CHRIS GREEN  
Tax Administrator (Assessing and Collecting)

\* also reports to a separate managing board \*

**Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2012  
I: PREFACE AND INTRODUCTION  
C. Organizational Chart**



\* also reports to a separate managing board \*

**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
**For the Year Ended June 30, 2012**  
**I: PREFACE AND INTRODUCTION**  
**D. Introduction from the County Finance Director**

October 22, 2012

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

County management hereby respectfully submits, and is responsible for the contents of, the *Annual Financial and Compliance Report For the Year Ended June 30, 2012* to the Cleveland County Board of Commissioners, residents of Cleveland County, and other readers. With this *Annual Financial and Compliance Report* of Cleveland County, North Carolina, management portrays the basic financial condition, and recent changes thereto, of the County government.

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

*County's Responsibilities*

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

Further, the County is responsible for adopting sound accounting policies, establishing and maintaining effective internal controls, and preventing and detecting fraud. Therefore,

County management has established a comprehensive internal control framework that is designed both 1) to help protect the County's assets from loss, theft, or misuse and 2) to compile sufficient reliable information presented in this report as the County's official financial statements and related schedules such that the presented information complies with U. S. generally accepted accounting principles. While County management conducts its continuing assessment, the County asserts reasonable assurance, not absolute assurance, that its internal control over both 1) the effectiveness and efficiency of operations and 2) financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, as of June 30, 2012 was operating effectively.

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

### *Assertions*

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

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

## *Description of Cleveland County*

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

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

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

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

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

The County has established a unified county-wide school district that is operated and administered by a separate non-partisan nine-member board of education whose members are elected by the citizens. Cleveland County Schools has about 15,700 students. The local board of education appoints a superintendent to direct the day-to-day management of the school system.

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

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

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

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

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



in nearby national parks (i.e. Kings Mountain) and state parks (i.e. South Mountain and Crowders Mountain in NC and Kings Mountain in SC).

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

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

### *Long-Term Financial Planning*

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

titled the "Capital Improvement Program" (CIP). The plan addresses both 1) the projected costs of additional operating and capital needs and 2) the strategy to provide financial resources from which to pay the costs in the foreseeable future. The items included in the first year of the plan are reflected in the County's operating budget for the year ending June 30, 2013.

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

- ✓ re-evaluate the CIP each year
- ✓ maintain at least 18% of annual operating expenditures in cash reserves
- ✓ avoid using one-time revenue resources for recurring expenditures
- ✓ aggressively seek financial support, such as federal or state grant monies, to attain a sufficient level of resources to finance capital projects
- ✓ pay for small capital projects without borrowing funds and borrow funds, as needed, for larger and more expensive capital projects

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

### *Summary*

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

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

Respectfully submitted,

**C D Crepps**

C. D. Crepps  
County Finance Director

**Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2012**

**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	85
E. Other Supplementary Information	Subsection II.E.	124

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

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

## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Cleveland County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cleveland County, North Carolina, as of and for the year ended June 30, 2012, 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, 2012, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General 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 25, 2012, 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 25, 2012

**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
**For the Fiscal Year Ended June 30, 2012**  
**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, 2012* 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 \$145,431,705. This amount is also referred to as total net assets.
- On a government-wide basis, total net assets increased by \$6,983,856 from last year, primarily due to larger than expected increases in property tax and sales tax revenues, much greater use of non-County funds to support expenditures, and recognition of a large amount of revenue that was classified as unearned revenue last year.
- The ending fund balances of all governmental funds combined equals \$31,662,259, a decrease of \$14,978,511 from prior year and nearly \$29.3 million from two years ago. This decrease is primarily due to spending virtually all of \$40 million of debt proceeds included in fund balance of prior years.
- At the end of the fiscal year, fund balance available for appropriation in the General Fund was \$13,409,943, or 14.7% of total general fund expenditures for the fiscal year.
- The County added \$23,001,283 (15.4%) to its total capital assets during the fiscal year, to achieve an ending balance of \$172,391,451. Many recent building projects have completed.
- Total long-term liabilities decreased by \$3,262,152 (5.0%) to \$62,271,716 during the fiscal year due primarily to making scheduled principal payments and recognition of a large amount of revenue that was classified as unearned revenue last year

**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 Funds Financial Schedule, and
6. Fiduciary Funds Financial Statement

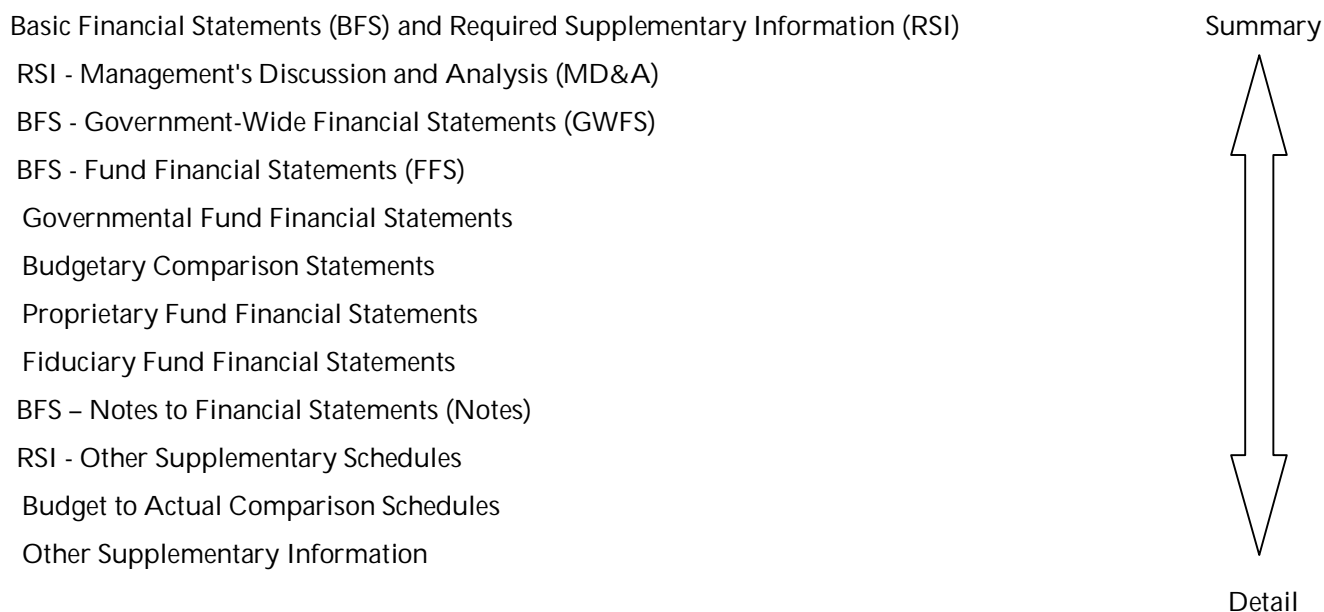


Figure 1. Level of Detail

**Basic Financial Statements**

Through the Government-Wide Financial Statements and the Fund Financial Statements, the Basic Financial Statements present two different views of the County. The Government-Wide Financial Statements provide both short-term and long-term information about the County’s overall financial status. The Fund Financial Statements, however, focus exclusively on short-term information and provide more detail on the activities of the individual components of the County’s operations. Following the Fund Financial Statements, the Notes to Financial Statements explain and add insight to the data contained in the Government-Wide Financial Statements and Fund Financial Statements.

**Government-Wide Financial Statements**

The Government-Wide Financial Statements comprise governmental activities and business-type activities. Governmental activities, which are financed primarily through property taxes, local sales taxes, and intergovernmental revenues, include the County’s basic services such as education funding, emergency services, law enforcement provision, public health and social services. Business-type activities, which are financed through charges to customers, include the County’s solid waste collection and disposal services and conference center events. 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 special schedules on Exhibit II.C.2.a.i and Exhibit II.C.2.b.i to identify the impact from such reporting matters. 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 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),
3. Proprietary Fund Financial Statements (Exhibits II.C.2.d, II.C.2.e, II.C.2.f, and II.C.2.g), and
4. Fiduciary Fund Financial Statements (Exhibit II.C.2.h).

Like all other governmental entities in North Carolina, Cleveland County uses the fund concept to ensure and reflect compliance with finance-related legal requirements. Such requirements typically are derived from the North Carolina General Statutes, the Local Government Commission of North Carolina, the County's budget ordinance, or other parties interested in the County's finances. Also, Cleveland County uses fund accounting to control resources that are restricted in purpose and/or time. A fund is a grouping of assets and related debts that are used to maintain control over resources that have been segregated for specific activities or objectives. For an example, review the balance sheet of one or more funds in this report. (Find the larger individual funds, labeled as major funds, within the "Fund Financial Statements" part and the 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 funds are used to report more details of the same functions that are presented as business-type activities in the Government-Wide Financial Statements. Since the activities accounted for in enterprise funds are similar to for-profit operations, enterprise funds use the full accrual basis of accounting rather than the modified accrual basis of accounting that is used by governmental funds. Therefore, enterprise funds and other types of proprietary funds provide both long-term and short-term financial information similar to that found in the Government-Wide Financial Statements.

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

### **Notes to Financial Statements**

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

### **Required Supplementary Information and Other Supplementary Information**

These two subsections include certain information needed to discern Cleveland County’s current financial situation and its financial progress over recent years. The required supplementary information concerns, first, the County’s obligation to provide post-employment benefits and, second, more detailed results for each individual fund, both major and non-major funds. Additional supplementary schedules concerning cash and investments, transfers between funds, and property taxes are also displayed to help reasonably estimate future progress.

## **GOVERNMENT-WIDE FINANCIAL HIGHLIGHTS**

With the changes in the financial statement reporting model mandated by the Government Accounting Standards Board (GASB), Cleveland County was required to add two Government-Wide Financial Statements and implement other changes for the fiscal year ended June 30, 2003. The two net statements focus on net assets and the changes in net assets. As noted earlier, net assets and the changes therein may serve as useful indicators of a government’s financial condition. The tables included herein contain data that allow opportunities for comparative analysis of the three 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, 2012, net assets increased by \$6,983,856 to \$145,431,705. This increase is primarily due to larger than expected increases in property tax and sales tax revenues, much greater use of non-County funds to support expenditures, and recognition of a large amount of revenue that was classified as unearned revenue last year.

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		
	2012	2011	2010	2012	2011	2010
	(amounts depicted in thousands of dollars)					
Current and other assets	\$ 41,076	\$ 61,120	\$ 66,612	\$ 2,538	\$ 5,954	\$ 6,787
Capital assets	156,222	134,350	107,003	16,169	15,040	13,200
<b>Total assets</b>	<b>197,298</b>	<b>195,470</b>	<b>173,615</b>	<b>18,707</b>	<b>20,994</b>	<b>19,987</b>
Current and other liabilities	7,999	11,778	4,861	302	704	121
Long-term liabilities	55,734	57,894	41,847	6,538	7,640	5,535
<b>Total liabilities</b>	<b>63,733</b>	<b>69,672</b>	<b>46,708</b>	<b>6,840</b>	<b>8,344</b>	<b>5,656</b>
Invested in capital assets, net	112,384	85,694	73,352	16,169	15,040	13,200
Restricted	20,948	39,629	13,034	-	-	-
Unrestricted	233	475	40,521	(4,302)	(2,390)	1,131
<b>Total net assets</b>	<b>\$ 133,565</b>	<b>\$ 125,798</b>	<b>\$ 126,907</b>	<b>\$ 11,867</b>	<b>\$ 12,650</b>	<b>\$ 14,331</b>

Table 2. Condensed Statement of Activities

Category	Governmental Activities			Business-type Activities		
	2012	2011	2010	2012	2011	2010
	(amounts depicted in thousands of dollars)					
Revenues:						
Program revenues						
Charges for services	\$ 26,090	\$ 23,496	\$ 23,005	\$ 5,545	\$ 4,990	\$ 4,392
Program grants & contributions	30,988	28,309	24,774	2,240	2,262	297
General revenues						
Property and other taxes	48,840	46,478	46,097	-	-	-
General grants & contributions	380	190	-	-	-	-
Investment earnings	101	202	546	2	44	15
<b>Total revenues</b>	<b>106,399</b>	<b>98,675</b>	<b>94,422</b>	<b>7,787</b>	<b>7,296</b>	<b>4,704</b>
Program expenses:						
General government	8,692	6,759	9,028	-	-	-
Transportation	39	39	39	-	-	-
Public safety	24,750	23,198	21,698	-	-	-
Human services	35,481	36,593	33,914	-	-	-
Education	26,032	26,348	25,447	-	-	-
Economic and phys. development	2,780	3,882	2,349	-	-	-
Cultural	1,213	1,017	1,103	217	-	-
Solid waste/environmental	-	-	-	5,789	8,641	3,614
Interest on long-term liabilities	2,209	2,284	644	-	-	-
<b>Total expenses</b>	<b>101,196</b>	<b>100,120</b>	<b>94,222</b>	<b>6,006</b>	<b>8,641</b>	<b>3,614</b>
<b>Excess (deficiency) before transfers</b>	<b>5,203</b>	<b>(1,445)</b>	<b>200</b>	<b>1,781</b>	<b>(1,345)</b>	<b>1,090</b>
Transfers	2,564	336	335	(2,564)	(336)	(335)
<b>Change in net assets</b>	<b>7,767</b>	<b>(1,109)</b>	<b>535</b>	<b>(783)</b>	<b>(1,681)</b>	<b>755</b>
Net assets, beginning	125,798	126,907	126,372	12,650	14,331	13,576
Net assets, ending	\$ 133,565	\$ 125,798	\$ 126,907	\$ 11,867	\$ 12,650	\$ 14,331

Table 3. Condensed Statement of Activities (Percentages)

Category	Governmental Activities			Business-type Activities		
	2012	2011	2010	2012	2011	2010
Revenues:						
Program revenues						
Charges for services	24.52%	23.81%	24.36%	71.21%	68.39%	93.37%
Program grants & contributions	29.12%	28.69%	26.24%	28.76%	31.00%	6.31%
General revenues						
Property and other taxes	45.90%	47.10%	48.82%	0.00%	0.00%	0.00%
General grants & contributions	0.36%	0.19%	0.00%	0.00%	0.00%	0.00%
Investment earnings	0.10%	0.21%	0.58%	0.03%	0.61%	0.32%
<b>Total revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
Program expenses:						
General government	8.59%	6.75%	9.58%	0.00%	0.00%	0.00%
Transportation	0.04%	0.04%	0.04%	0.00%	0.00%	0.00%
Public safety	24.46%	23.17%	23.03%	0.00%	0.00%	0.00%
Human services	35.06%	36.55%	36.00%	0.00%	0.00%	0.00%
Education	25.72%	26.31%	27.01%	0.00%	0.00%	0.00%
Economic and phys. development	2.75%	3.88%	2.49%	0.00%	0.00%	0.00%
Cultural	1.20%	1.02%	1.17%	3.61%	0.00%	0.00%
Solid waste/environmental	0.00%	0.00%	0.00%	96.39%	100.00%	100.00%
Interest on long-term liabilities	2.18%	2.28%	0.68%	0.00%	0.00%	0.00%
<b>Total expenses</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

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

Of total revenues, about 42.77% stems from property and other taxes, 29.10% from program grants and contributions, and 27.71% from charges for services. Of total expenses, about 33.10% is spent toward human service programs, 24.28% toward education programs, and 23.09% on public safety programs. To summarize, the County's total revenues are about \$114.2 million and total expenses are about \$107.2 for the year ended June 30, 2011, adding about \$7.0 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 = \$114,185,652, which is total general revenues and transfers (\$49,323,190) plus program revenues (\$31,635,316 + \$26,781,750 + \$6,445,396) of the County (from Exhibit II.C.1.b)
  - total resource outflow = \$107,201,796, which is total expenses of the County (from Exhibit II.C.1.b)
  - total margin ratio =  $\$114,185,652 / \$107,201,796 = 1.065$
- 2) percentage (%) change in net assets = (change in net assets) divided by (beginning net assets)
- change in net assets = \$6,983,856 (from Exhibit II.C.1.b)
  - beginning net assets = \$138,447,849 (from Exhibit II.C.1.b)
  - percentage (%) change in net assets =  $\$6,983,856 / \$138,447,849 = 5.0\%$
- 3) debt service ratio = (principal payments plus interest payments) divided by (total resource outflow plus principal payments)
- principal payments = \$65,605 + \$3,370,393 = \$3,435,998 (from Exhibits II.D.3.a and II.D.4.h)
  - interest payments = \$3,619 + \$2,252,197 = \$2,255,816 (from Exhibits II.D.3.a and II.D.4.h)
  - debt service ratio =  $(\$3,435,998 + \$2,255,816) / (\$107,201,796 + \$3,435,998) = 0.051$
- 4) quick ratio =(cash and cash equivalents) divided by (current liabilities)
- cash and cash equivalents = \$29,491,878 (from Exhibit II.C.1.a)
  - current liabilities = \$6,073,804 + \$1,287,109 + \$752,042 + \$188,217 = \$8,301,172 (from Exhibit II.C.1.a)
  - quick ratio =  $\$29,491,878 / \$8,301,172 = 3.553$
- 5) net assets ratio = (unrestricted net assets) divided by (total liabilities)
- unrestricted net assets = - \$4,069,307 (from Exhibit II.C.1.a)
  - total liabilities = \$70,572,888 (from Exhibit II.C.1.a)
  - net assets ratio =  $- \$4,069,307 / \$70,572,888 = (0.058)$
- 6) debt-to-assets ratio = (outstanding long-term liabilities) divided by (total assets)
- outstanding long-term liabilities = \$62,271,716 (from Exhibit II.C.1.a)
  - total assets = \$216,004,593 (from Exhibit II.C.1.a)
  - debt-to-assets ratio =  $\$62,271,716 / \$216,004,593 = 0.288$
- 7) capital assets condition ratio = (1.000) less ((accumulated depreciation) divided by (capital assets being depreciated))
- accumulated depreciation = \$51,428,265 + \$7,826,820 = \$59,255,085 (from Note b.A.5 on Capital Assets)
  - capital assets being depreciated = \$140,283,617 + \$10,517,613 = \$150,801,230 (from Note b.A.5 on Capital Assets)
  - capital assets condition ratio =  $1.000 - (\$59,255,085 / \$150,801,230) = 0.607$

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

<b>Indicator Name / Result</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
total margin ratio	1.065	0.974	1.013	0.985	1.243	1.110	1.180
% change in net assets	0.050	(0.020)	0.009	(0.011)	0.214	0.102	0.191
debt service ratio	0.051	0.041	0.039	0.030	0.049	0.053	0.057
quick ratio	3.553	2.730	6.291	7.657	8.916	10.663	9.510
net assets ratio	(0.058)	(0.025)	0.795	0.864	1.279	1.419	1.112
debt-to-assets ratio	0.288	0.303	0.245	0.167	0.122	0.132	0.170
capital assets condition ratio	0.607	0.615	0.642	0.651	0.676	0.637	0.646

## Governmental Activities

Governmental activities increased the County's net assets by \$7,766,667, thereby responsible for the overall increase in total government-wide net assets. See both Table 2 and Table 3 above. This increase in net assets is primarily due to larger than expected increases in property tax and sales tax revenues, much greater use of non-County funds to support expenditures, and recognition of a large amount of revenue that was classified as unearned revenue last year.

## Business-Type Activities

Business-type activities decreased the County's net assets by \$782,811, thereby partially offsetting the overall increase in total government-wide net assets. See both Table 2 and Table 3 above. A large transfer from the Solid Waste Fund to the Capital Projects Fund led to the decrease in net assets. The County's General Fund will be transferring these funds back to the Solid Waste Fund over several years.

Due to the nature of the landfill business and the large expense of opening and closing landfill sites, we intend to return to building cash reserves now, after 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 and has been closed and capped.

The newest fund at the County is the Conference Center Fund. During the year, this fund was created to account for the purchase of equipment and other assets needed for establishing and furnishing this new facility. In future years, this fund will account for the operation, maintenance, and continued development of the County's conference center facilities housed in the LeGrand Center on the campus of Cleveland Community College.

## 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, 2012*.

**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 \$18.41 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 14.9% and total fund balance amounts to 25.6% 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, 2012, the County reported \$31,662,259 as the combined fund balance of all governmental funds. The total decrease in the combined fund balance of all governmental funds of \$14,978,511 may be attributed to various causes. Primarily, the reasons for this decrease result from 1) spending loan proceeds that were unspent last year and 2) an increase in amounts 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 \$13,409,943, while total fund balance reached \$25,063,714. The total increase in the fund balance of the General Fund of \$2,782,075 is primarily attributed to larger than expected increases in property tax and sales tax revenues and much greater use of non-County funds to support expenditures when compared to prior year. Fund balance available for appropriation represents 14.7% of total General Fund expenditures, while total fund balance represents 27.5% of that same amount. amounts that have deteriorated over recent years.

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 suggested 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, 2012. 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 = \$116,193,604, which is total revenues (\$106,252,566) plus transfers in (\$9,941,038) of the County's governmental funds (from Exhibit II.C.2.b)
- transfers in to capital project-type funds = \$4,285,390, which is total transfers in to Capital Projects Fund (from Exhibit II.E.02)
- total expenditures plus transfers out = \$131,172,115, which is total expenditures (\$123,794,820) plus transfers out (\$7,377,295) of the County's governmental funds (from Exhibit II.C.2.b)
- proceeds from capital leases and installment financing = \$0 (from Exhibit II.C.2.b)
- transfers out from capital projects-type funds = \$3,204,253, which is total transfers out from Capital Projects Fund (from Exhibit II.E.02)
- operations ratio =  $(\$116,193,604 - \$4,285,390) / (\$131,172,115 - \$0 - \$3,204,253) = 0.875$

2) percentage (%) change in fund balance = (change in fund balance) divided by (beginning fund balance)

- change in fund balance = - \$14,978,511 (from Exhibit II.C.2.b)
- beginning fund balance = \$46,640,770 (from Exhibit II.C.2.b)
- percentage change in fund balance =  $-\$14,978,511 / \$46,640,770 = -32.1\%$

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 = \$3,435,998 (from Exhibit II.C.2.b)
- interest payments = \$2,255,816 (from Exhibit II.C.2.b)
- debt service ratio =  $(\$3,435,998 + \$2,255,816) / (\$131,172,115 - \$0 - \$3,204,253) = 0.044$

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

- cash and cash equivalents = \$27,505,204 (from Exhibit II.C.2.a)
- current liabilities--not including deferred revenues =  $\$5,138,759 + \$635,876 + \$1,284,204 + \$3,496,276 + \$188,217 = \$10,743,332$  (from Exhibit II.C.2.a)
- quick ratio =  $\$27,505,204 / \$10,743,332 = 2.560$

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 = \$18,413,897 (from Exhibit II.C.2.a)

- available fund balance-to-expenditures ratio =  $\$18,413,897 / (\$131,172,115 - \$0 - \$3,204,253) = 0.144$

6) debt-to-assessed value ratio = (long-term debt) divided by (total assessed value used for property tax purposes)

- long-term debt = \$47,098,335 (from detail notes in Exhibit II.C.3.b.B.7.e)
- total assessed value used for property tax purposes = \$6,988,722,082 (from Exhibit II.E.03)
- debt-to-assessed value ratio =  $\$47,098,335 / \$6,988,722,082 = 0.0067$

7) intergovernmental ratio = (intergovernmental revenues) divided by ((total revenues) plus (transfers in) less (transfers in to capital projects-type funds))

- intergovernmental revenues = \$27,487,280 (from Exhibit II.C.2.b)
- intergovernmental ratio =  $\$27,487,280 / (\$116,193,604 - \$4,285,390) = 0.246$

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

Indicator Name / Result	2012	2011	2010	2009	2008	2007	2006
operations ratio	0.875	0.910	1.140	0.955	1.034	1.007	0.990
% change in fund balance	(0.321)	(0.211)	0.317	(0.000005)	0.164	0.038	(0.002)
debt service ratio	0.044	0.040	0.045	0.030	0.052	0.055	0.057
quick ratio	2.560	2.172	5.590	6.817	8.290	7.614	7.291
available fund balance-to-expenditures	0.144	0.139	0.330	0.318	0.356	0.292	0.294
debt-to-assessed value ratio	0.0067	0.0076	0.0054	0.0025	0.0021	0.0020	0.0028
intergovernmental ratio	0.246	0.235	0.213	0.214	0.222	0.224	0.211

**Proprietary Funds.** Cleveland County's proprietary (i.e. enterprise) funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Solid Waste Fund and Conference Center Fund at the end of the fiscal year amounted to - \$4,302,149 and total net assets of the funds are \$11,867,191. Factors concerning the finances of these enterprise funds 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		
	2012	2011	2010	2012	2011	2010
	(amounts depicted in thousands of dollars)					
Land and land improvements	\$ 20,322	\$ 15,621	\$ 13,783	\$ 13,478	\$ 10,324	\$ 9,777
Construction in progress	47,045	35,425	8,202	-	1,444	-
Buildings and improvements	79,568	73,110	75,342	868	859	819
Equipment (including vehicles)	3,748	4,190	3,118	1,462	1,776	1,691
Leasehold improvements	221	235	250	9	9	10
Infrastructure	5,318	5,769	6,308	352	628	903
<b>Total capital assets, net</b>	<b>\$ 156,222</b>	<b>\$ 134,350</b>	<b>\$ 107,003</b>	<b>\$ 16,169</b>	<b>\$ 15,040</b>	<b>\$ 13,200</b>

**Capital assets.** Cleveland County's capital assets for its governmental and business-type activities as of June 30, 2012 totals \$172,391,451 (net of accumulated depreciation), which represents an increase of \$23,001,283 from prior year. 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:

- Continued development of a new landfill site (\$1,710,398 increase).



- Acquisition of capital assets other than equipment and vehicles through the purchase, major renovation, construction, or received donation of land and buildings (\$28,806,030 increase)
- Increase in accumulated depreciation, including depreciation expense on equipment and vehicles of \$1,920,398 and on capital assets other than equipment and vehicles of \$3,718,556 (\$5,638,954 decrease to reported capital assets).

The County's investments in capital assets increased over 15.40% 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, 2012, Cleveland County had total long-term liabilities outstanding of \$62,263,324, of which total indebtedness (debt backed by the full faith and credit of the County) amounted to \$47,098,335. During the year ended June 30, 2012, the change in total long-term liabilities was -\$3,270,544 (or - 4.99%) and the change in outstanding indebtedness was -\$3,435,999. During the year, the County met all normal debt service requirements (both principal and interest payments) of \$5,691,722.

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 \$463,668,871. See Subsection III.C within Section III for more information on the calculation of the legal debt margin and other information concerning long-term debt. Additional information regarding the County's long-term obligations can be found in the Notes to Financial Statements, see Note a.D.8 and Note b.B.7.

## BUDGETARY HIGHLIGHTS

During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of four categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to continue incomplete projects from the prior fiscal year; 3) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 4) increases in appropriations that become necessary to maintain services. And, the Commissioners have granted the County Manager authority to carry-forward unspent donations and other designated proceeds for which budget was approved by the Commissioners in a prior year but some expenditures have not yet occurred. See Table 7 following the discussion below for a summary of budget amendments by fund.

**General Fund:** Total amendments to the General Fund increased budgeted revenues by \$8,005,363, appropriations of fund balance by \$2,578,563, and incoming transfers from other funds by \$2,674. The primary reasons for these increases were: (1) to carry-forward budget related to a) unspent grant awards and other restricted resources (such as donations), b) unpaid obligations (i.e. year-end outstanding encumbrances), 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 and expanding facilities at Curtiss-Wright, Baldor, Ultra Machines, Clearwater Paper, and other industry to locate and expand facilities within Cleveland County, and (4) to accept new public assistance grants that helped with residential heating costs and temporary employment.

**Capital Projects Fund.** Budget amendments to the Capital Projects Fund increased revenues and expenditures by \$37,688,801 for various purposes: (1) to appropriate \$8,979,040 of proceeds from the state lottery for renovations to convert part of an old school facility to use as administrative offices for school personnel, (2) for continuing projects that were incomplete when the year began (such as the construction of a new multi-purpose facility at the

community college that will include a new conference center and construction of a new middle school in Shelby), (3) to acknowledge the use of \$3,000,000 of funds transferred from the Solid Waste Fund for the creation of a large tract of land to entice a large new industrial taxpayer to the County, and (4) to accept a \$250,000 grant that will be used to finance part of the renovation of the historic courthouse in Shelby.

**Solid Waste Fund.** In the County's oldest enterprise fund, total amendments to the Solid Waste Fund increased revenues and expenditures by \$6,034,036 primarily to account for the continued closing and capping of an old landfill cell closed for use in 2010 and transfer \$3,000,000 to Capital Projects Fund.

**Conference Center Fund.** In the County's newest enterprise fund, total amendments to the Conference Center Fund increased revenues and expenditures by \$300,000 primarily to account for both the purchase of kitchen equipment, silverware, materials, and other hardware and provide support for the management company enlisted to oversee the pre-opening activities of the new conference center.

**Non-major Funds.** Total amendments to non-major funds of \$3,783,746 include the carry-forward budget of incomplete special projects and budget for new special projects (including grants), to budget for a new project to use a portion of special E911 funds for purchase of two ambulances, and to budget new federal community development block grant (CDBG) proceeds of \$400,000 for housing rehabilitation.

The Community Development Fund is budgeted by project ordinance instead of the annual budget ordinance. The County budgeted \$3,025,000 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 when compared to the final amended budget.

Table 7. Schedule of Budget Amendment Amounts by Fund

<b>Fund</b>	<b>Original Adopted Budget</b>	<b>Amendments to Budget</b>	<b>Final Amended Budget</b>
General Fund	\$ 96,427,210	\$ 10,586,600	\$ 107,013,810
Capital Projects Fund	4,704,254	37,688,801	42,393,055
Solid Waste Fund	5,569,951	6,034,036	11,603,987
Conference Center Fund	-	300,000	300,000
Non-major Funds	7,586,223	3,783,746	11,369,969
<b>Totals</b>	<b>\$ 114,287,638</b>	<b>\$ 58,393,183</b>	<b>\$ 172,680,821</b>

## ECONOMIC HIGHLIGHTS AND OTHER IMPORTANT FACTS

The area's unemployment rate has been higher than the state average for several years. In recent years, many industries had either reduced or relocated their workforce. Many others had closed operations. These actions had 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 had 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 rate of property taxes remains consistent when 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.

**Governmental Activities:** An increase in assessed property values should lead to increased property tax revenues. And, revenues from the local option sales taxes are showing sharp improvement. The County budgeted for normal increases in employee compensation, including funding compensation and benefits adjustments, and other planned expenditures.

The total County budget for fiscal year 2013 increased by \$245,953 (or 0.23%, or virtually unchanged) from the prior year. Still, there were some minor changes per fund. The General Fund increased by \$314,330, or 0.33%. The Capital Projects Fund decreased by \$333,746, or 9.26%. All other governmental funds combined for a net decrease of \$417,117. For a look at the County's adopted budget for fiscal year 2013, review Subsection I.A, Message from the County Manager, found at the beginning of Section I.

**Business – type Activities:** Landfill activities in fiscal year 2013 should see increases in collections of departmental fees when compared to prior year.

The Solid Waste Fund increased by \$682,496, or 12.83%. In addition, to set aside cash for future obligations related to closure and post-closure care costs, the County will continue to monitor its revenues from departmental 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.com/FinanceD/index.html>), contact us by telephone (704-484-4807), submit your request via fax (704-484-4796), or address your request to:

County Finance Director  
 Finance & Purchasing Department  
 Cleveland County, North Carolina  
 Post Office Box 1210  
 Shelby, North Carolina 28151-1210

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**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
**For the Year Ended June 30, 2012**  
**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	53

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, 2012**  
**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**C. Basic Financial Statements (includes Notes to Financial Statements)**  
**1. Government-Wide Financial Statements**

	<b>Identifier</b>	<b>Page No.</b>
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, 2012

With Comparative Totals as of June 30, 2011

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
<b>ASSETS</b>				
Cash and cash equivalents	\$ 27,505,204	\$ 1,986,674	\$ 29,491,878	\$ 34,078,328
Taxes receivable, net	2,034,585	-	2,034,585	2,349,478
Accounts receivable, net	9,540,534	548,285	10,088,819	10,062,096
Inventories	91,497	-	91,497	133,331
Prepaid items	181,542	2,670	184,212	154,665
Restricted cash	1,652,151	-	1,652,151	20,197,899
Loan receivable	70,000	-	70,000	98,000
Capital assets				
Land and construction in progress	67,366,759	13,478,547	80,845,306	62,814,419
Other capital assets, net of accumulated depreciation	88,855,352	2,690,793	91,546,145	86,575,749
Total capital assets	156,222,111	16,169,340	172,391,451	149,390,168
<b>Total Assets</b>	<b>\$ 197,297,624</b>	<b>\$ 18,706,969</b>	<b>\$ 216,004,593</b>	<b>\$ 216,463,965</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 5,774,635	\$ 299,169	\$ 6,073,804	\$ 8,608,161
Unearned revenues	1,284,204	2,905	1,287,109	2,850,574
Accrued interest payable	752,042	-	752,042	798,601
Due to other taxing units	188,217	-	188,217	224,912
Long-term liabilities				
Current portion of long-term liabilities	4,973,763	33,385	5,007,148	4,980,353
Non-current portion of long-term liabilities	50,760,249	6,504,319	57,264,568	60,553,515
Total Long-term liabilities	55,734,012	6,537,704	62,271,716	65,533,868
<b>Total Liabilities</b>	<b>\$ 63,733,110</b>	<b>\$ 6,839,778</b>	<b>\$ 70,572,888</b>	<b>\$ 78,016,116</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 112,383,657	\$ 16,169,340	\$ 128,552,997	\$ 100,733,761
Restricted net assets:				
Economic development	225,948	-	225,948	1,049,342
Education	6,175,604	-	6,175,604	5,367,706
Human services	-	-	-	398
Public Safety	1,374,764	-	1,374,764	1,994,735
Stabilization of State Statute	12,975,323	-	12,975,323	31,086,582
Other purposes	196,376	-	196,376	130,304
Total restricted net assets	20,948,015	-	20,948,015	39,629,067
Unrestricted net assets	232,842	(4,302,149)	(4,069,307)	(1,914,979)
<b>Total Net Assets</b>	<b>\$ 133,564,514</b>	<b>\$ 11,867,191</b>	<b>\$ 145,431,705</b>	<b>\$ 138,447,849</b>

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

Cleveland County, North Carolina  
b. Government-Wide Statement of Activities

(continued on next page)

For the Year Ended June 30, 2012

With Comparative Totals For the Year Ended June 30, 2011

PRIMARY GOVERNMENT FUNCTIONS/ PROGRAMS	Expenses	Program Revenues			Net Program Revenues (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>EXPENSES, PROGRAM REVENUES, AND NET RESULTS</b>					
<b>Governmental activities:</b>					
General government	\$ (8,691,798)	\$ 2,395,705	\$ 1,000,766	\$ 14,141	\$ (5,281,186)
Transportation	(39,465)	-	-	-	(39,465)
Public safety	(24,749,538)	5,899,901	2,216,861	67,461	(16,565,315)
Human services	(35,480,842)	7,050,168	18,363,979	-	(10,066,695)
Education	(26,031,948)	10,608,208	-	3,947,837	(11,475,903)
Economic and physical development	(2,780,339)	38,150	1,840,163	1,268,978	366,952
Cultural and recreational	(1,212,620)	98,075	(112,460)	1,146,979	(80,026)
Interest on long-term liabilities	(2,209,258)	-	1,232,809	-	(976,449)
<b>Subtotal governmental activities</b>	<b>(101,195,808)</b>	<b>26,090,207</b>	<b>24,542,118</b>	<b>6,445,396</b>	<b>(44,118,087)</b>
<b>Business-type activities</b>					
Conference center operations	(216,822)	-	-	-	(216,822)
Solid waste collection and disposal	(5,789,166)	5,545,109	2,239,632	-	1,995,575
<b>Total business-type activities</b>	<b>(6,005,988)</b>	<b>5,545,109</b>	<b>2,239,632</b>	<b>-</b>	<b>1,778,753</b>
<b>Total primary government</b>	<b>\$ (107,201,796)</b>	<b>\$ 31,635,316</b>	<b>\$ 26,781,750</b>	<b>\$ 6,445,396</b>	<b>\$ (42,339,334)</b>

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

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PRIMARY GOVERNMENT FUNCTIONS / PROGRAMS NET PROGRAM REVENUES (EXPENSES)--FROM PRIOR PAGE	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
<b>Governmental activities:</b>				
General government	\$ (5,281,186)	\$ -	\$ (5,281,186)	\$ (3,357,392)
Transportation	(39,465)	-	(39,465)	(39,464)
Public safety	(16,565,315)	-	(16,565,315)	(17,002,386)
Human services	(10,066,695)	-	(10,066,695)	(12,527,731)
Education	(11,475,903)	-	(11,475,903)	(13,290,236)
Economic and physical development	366,952	-	366,952	(619,041)
Cultural and recreational	(80,026)	-	(80,026)	5,182
Interest on long-term liabilities	(976,449)	-	(976,449)	(1,484,724)
<b>Subtotal governmental activities</b>	<b>(44,118,087)</b>	<b>-</b>	<b>(44,118,087)</b>	<b>(48,315,792)</b>
<b>Business-type activities</b>				
Conference center operations	-	(216,822)	(216,822)	-
Solid waste collection and disposal	-	1,995,575	1,995,575	(1,388,846)
<b>Total business-type activities</b>	<b>-</b>	<b>1,778,753</b>	<b>1,778,753</b>	<b>(1,388,846)</b>
<b>Total primary government</b>	<b>(44,118,087)</b>	<b>1,778,753</b>	<b>(42,339,334)</b>	<b>(49,704,638)</b>
<b>GENERAL REVENUES AND TRANSFERS:</b>				
Property taxes	40,301,804	-	40,301,804	38,645,416
Local option sales taxes	8,077,072	-	8,077,072	7,405,889
Other taxes and licenses	461,395	-	461,395	426,626
Grants and contributions, general	380,000	-	380,000	190,000
Investment earnings, general	100,740	2,179	102,919	246,268
<b>Total general revenues</b>	<b>49,321,011</b>	<b>2,179</b>	<b>49,323,190</b>	<b>46,914,199</b>
Transfers:	2,563,743	(2,563,743)	-	-
<b>Total general revenues and transfers</b>	<b>51,884,754</b>	<b>(2,561,564)</b>	<b>49,323,190</b>	<b>46,914,199</b>
<b>CHANGE IN NET ASSETS</b>	<b>7,766,667</b>	<b>(782,811)</b>	<b>6,983,856</b>	<b>(2,790,439)</b>
<b>Net assets -- beginning (July 1)</b>	<b>125,797,847</b>	<b>12,650,002</b>	<b>138,447,849</b>	<b>141,238,288</b>
<b>Net assets -- ending (June 30)</b>	<b>\$ 133,564,514</b>	<b>\$ 11,867,191</b>	<b>\$ 145,431,705</b>	<b>\$ 138,447,849</b>

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

(continued from previous page)

**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
**For the Year Ended June 30, 2012**  
**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**C. Basic Financial Statements (includes Notes to Financial Statements)**  
**2. Fund Financial Statements**

	<u>Identifier</u>	<u>Page No.</u>
a. Governmental Funds: Balance Sheet	Exhibit II.C.2.a	43
a.i. Reconciliation of the 'Governmental Funds: Balance Sheet' to the 'Government-Wide Statement of Net Assets'	Exhibit II.C.2.a.i	44
b. Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.C.2.b	45
b.i. Reconciliation of the 'Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances' to the 'Government-Wide Statement of Activities'	Exhibit II.C.2.b.i	46
c. General Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.c	47
d. Enterprise Funds: Statement of Fund Net Assets	Exhibit II.C.2.d	48
e. Enterprise Funds: 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. Enterprise Fund: Conference Center Fund: Statement of Cash Flows	Exhibit II.C.2.g	51
h. Fiduciary Funds: Agency Funds: Statement of Fiduciary Net Assets	Exhibit II.C.2.h	52

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

(continued on next page)

June 30, 2012

With Comparative Totals as of June 30, 2011

	Governmental Funds				
	General	Capital Projects	Other Non-major Funds	Totals	
				2012	2011
<b>ASSETS</b>					
Cash and cash equivalents	\$ 17,266,668	\$ 8,698,971	\$ 1,539,565	\$ 27,505,204	\$ 28,687,969
Taxes receivable, net	1,781,277	-	34,418	1,815,695	2,117,043
Accounts receivable, net	7,968,787	1,441,168	130,579	9,540,534	9,498,256
Due from other governmental funds	3,473,613	-	22,663	3,496,276	2,226,697
Inventories	91,497	-	-	91,497	133,331
Prepaid items	173,487	1,207	6,848	181,542	154,282
Restricted cash	-	1,652,151	-	1,652,151	20,197,899
<b>Total assets</b>	<b>\$ 30,755,329</b>	<b>\$ 11,793,497</b>	<b>\$ 1,734,073</b>	<b>\$ 44,282,899</b>	<b>\$ 63,015,477</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 2,517,023	\$ 2,589,358	\$ 32,378	\$ 5,138,759	\$ 7,329,472
Contract retainage	30,591	569,193	36,092	635,876	576,942
Unearned revenues	1,098,231	-	185,973	1,284,204	2,847,894
Deferred revenues	1,834,890	8,000	34,418	1,877,308	3,168,790
Due to other governmental funds	22,663	3,473,613	-	3,496,276	2,226,697
Due to other taxing units	188,217	-	-	188,217	224,912
<b>Total liabilities</b>	<b>5,691,615</b>	<b>6,640,164</b>	<b>288,861</b>	<b>12,620,640</b>	<b>16,374,707</b>
<b>Fund balances</b>					
<b>Non-spendable</b>					
Inventories	91,497	-	-	91,497	133,331
Prepaid items	173,487	1,207	6,848	181,542	154,282
<b>Restricted</b>					
Stabilization of State Statute	11,388,787	1,433,168	153,368	12,975,323	31,086,582
School Capital Projects	-	3,718,958	-	3,718,958	419,319
Emergency Telephone	-	-	1,308,538	1,308,538	1,444,202
County Fire Service District	-	-	42,975	42,975	463,062
Library	196,375	-	-	196,375	130,303
Economic and Physical Development	44,420	-	-	44,420	23,688
Public Safety	16,727	-	-	16,727	17,252
Human Services	-	-	-	-	398
<b>Assigned</b>					
Subsequent year's expenditures	5,596,601	-	-	5,596,601	4,437,361
Public health - not budgeted	2,003,965	-	-	2,003,965	2,200,500
Incomplete projects	266,565	-	-	266,565	449,617
Unassigned	5,285,290	-	(66,517)	5,218,773	5,680,873
<b>Total fund balances</b>	<b>25,063,714</b>	<b>5,153,333</b>	<b>1,445,212</b>	<b>31,662,259</b>	<b>46,640,770</b>
<b>Total liabilities and fund balances</b>	<b>\$ 30,755,329</b>	<b>\$ 11,793,497</b>	<b>\$ 1,734,073</b>	<b>\$ 44,282,899</b>	<b>\$ 63,015,477</b>

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

See 'Exhibit II.C.2.a.i' on following page for a list of items that differ in treatment between the governmental activities column on the government-wide statement (see Exhibit II.C.1.a) and totals for governmental funds on this statement.

(continued on next page)

Cleveland County, North Carolina  
a.i. Reconciliation of the 'Governmental Funds: Balance Sheet' to the 'Government-Wide Statement of Net Assets'

(continued from previous page)

June 30, 2012

With Comparative Totals as of June 30, 2011

	2012	2011
Total fund balances of governmental funds	\$ 31,662,259	\$ 46,640,770
<p>The amount reported as total net assets of governmental activities in the Government-Wide Statement of Net Assets (Exhibit II.C.1.a) differs from the amount reported as total fund balances of governmental funds on the Governmental Funds: Balance Sheet (Exhibit II.C.2.a) due to the use of different measurement focii and bases of accounting, specifically relating to the following</p>		
1. Interest and penalties on overdue receivables are recognized as revenues when payment is received in the governmental funds, whereas, an accrued receivable (asset), net of an allowance for uncollectible interest and penalties, is recognized on the Statement of Net Assets. The accrued receivable (asset) balance is:	218,890	232,435
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:	70,000	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 is:	207,650,376	181,123,364
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:	(51,428,265)	(46,772,943)
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:	1,877,308	3,168,790
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:	(752,042)	(798,601)
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.	(55,734,012)	(57,893,968)
Total net assets of governmental activities	<u>\$ 133,564,514</u>	<u>\$ 125,797,847</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

(continued on next page)

For the Year Ended June 30, 2012

With Comparative Totals For the Year Ended June 30, 2011

	Governmental Funds				
	General	Capital Projects	Other Non-major Funds	Totals	
				2012	2011
<b>REVENUES</b>					
Ad valorem property taxes	\$ 51,208,217	\$ -	\$ 881,659	\$ 52,089,876	\$ 49,785,232
Other taxes	8,538,179	2,605,434	622,220	11,765,833	11,139,095
Unrestricted intergovernmental revenues	420,067	-	-	420,067	467,601
Restricted intergovernmental revenues	21,576,574	2,438,166	3,052,473	27,067,213	23,792,640
Licenses, fees, and permits	943,235	-	-	943,235	865,693
Sales and services	11,919,725	-	-	11,919,725	10,479,805
Investment earnings	100,756	64,863	2,290	167,909	266,555
Miscellaneous	1,709,962	168,746	-	1,878,708	551,634
<b>Total revenues</b>	<b>96,416,715</b>	<b>5,277,209</b>	<b>4,558,642</b>	<b>106,252,566</b>	<b>97,348,255</b>
<b>EXPENDITURES</b>					
General government	8,880,334	123,324	-	9,003,658	8,719,355
Transportation	39,465	-	-	39,465	39,464
Public safety	19,201,726	554,673	2,066,925	21,823,324	22,687,964
Human services	33,936,655	-	-	33,936,655	33,850,242
Education	22,431,550	17,813,371	-	40,244,921	46,964,327
Economic and physical development	2,445,624	3,618,933	1,268,543	7,333,100	4,944,404
Cultural and recreational	1,128,074	1,553,809	-	2,681,883	2,025,905
Schools capital outlay	3,040,000	-	-	3,040,000	3,936,014
Debt service, principal reduction	65,605	-	3,370,393	3,435,998	2,847,048
Debt service, interest and fees	3,619	-	2,252,197	2,255,816	1,711,550
<b>Total expenditures</b>	<b>91,172,652</b>	<b>23,664,110</b>	<b>8,958,058</b>	<b>123,794,820</b>	<b>127,726,273</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>5,244,063</b>	<b>(18,386,901)</b>	<b>(4,399,416)</b>	<b>(17,542,254)</b>	<b>(30,378,018)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,641,957	4,285,390	4,013,691	9,941,038	7,219,385
Transfers out	(4,103,945)	(3,204,253)	(69,097)	(7,377,295)	(6,883,460)
Installment financing issued	-	-	-	-	17,582,950
<b>Total other financing sources (uses)</b>	<b>(2,461,988)</b>	<b>1,081,137</b>	<b>3,944,594</b>	<b>2,563,743</b>	<b>17,918,875</b>
<b>Net change in fund balances</b>	<b>2,782,075</b>	<b>(17,305,764)</b>	<b>(454,822)</b>	<b>(14,978,511)</b>	<b>(12,459,143)</b>
<b>FUND BALANCES</b>					
Beginning fund balances	22,281,639	22,459,097	1,900,034	46,640,770	59,099,913
Ending fund balances	\$ 25,063,714	\$ 5,153,333	\$ 1,445,212	\$ 31,662,259	\$ 46,640,770

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'

(continued from previous page)

For the Year Ended June 30, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012	2011
Net change in fund balances of governmental funds	\$ (14,978,511)	\$ (12,459,143)
<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 focii 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:	(73,878)	(196,323)
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:	26,835,521	32,167,044
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:	(4,966,643)	(4,716,693)
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.	(1,276,042)	(1,310,799)
5. Whereas, governmental funds record a deferred revenue (liability) for uncollected receivables because the monies are not available, uncollected receivables are recognized as revenues on the Statement of Activities when the monies are earned. The net increase (decrease) in deferred revenues of governmental funds from prior fiscal year is recognized as a change in current revenues of governmental activities.	(1,256,336)	714,355
6. Governmental funds do not recognize long-term liabilities that are not due and payable in the current period. Thus, principal reductions are recognized as expenditures in the period that the payment is made rather than reductions in the liability as reflected on the Statement of Net Assets. The current year's principal payments made are:	3,435,998	2,847,048
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.	46,558	(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)
Total net change in net assets of governmental activities	<u>\$ 7,766,667</u>	<u>\$ (1,109,721)</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, 2012

	General Fund			Variance - Over (Under)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Ad valorem property taxes	\$ 48,692,575	\$ 49,409,969	\$ 51,208,217	\$ 1,798,248
Other taxes	8,419,000	8,419,000	8,538,179	119,179
Unrestricted intergovernmental revenues	429,000	429,000	420,067	(8,933)
Restricted intergovernmental revenues	20,782,762	28,336,032	21,576,574	(6,759,458)
Licenses, fees, and permits	886,500	886,500	943,235	56,735
Sales and services	10,315,492	9,995,155	11,919,725	1,924,570
Investment earnings	565,000	565,000	100,756	(464,244)
Miscellaneous	274,200	329,236	1,709,962	1,380,726
<b>Total revenues</b>	<b>90,364,529</b>	<b>98,369,892</b>	<b>96,416,715</b>	<b>(1,953,177)</b>
<b>EXPENDITURES</b>				
General government	10,315,766	9,971,728	8,880,334	(1,091,394)
Transportation	39,465	39,465	39,465	-
Public safety	18,019,707	20,014,030	19,201,726	(812,304)
Human services	37,098,597	39,341,029	33,936,655	(5,404,374)
Education	21,903,343	22,598,083	22,431,550	(166,533)
Economic and physical development	1,259,535	6,433,484	2,445,624	(3,987,860)
Cultural and recreational	1,208,574	1,268,291	1,128,074	(140,217)
Schools capital outlay	3,040,000	3,040,000	3,040,000	-
Debt service, principal reduction	65,606	65,606	65,605	(1)
Debt service, interest and fees	3,620	3,620	3,619	(1)
<b>Total expenditures</b>	<b>92,954,213</b>	<b>102,775,336</b>	<b>91,172,652</b>	<b>(11,602,684)</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(2,589,684)</b>	<b>(4,405,444)</b>	<b>5,244,063</b>	<b>9,649,507</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,625,320	1,627,994	1,641,957	13,963
Transfers out	(3,472,997)	(4,238,474)	(4,103,945)	134,529
Fund balance appropriated	4,437,361	7,015,924	-	(7,015,924)
<b>Total other financing sources (uses)</b>	<b>2,589,684</b>	<b>4,405,444</b>	<b>(2,461,988)</b>	<b>(6,867,432)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,782,075</b>	<b>\$ 2,782,075</b>
<b>FUND BALANCES</b>				
Beginning fund balances, as restated			22,281,639	
Ending fund balances			<u>\$ 25,063,714</u>	

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

Cleveland County, North Carolina  
d. Enterprise Funds: Statement of Fund Net Assets

June 30, 2012

With Comparative Totals as of June 30, 2011

	Enterprise Funds			
	Solid Waste	Conference Center	Totals	
			2012	2011
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 1,986,674	\$ -	\$ 1,986,674	\$ 5,390,359
Accounts receivable, net	548,285	-	548,285	563,840
Prepaid items	375	2,295	2,670	383
Total current assets:	<u>2,535,334</u>	<u>2,295</u>	<u>2,537,629</u>	<u>5,954,582</u>
Non-current assets:				
Capital assets				
Land, land improvements, and construction in progress	13,478,547	-	13,478,547	11,768,149
Other capital assets, net of accumulated depreciation	2,690,793	-	2,690,793	3,271,598
Total capital assets	<u>16,169,340</u>	<u>-</u>	<u>16,169,340</u>	<u>15,039,747</u>
Total non-current assets	<u>16,169,340</u>	<u>-</u>	<u>16,169,340</u>	<u>15,039,747</u>
<b>Total assets</b>	<b>\$ 18,704,674</b>	<b>\$ 2,295</b>	<b>\$ 18,706,969</b>	<b>\$ 20,994,329</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 157,040	\$ -	157,040	\$ 663,867
Contract retainages	142,129	-	142,129	37,880
Unearned revenues / customer deposits	2,905	-	2,905	2,680
Compensated absences	33,385	-	33,385	45,923
Total current liabilities	<u>335,459</u>	<u>-</u>	<u>335,459</u>	<u>750,350</u>
Non-current liabilities:				
Accrued landfill closure and post-closure care costs	6,083,482	-	6,083,482	7,259,762
Net OPEB obligation for retirees' healthcare coverage	334,771	-	334,771	248,480
Compensated absences	86,066	-	86,066	85,735
Total non-current liabilities	<u>6,504,319</u>	<u>-</u>	<u>6,504,319</u>	<u>7,593,977</u>
<b>Total liabilities</b>	<b>6,839,778</b>	<b>-</b>	<b>6,839,778</b>	<b>8,344,327</b>
<b>NET ASSETS</b>				
Invested in capital assets	16,169,340	-	16,169,340	15,039,747
Unrestricted net assets	(4,304,444)	2,295	(4,302,149)	(2,389,745)
<b>Total net assets</b>	<b>\$ 11,864,896</b>	<b>\$ 2,295</b>	<b>\$ 11,867,191</b>	<b>\$ 12,650,002</b>

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



## Cleveland County, North Carolina

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

For the Year Ended June 30, 2012

With Comparative Totals For the Year Ended June 30, 2011

	Enterprise Funds			
	Solid Waste	Conference Center	Totals	
			2012	2011
<b>OPERATING REVENUES</b>				
Household user fees	\$ 1,428,628	\$ -	\$ 1,428,628	\$ 1,428,027
Departmental fees	4,116,481	-	4,116,481	3,561,976
Other operating revenue	30,062	-	30,062	200,196
<b>Total operating revenues</b>	<b>5,575,171</b>	<b>-</b>	<b>5,575,171</b>	<b>5,190,199</b>
<b>OPERATING EXPENSES</b>				
Salaries / benefits	1,897,204	-	1,897,204	1,828,173
Other expenses	2,724,523	216,822	2,941,345	2,607,100
Depreciation	672,310	-	672,310	677,696
Landfill closure and postclosure care	495,129	-	495,129	3,527,692
<b>Total operating expenses</b>	<b>5,789,166</b>	<b>216,822</b>	<b>6,005,988</b>	<b>8,640,661</b>
<b>Operating income (loss)</b>	<b>(213,995)</b>	<b>(216,822)</b>	<b>(430,817)</b>	<b>(3,450,462)</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>				
Share of state's disposal, white goods, and scrap tire taxes	480,154	-	480,154	440,791
Intergovernmental revenues, restricted	84,168	-	84,168	130,666
Investment earnings	2,179	-	2,179	44,053
Capitalized expenditures from reserve liability for closure and post-closure care	1,671,409	-	1,671,409	1,500,710
Gain (loss) on disposal of capital assets	(26,161)	-	(26,161)	(10,551)
<b>Total nonoperating revenues and expenses</b>	<b>2,211,749</b>	<b>-</b>	<b>2,211,749</b>	<b>2,105,669</b>
<b>Income before contributions and transfers</b>	<b>1,997,754</b>	<b>(216,822)</b>	<b>1,780,932</b>	<b>(1,344,793)</b>
<b>Transfer from (to) governmental funds</b>	<b>(2,782,860)</b>	<b>219,117</b>	<b>(2,563,743)</b>	<b>(335,925)</b>
<b>Change in net assets</b>	<b>(785,106)</b>	<b>2,295</b>	<b>(782,811)</b>	<b>(1,680,718)</b>
<b>Net assets, beginning</b>	<b>12,650,002</b>	<b>-</b>	<b>12,650,002</b>	<b>14,330,720</b>
<b>Net assets, ending</b>	<b>\$ 11,864,896</b>	<b>\$ 2,295</b>	<b>\$ 11,867,191</b>	<b>\$ 12,650,002</b>

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, 2012

With Comparative Totals For the Year Ended June 30, 2011

	<u>Solid Waste Fund-Collection and Disposal</u>	
	Totals	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from household user fees	\$ 1,428,628	\$ 1,428,027
Cash received from customers	4,122,274	3,399,223
Cash received from sale of waste and recyclable materials	29,035	196,876
Cash received from other operations	1,027	3,320
Cash paid to employees for services	(1,823,480)	(1,750,698)
Cash paid for goods and services	(3,314,878)	(2,221,192)
<b>Net cash flows from operating activities</b>	<b>442,606</b>	<b>1,055,556</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Government grants	84,168	130,666
Transfer to governmental funds (General Fund)	(2,782,860)	(335,925)
<b>Net cash flows from non-capital financing activities</b>	<b>(2,698,692)</b>	<b>(205,259)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(156,655)	(1,027,093)
Capitalized expenditures from reserve liability for closure and post-closure care	(1,671,409)	(1,500,713)
Proceeds on disposal of capital assets	198,132	197,473
Share of state's white goods and scrap tire taxes	480,154	440,791
<b>Net cash flows from capital and related financing activities</b>	<b>(1,149,778)</b>	<b>(1,889,542)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earned on investments	2,179	44,053
<b>Net cash flows from investing activities</b>	<b>2,179</b>	<b>44,053</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,403,685)</b>	<b>(995,192)</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: beginning balance</b>	<b>5,390,359</b>	<b>6,385,551</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: ending balance</b>	<b>\$ 1,986,674</b>	<b>\$ 5,390,359</b>
<b>Schedule of Non-Cash Capital and Related Financing Activities</b>		
Trade-in allowance on purchase of capital asset	\$ -	\$ 16,000
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ (213,995)	\$ (3,450,462)
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	15,255	(162,732)
2. Decrease (increase) in prepayments	8	(12)
3. Increase (decrease) in accounts payable and contract retainages	(600,050)	383,819
4. Increase (decrease) in customer deposits	225	2,080
5. Increase (decrease) in accrued compensatory leave and retirement benefits	73,724	77,475
6. Increase (decrease) in accrued landfill closure and post-closure care costs	495,129	3,527,692
7. Depreciation expense (not a cash expenditure, no effect on cash flow)	672,310	677,696
<b>Net cash flows from operating activities</b>	<b>\$ 442,606</b>	<b>\$ 1,055,556</b>

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

Cleveland County, North Carolina  
g. Enterprise Fund: Conference Center Fund: Statement of Cash Flows

For the Year Ended June 30, 2012

With Comparative Totals For the Year Ended June 30, 2011

	Conference Center Fund	
	Totals	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash paid for goods and services	\$ (219,117)	\$ -
<b>Net cash flows from operating activities</b>	<b>(219,117)</b>	<b>-</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfer to governmental funds (General Fund)	219,117	-
<b>Net cash flows from non-capital financing activities</b>	<b>219,117</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
none	-	-
<b>Net cash flows from capital and related financing activities</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest earned on investments	-	-
<b>Net cash flows from investing activities</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	-	-
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: beginning balance</b>	<b>-</b>	<b>-</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: ending balance</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Schedule of Non-Cash Capital and Related Financing Activities</b>		
Trade-in allowance on purchase of capital asset	\$ -	\$ -
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	\$ (216,822)	-
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 prepayments	(2,295)	-
<b>Net cash flows from operating activities</b>	<b>\$ (219,117)</b>	<b>\$ -</b>

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

## Cleveland County, North Carolina

## h. Fiduciary Funds: Agency Funds: Statement of Fiduciary Net Assets

June 30, 2012

With Comparative Totals as of June 30, 2011

	Agency Funds	
	Totals	
	2012	2011
<b>ASSETS</b>		
Cash and cash equivalents	\$ 145,494	\$ 102,163
Taxes receivable, net	32,220	35,203
Accounts receivable, net	718,429	805,406
Intergovernmental receivable	188,147	225,356
<b>Total assets</b>	<b>\$ 1,084,290</b>	<b>\$ 1,168,128</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 288,332	\$ 283,455
Due to other taxing units	795,958	884,673
<b>Total liabilities</b>	<b>\$ 1,084,290</b>	<b>\$ 1,168,128</b>

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

**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
**For the Year Ended June 30, 2012**  
**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**C. Basic Financial Statements (includes Notes to Financial Statements)**  
**3. Notes to Financial Statements**

	<u>Identifier</u>	<u>Page No.</u>
a. Summary of Significant Accounting Policies	Note a	54
b. Detail Notes on Important Items	Note b	62
c. Joint Ventures	Note c	82
d. Jointly Governed Organization	Note d	82
e. Hospital Lease Agreement	Note e	83
f. Benefit Payments Issued by the State	Note f	83
g. Stewardship, Compliance, and Accountability	Note g	84

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, 2012**  
**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. There were no significant changes due to any applicable pronouncements implemented for the year ended June 30, 2012. 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 for budgeting and reporting purposes.

*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 budgeting and reporting purposes.

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 funds:

*Solid Waste Fund-Collection and Disposal.* This fund accounts for the operation, maintenance, and ongoing development of the County landfill facilities and each collection/recycling center.

*Conference Center Fund.* During the year, this fund was created to account for the purchase of equipment and other assets needed for establishing and furnishing this new facility. In future years, this fund will account for the operation, maintenance, and continued development of the County's conference center facilities housed in the LeGrand Center on the campus of Cleveland Community College.

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 funds are charges to customers for services. Operating expenses for the enterprise funds 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 2011 through February 2012 apply to the fiscal year ended June 30, 2012. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. The taxes for vehicles registered from March 2012 and afterward and due on or after July 1, 2012 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, the Solid Waste Fund, and the Conference Center Fund. Unencumbered annual appropriations lapse at fiscal year-end. Project ordinances are adopted for some grant funded and other projects that overlap multiple fiscal years, such as for the Community Development Fund and the Capital Projects Fund. 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 other 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 accept a CDBG grant of \$400,000 to rehabilitate some residences, accept State grants for expansion of social services programs (primarily crisis and employment assistance), accept additional grant funds for the interior renovation of the County's historic courthouse, to transfer funds from Solid Waste Fund to Capital Projects Fund to develop a large tract of land for recruitment of new industry, to drawdown lottery funds for the renovation of school facilities,

and accept State and other grants to assist with recruitment and expansion of 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 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 funds. In the financial statements of the governmental funds, these purchases are shown as expenditures. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are as follows: infrastructure and building improvements, \$100,000; computer equipment, electronic items, firearms, furniture, other equipment, utility trailers, and vehicles, \$5,000; and land, land improvements, and buildings at \$0. The cost of normal maintenance and repairs that do neither add to the value of the asset nor materially extend the estimated life of the asset are not capitalized.

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

<b>Capital Asset Category</b>	<b>Estimated Useful Life</b>
Computer equipment	3 years
Electronic items, utility trailers, and vehicles	5 years
Firearms, furniture, and other equipment	7 years
Infrastructure and depreciable improvements	15 years
Buildings	39 years

**8. Long-Term Obligations**

In the Government-Wide Statement of Net Assets and in the Enterprise 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 funds. When applicable, 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 funds, 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 funds, 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 non-exempt 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 funds, 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 in the next couple of pages.

### **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:

1) 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.

2) 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, other library materials, library equipment, and new library facilities.

Restricted for Economic and Physical Development – portion of spendable fund balance available and restricted to pay for cooperative extension programs, such as basket weaving and 4-H, and soil conservation activities.

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.

3) 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.

4) 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.

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.

5) 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 18% 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, 2012, the County's deposits had a carrying amount of \$20,236,273 and a bank balance of \$19,165,491. Of the bank balance, \$705,655 was covered by federal depository insurance, \$16,361,653 in certificates of deposit was covered by collateral held under the dedicated method, and the remaining \$2,098,183 in interest bearing deposits was covered by collateral held under the pooling method. Also at June 30, 2012, Cleveland County had \$15,904 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 has a carrying amount of \$16,361,653 in certificates of deposit. Of this balance, \$4,296,982 was scheduled to mature within 3 months, \$10,055,191 was scheduled to mature within 3 to 12 months, and \$2,009,480 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, 2012, 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	11,037,346	n/a	n/a	n/a
<b>Total Investments</b>	<b>\$ 11,037,346</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Together, deposits and investments represent significant resources that are exposed to certain common risks. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than three years. Both of these methods serve to reduce the County's interest rate risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to relinquish the County's assets in a timely manner. State law limits investments to certain types of instruments and credit ratings. For example, investments in commercial paper must have the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2012, 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, 2012, 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, 2012 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, 2012, the County held 6.78% 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, 2012:

Tax Year Levied	Additional Tax	Interest	Total
2012	\$ 1,489,217	\$ -	\$ 1,489,217
2011	1,470,155	84,534	1,554,689
2010	1,466,902	216,368	1,683,270
2009	1,467,063	348,427	1,815,490
<b>Total</b>	<b>\$ 5,893,337</b>	<b>\$ 649,329</b>	<b>\$ 6,542,666</b>

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 above chart refers to the calendar year.

### 4. Receivables

Receivables reported on the Government-Wide Financial Statements and Fund Financial Statements at June 30, 2012 are reported net of an allowance for uncollectible accounts as follows:

	Taxes & Other Assessments	Accounts	Total
<b>Governmental Activities:</b>			
General Fund	\$ 3,035,397	\$ 13,700,120	\$ 16,735,517
Capital Projects Fund	-	1,441,168	1,441,168
Nonmajor Governmental Funds	57,343	130,579	187,922
Accrued Interest (Government-Wide reporting)	813,560	-	813,560
<b>Total Receivables</b>	<b>3,906,300</b>	<b>15,271,867</b>	<b>19,178,167</b>
General Fund	(1,254,207)	(5,731,333)	(6,985,453)
Nonmajor Governmental Funds	(22,925)	-	(22,925)
Accrued Interest (Government-Wide reporting)	(594,670)	-	(594,670)
<b>Total Allowances for Uncollectible Accounts</b>	<b>(1,871,715)</b>	<b>(5,731,333)</b>	<b>(7,603,048)</b>
<b>Total Governmental Activities</b>	<b>\$ 2,034,585</b>	<b>\$ 9,540,534</b>	<b>\$ 11,575,119</b>
<b>Business-Type Activities:</b>			
Solid Waste Fund-Collection and Disposal	\$ 208,639	\$ 577,305	\$ 785,944
Allowances for Uncollectible Accounts	(208,639)	(29,020)	(237,659)
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 548,285</b>	<b>\$ 548,285</b>



## 5. Capital Assets

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

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>					
General Government	\$ 8,171,214	\$ 99,839	\$ (106,037)	\$ 20,051	\$ 8,185,067
Public Safety	34,655,772	1,624,307	(247,397)	(18,662)	36,014,021
Human Services	96,721,304	1,446,751	(5,340)	(20,650)	98,142,065
Education	27,301,877	17,327,202	-	-	44,629,079
Economic and Physical Dev.	5,542,870	4,738,764	(15,361)	-	10,266,273
Cultural and Recreational	8,730,326	1,683,545	-	-	10,413,871
<b>Total Capital Assets</b>	<b>181,123,364</b>	<b>26,920,408</b>	<b>(374,135)</b>	<b>(19,261)</b>	<b>207,650,376</b>
Less Accumulated Depreciation:					
General Government	(2,831,298)	(317,959)	44,077	(20,051)	(3,125,231)
Public Safety	(14,135,480)	(1,951,726)	218,529	42,776	(15,825,901)
Human Services	(28,312,813)	(2,409,216)	5,340	20,650	(30,696,039)
Education	-	(87)	-	-	(87)
Economic and Physical Dev.	(90,670)	(152,036)	-	-	(242,706)
Cultural and Recreational	(1,402,682)	(135,619)	-	-	(1,538,301)
<b>Total Accumulated Deprec.</b>	<b>(46,772,943)</b>	<b>(4,966,643)</b>	<b>267,946</b>	<b>43,375</b>	<b>(51,428,265)</b>
<b>Total Capital Assets, Net</b>	<b>\$134,350,421</b>	<b>\$21,953,765</b>	<b>\$ (106,189)</b>	<b>\$ 24,114</b>	<b>\$156,222,111</b>

Capital asset activity, by asset class, for the year ended June 30, 2012 was as follows for Governmental Activities:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital Assets Not Being Depreciated:					
Land and Land Improvements	\$ 15,620,884	\$ 3,865,881	\$ (77,321)	\$ 912,650	\$20,322,097
Construction in Progress	35,425,386	19,545,608	-	(7,926,329)	47,044,665
Subtotal	51,046,270	23,411,489	(77,321)	(7,013,679)	67,336,759
Capital Assets Being Depreciated:					
Buildings and Improvements	108,303,646	2,394,541	-	7,013,679	117,711,866
Equipment (including Vehicles)	14,607,557	1,114,378	(296,814)	(19,261)	15,405,860
Leasehold Improvements	425,178	-	-	-	425,178
Infrastructure	6,740,713	-	-	-	6,740,713
Subtotal	130,077,094	3,508,919	(296,814)	6,994,418	140,283,617
<b>Total Capital Assets</b>	<b>181,123,364</b>	<b>26,920,408</b>	<b>(374,135)</b>	<b>(19,261)</b>	<b>207,650,376</b>
Less Accumulated Depreciation:					
Buildings and Improvements	(35,194,017)	(2,949,549)	-	-	(38,143,566)
Equipment (including Vehicles)	(10,417,336)	(1,552,270)	267,946	43,375	(11,658,285)
Leasehold Improvements	(189,919)	(14,212)	-	-	(204,131)
Infrastructure	(971,671)	(450,612)	-	-	(1,422,283)
<b>Total Accumulated Deprec.</b>	<b>(46,772,943)</b>	<b>(4,966,643)</b>	<b>267,946</b>	<b>43,375</b>	<b>(51,428,265)</b>
<b>Total Capital Assets, Net</b>	<b>\$134,350,421</b>	<b>\$ 21,953,765</b>	<b>\$ (106,189)</b>	<b>\$ 24,114</b>	<b>\$156,222,111</b>

All business-type activities relate to the environmental protection expenditure function. Capital asset activity, by asset class, for the year ended June 30, 2012 was as follows for Business-Type Activities.

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Capital Assets Not Being Depreciated:					
Land and Land Improvements	\$ 10,323,787	\$ 1,710,398	\$ -	\$ 1,444,362	\$ 13,478,547
Construction in Progress	1,444,362	-	-	(1,444,362)	-
Subtotal	11,768,149	1,710,398	-	-	13,478,547
Capital Assets Being Depreciated:					
Buildings and Improvements	1,041,006	36,931	-	-	1,077,937
Equipment (including Vehicles)	5,414,511	80,395	(221,985)	19,261	5,292,522
Leasehold Improvements	16,518	-	-	-	16,518
Infrastructure	4,130,636	-	-	-	4,130,636
Subtotal	10,602,671	117,666	(221,985)	19,261	10,517,613
<b>Total Capital Assets</b>	<b>22,370,820</b>	<b>1,828,064</b>	<b>(221,985)</b>	<b>19,261</b>	<b>23,996,160</b>
Less Accumulated Depreciation:					
Buildings and Improvements	(182,306)	(27,500)	-	-	(209,806)
Equipment (including Vehicles)	(3,638,981)	(368,128)	195,825	(19,261)	(3,830,545)
Leasehold Improvements	(7,378)	(553)	-	-	(7,931)
Infrastructure	(3,502,408)	(276,130)	-	-	(3,778,538)
<b>Total Accumulated Deprec.</b>	<b>(7,331,073)</b>	<b>(672,311)</b>	<b>195,825</b>	<b>(19,261)</b>	<b>(7,826,820)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 15,039,747</b>	<b>\$ 1,155,753</b>	<b>\$ (26,160)</b>	<b>\$ -</b>	<b>\$ 16,169,340</b>

#### **6. Construction Commitments**

The County is involved with the following incomplete construction/renovation projects as of June 30, 2012:

<b>Project Name</b>	<b>Spent-To-Date</b>	<b>Remaining Commitments</b>
Detention Center Annex Expansion / Renovation	\$ 6,638,017	\$ 101,087
New Middle School Construction in Shelby, NC	14,177,384	4,413,970
Multi-Purpose Facility Construction at Community College	17,973,162	1,219,227
Roadway / Railspur for New Industry	1,700,235	237,246
Landfill Cell Closure	2,700,443	177,277
Renovation of Middle School	-	8,979,040
Waterline extensions for New Industry	-	831,978
<b>Total</b>	<b>\$ 43,189,241</b>	<b>\$ 15,959,824</b>

## B. Liabilities

### 1. Payables

Payables at the Government-Wide and Fund level at June 30, 2012 were as shown in the following table.

	Vendors	Employee Benefits	Cash Held in Trust	Insurance Claims *	Total
<b>Governmental Activities:</b>					
General Fund	\$ 1,460,901	\$ 447,549	\$ 9,164	\$ 630,000	\$ 2,547,614
Capital Projects Fund	3,158,551	-	-	-	3,158,551
Nonmajor Governmental Funds	68,470	-	-	-	68,470
<b>Total Governmental Activities</b>	<b>\$ 4,687,922</b>	<b>\$ 447,549</b>	<b>\$ 9,164</b>	<b>\$ 630,000</b>	<b>\$ 5,774,635</b>
<b>Business-Type Activities:</b>					
Solid Waste Fund	\$ 299,169	\$ -	\$ -	\$ -	\$ 299,169
<b>Fiduciary Activities:</b>					
Agency Funds	\$ 142,838	\$ -	\$ 145,494	\$ -	\$ 288,332

\* The estimated liability for outstanding claims from health insurance coverage, dental plan, and workers' compensation coverage includes \$630,000 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, 2012 for employees not engaged in law enforcement and for law enforcement officers is 6.96% and 7.04%, 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, 2013, the County's contribution rates have decreased to 6.74% and 6.77% 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, 2012 is \$1,909,791. 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, 2012, the County made contributions to the State for death benefits of \$24,305. 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, 2012, the LEOSSA's membership consisted of:

<b>Member Category</b>	<b>No.</b>
retirees currently receiving benefits	11
terminated plan members entitled to but not yet receiving benefits	-
active plan members:	
Vested	76
non-vested	15
<b>total members</b>	<b>102</b>

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

*Funded Status and Funding Progress.* As of the most recent actuarial valuation date (December 31, 2010) and through June 30, 2012, the County had no assets to pay future liabilities. The actuarial accrued liability for benefits and the unfunded actuarial liability (UAAL) was \$1,546,105. The annual payroll of active employees covered under this plan (covered payroll) was \$3,526,273 and the ratio of the UAAL to the covered payroll was 43.845%. 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, 2012 is \$135,023. 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, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial

assumptions included projected salary increases of 4.25% to 7.85% 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 4.7373% of annual covered payroll. The remaining amortization period at December 31, 2010 was 20 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, 2012 are \$161,260 and \$467,896, respectively.

Net OPEB Obligation, as of June 30, 2011		\$	441,659
annual required contribution	\$	162,822	
adjustment to annual required contribution		(23,645)	
interest on net OPEB obligation		22,083	
annual OPEB cost		\$	161,260
Contributions			(135,023)
Change in Net OPEB Obligation		\$	26,237
Net OPEB Obligation, as of June 30, 2012		\$	467,896

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, 2012 were \$244,596, which consisted of \$178,052 from the County and \$66,544 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, 2012 were \$1,702,115, which consisted of \$1,208,791 from the County and \$493,324 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, 2012, the County's required and actual contributions were \$5,399. 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-nine (69) 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. 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. A separate report has not been issued for this benefit plan. At December 31, 2010 (which is the date of the latest actuarial valuation), the OPEB-RHC's membership consisted of:

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

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

*Funding Policy.* The County pays the entire cost of coverage for healthcare benefits for eligible retirees. Although all employees can purchase coverage for their dependents at the County's group rates, retirees can only purchase coverage under C.O.B.R.A. guidelines for a specific number of months following retirement. The Board of County

Commissioners may amend the benefit provisions. For multi-year **trend information**, see Exhibit III.E.5 in Subsection E of Section III of this report.

*Funded Status and Funding Progress.* As of the most recent actuarial valuation date (December 31, 2010), 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, 2012, the County made payments for claims due to post-employment healthcare coverage of \$142,575. 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, 2010 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 4.1199% of annual covered payroll. The remaining amortization period at December 31, 2010 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, 2012 are \$1,397,755 and \$4,921,081, 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, 2011		\$	3,665,901
annual required contribution	\$	1,377,628	
adjustment to annual required contribution		(126,509)	
interest on net OPEB obligation		146,636	
annual OPEB cost		\$	1,397,755
Contributions			(142,575)
Change in Net OPEB Obligation		\$	1,255,180
Net OPEB Obligation, as of June 30, 2012		\$	4,921,081

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 \$6,083,482 reported as landfill closure and post-closure care liability at June 30, 2012 represents a cumulative amount reported to-date following an increase of \$495,129 in the reported liability for future costs and a reduction of \$1,671,409 for closure costs paid during the year.

The County is required to increase its reported liability at least \$346,114 annually hereafter until the total amount reaches \$9,601,718. 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, 2012 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:

<b>Reporting Fund / Revenue Item</b>	<b>Unearned Revenues</b>	<b>Deferred Revenues *</b>
<b>General Fund:</b>		
Prepaid taxes not yet earned	\$ 135,026	\$ -
Other accounts, net	805,536	53,614
Taxes receivable, net	157,669	1,781,276
Subtotal	1,098,231	1,834,890
<b>Capital Projects Fund, grant receivables</b>	-	<b>8,000</b>
<b>County Fire Service District Fund, taxes receivable, net</b>	<b>4,445</b>	<b>34,418</b>
<b>Community Development Fund, grant receivables</b>	<b>181,528</b>	<b>-</b>
<b>Total Governmental Activities</b>	<b>\$ 1,284,204</b>	<b>\$ 1,877,308</b>
<b>Solid Waste Fund-Collection and Disposal:</b>		
Prepaid fees not yet earned	\$ 2,905	\$ -
<b>Total Business-Type Activities</b>	<b>\$ 2,905</b>	<b>\$ -</b>

#### **5. Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participated in a self-funded risk-financing pool administered by the North Carolina Association of County Commissioners. Through this pool, the County obtained property coverage equal to replacement cost values of owned property subject to a limit as outlined in the contract per occurrence with an annual aggregate of \$125.5 million, with other sub-limits for other coverages. The County also purchased general, automobile, public officials, law enforcement, and employment practices liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, and crime coverage of \$250,000 per occurrence. The pool is audited annually by certified public accountants, and the audited financial statements are available to the County upon request. For liability and property, the pool is reinsured through a multi-state public entity captive for single occurrence losses in excess of \$500,000 per occurrence and an additional \$1,500,000 annual aggregate up to a \$2 million limit for liability



coverage, and \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, automobile physical damage, and crime coverage.

Effective July 1, 2002, the County became self-insured for health insurance coverage on a cost-reimbursement basis. Under this program, the County is obligated for claims payments. As of July 1, 2007, employees have the option of choosing either a P.P.O. plan or H.S.A. plan. A stop-loss insurance contract executed with an insurance carrier covers claims in excess of \$75,000 per person. The estimated liability for outstanding losses includes \$500,000 for incurred and unpaid claims as of June 30, 2012. 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 \$30,000 for incurred and unpaid claims as of June 30, 2012. 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, 2012 is \$400,000 per occurrence. The estimated liability for outstanding losses includes \$100,000 for incurred and unpaid claims as of June 30, 2012. The County has contracted with a private insurer to administer the payment of claims and the County reimburses the insurer each week.

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

<b>Insurance Claims Payable (incurred but not reported)</b>	<b>June 30, 2012</b>	<b>June 30, 2011</b>
<b>General Fund:</b>		
Health insurance coverage	\$ 500,000	\$ 610,007
Dental plan	30,000	30,949
Workers' compensation coverage	100,000	100,000
<b>Total</b>	<b>\$ 630,000</b>	<b>\$ 740,956</b>

In accordance with NCGS 159-29, County employees that have access to County funds are performance bonded through a commercial surety bond. The 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, 2012, 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 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. Another agreement to lease computer equipment for the Information Technology department was executed in July 2009 and required 60 monthly payments of \$1,494. 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, 2012, the County's leased equipment had a value of:

<u>Governmental Activities</u>	<u>Recorded Value of Asset</u>	<u>Accumulated Depreciation</u>	<u>Net Present Value</u>
Computer equipment (Social Services)	\$ 75,075	\$ (75,075)	\$ -
Imaging equipment (Register of Deeds)	180,715	(141,425)	39,290
Computer equipment (Info. Tech.)	81,095	(45,321)	35,774
Total	\$ 336,885	\$ (261,821)	\$ 75,064

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 in 2010. 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*.

<b>General Obligation Bonds</b>	<b>Outstanding at June 30, 2012</b>
\$3,100,000 - Community College Bonds, Series 1998; due in annual installments of \$100,000 to \$250,000 through June 1, 2017; interest from 4.60% to 4.70%	\$ 1,100,000
<b>Limited Obligation Bonds</b>	
\$22,000,000 - New Middle School in Shelby, Series 2010A&B; due in annual installments of \$1,080,000 to \$1,140,000 through March 2030; interest from 4.49% to 6.07%; interest payments partially subsidized by federal govt; payments due to Wells Fargo Bank	19,840,000
<b>Installment Purchase Loans</b>	
\$6,000,000 - Public Safety Communication Equipment, Series 2007; due in annual installments of \$400,000 through December 2022; interest at 3.93%; payments due to BB&T	4,400,000
\$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	5,376,000
\$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	15,824,655
Subtotal Installment Purchase Loans	25,600,655
<b>Contractual Obligations</b>	
\$12,255,000 - City of Shelby Enterprise System Revenue Bonds, Series 2004; due in annual installments of \$315,000 to \$810,000 through May 1, 2029; County's portion of revenue bonds (\$634,599) per contract with City of Shelby are due in annual installments of \$16,312 to \$41,944 through May 1, 2029; interest at 5.00%; payments due to City of Shelby	507,730
<b>Total</b>	<b>\$ 47,048,385</b>

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:

	<b>General and Limited Obligation Bonds:</b>		<b>Other Long-Term Debt:</b>		<b>Capitalized Leases:</b>		<b>Total Debt Service:</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Prncpl.</b>	<b>Intrst.</b>	<b>Principal</b>	<b>Interest</b>
2012	1,330,000	1,037,658	2,040,393	1,214,447	65,606	3,619	3,435,998	2,255,724
Maturities								
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
2017	1,185,000	831,859	2,044,276	773,395	-	-	3,229,276	1,605,253
Sum 5 yrs.	6,520,000	4,629,096	10,213,611	4,749,741	49,950	1,717	16,783,562	9,380,554
Next 5 yrs. (2018 to 2022)	5,475,000	3,432,713	10,238,725	2,538,507	-	-	15,713,725	5,971,219
Next 5 yrs. (2023 to 2027)	5,690,000	1,978,865	5,573,972	501,464	-	-	11,263,972	2,480,329
Next 5 yrs. (2028 to 2032)	3,255,000	395,157	82,076	5,736	-	-	3,337,076	400,893
Sum	\$20,940,000	\$10,435,830	\$26,108,385	\$7,795,447	\$ 49,950	\$ 1,717	47,098,335	18,232,997
							Less Capitalized Leases:	(49,950) (1,717)
							Total Long-Term Debt:	<u>\$47,048,385</u> <u>\$18,231,277</u>

**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, 2012, Cleveland County had an amount of bonds authorized but un-issued of \$-0- and a legal debt margin of \$463,668,871. During the year, the County did not use short-term borrowings or interest rate swaps.

The previous tables provide certain information on the County's general obligation bonds, limited obligation bonds, installment purchase loans, contractual obligations, and capital leases payable at June 30, 2012.

**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, 2012, there were three series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$21,170,000. 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 for accrued leave relate to environmental protection expenditure function. Accrued leave activity, by type of leave, for the year ended June 30, 2012 was as follows for Business-Type Activities.

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Difference (or Expense)</b>
Vacation Leave (accrued)	\$ 100,865	\$ 73,535	\$ (73,146)	\$ 101,254	\$ 389
Holiday Leave (accrued)	17,580	43,046	(51,856)	8,770	(8,810)
Compensatory Leave (accrued)	13,214	8,450	(12,237)	9,427	(3,787)
<b>Subtotal (accrued)</b>	<b>131,659</b>	<b>125,031</b>	<b>(137,239)</b>	<b>119,451</b>	<b>(12,208)</b>
Compensatory Leave (unaccrued)	3,733	6,943	(7,477)	3,199	(534)
Sick Leave (unaccrued)	97,928	46,959	(46,581)	98,306	378
<b>Subtotal (unaccrued)</b>	<b>101,661</b>	<b>53,902</b>	<b>(54,058)</b>	<b>101,505</b>	<b>(156)</b>
<b>Grand Totals</b>	<b>\$ 233,320</b>	<b>\$ 178,933</b>	<b>\$ (191,297)</b>	<b>\$ 220,956</b>	<b>\$ (12,364)</b>

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

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Difference (or Expense)</b>
Vacation Leave (accrued)	\$ 2,355,439	\$2,087,544	\$ (2,078,450)	\$ 2,364,533	\$ 9,094
General Government	304,140	254,826	(253,651)	305,315	1,175
Public Safety	818,510	715,994	(712,835)	821,669	3,159
Human Services	1,157,370	1,059,567	(1,055,099)	1,161,838	4,468
Cultural (Library)	45,490	31,566	(31,390)	45,666	176
Other	29,929	25,591	(25,475)	30,045	116
Subtotal	2,355,439	2,087,544	(2,078,450)	2,364,533	9,094
Holiday Leave (accrued)	677,930	1,336,125	(1,273,345)	740,710	62,780
General Government	7,179	133,421	(133,061)	7,539	360
Public Safety	669,162	534,812	(472,933)	731,041	61,879
Human Services	1,589	636,278	(635,737)	2,130	541
Cultural (Library)	-	20,448	(20,448)	-	-
Other	-	11,166	(11,166)	-	-
Subtotal	677,930	1,336,125	(1,273,345)	740,710	62,780
Compensatory Leave (accrued)	467,187	471,552	(462,511)	476,228	9,041
General Government	38,470	24,647	(25,874)	37,243	(1,227)
Public Safety	262,097	205,040	(199,648)	267,489	5,392
Human Services	148,871	239,130	(231,801)	156,200	7,329
Cultural (Library)	17,633	1,167	(4,019)	14,781	(2,852)
Other	116	1,568	(1,169)	515	399
Subtotal	467,187	471,552	(462,511)	476,228	9,041
<b>Subtotal (accrued)</b>	<b>3,500,556</b>	<b>3,895,221</b>	<b>(3,814,306)</b>	<b>3,581,471</b>	<b>80,915</b>
Compensatory Leave (unaccrued)	519,362	308,785	(318,145)	510,002	(9,360)
General Government	176,834	52,596	(68,538)	160,892	(15,942)
Public Safety	103,617	59,513	(22,090)	141,040	37,423
Human Services	222,413	176,397	(207,319)	191,491	(30,922)
Cultural (Library)	15,845	15,218	(15,091)	15,972	127
Other	653	5,061	(5,107)	607	(46)
Subtotal	519,362	308,785	(318,145)	510,002	(9,360)
Sick Leave (unaccrued)	2,600,430	1,323,950	(1,313,910)	2,610,470	10,040
General Government	338,586	145,550	(144,243)	339,893	1,307
Public Safety	927,114	449,791	(446,211)	930,694	3,580
Human Services	1,260,778	694,121	(689,253)	1,265,646	4,868
Cultural (Library)	43,066	22,307	(22,141)	43,232	166
Other	30,886	12,181	(12,062)	31,005	119
Subtotal	2,600,430	1,323,950	(1,313,910)	2,610,470	10,040
<b>Subtotal (unaccrued)</b>	<b>3,119,792</b>	<b>1,632,735</b>	<b>(1,632,055)</b>	<b>3,120,472</b>	<b>680</b>
<b>Grand Totals</b>	<b>\$ 6,620,348</b>	<b>\$ 5,527,956</b>	<b>\$ (5,446,361)</b>	<b>\$ 6,701,943</b>	<b>\$ 81,596</b>

## h. Long-Term Obligation Activity

The following tables summarize interest and principal payable in the next fiscal year and the changes in the County's long-term obligations for the fiscal year ended June 30, 2012:

<b>Governmental Activities</b>	<b>Next Year Interest Payable</b>	<b>Next Year Obligation</b>	<b>Future Year Obligation</b>	<b>Total</b>
G.O. Bonds (non-capital related)	\$ 51,700	\$ 250,000	\$ 850,000	\$ 1,151,700
L.O. Bonds (capital related)	956,928	1,080,000	18,760,000	20,796,928
Bank Financed Loans	1,103,391	2,020,197	23,580,458	26,704,046
Contractual Obligations	22,964	20,972	486,758	530,694
<b>Total Bonds</b>	<b>2,134,983</b>	<b>3,371,169</b>	<b>43,677,216</b>	<b>49,183,368</b>
Capitalized Leases	1,271	30,975	18,975	51,221
Net Pension Obligation	-	-	467,896	467,896
Net OPEB Obligation	-	-	4,586,310	4,586,310
Accrued Leave (earned, unpaid)	-	1,571,618	2,009,853	3,581,471
<b>Totals</b>	<b>\$ 2,136,254</b>	<b>\$ 4,973,762</b>	<b>\$ 50,760,250</b>	<b>\$ 57,870,266</b>

### Business-type Activities

Landfill Closure/Post-Closure	\$ -	\$ -	\$ 6,083,482	\$ 6,083,482
Net OPEB Obligation	-	-	334,771	334,771
Accrued Leave (earned, unpaid)	-	33,385	86,066	119,451
<b>Totals</b>	<b>\$ -</b>	<b>\$ 33,385</b>	<b>\$ 6,504,319</b>	<b>\$ 6,537,704</b>

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
G.O. Bonds (non-capital related)	1,350,000	-	(250,000)	1,100,000
L.O. Bonds (non-capital related)	20,920,000	-	(1,080,000)	19,840,000
Bank Financed Loans	27,620,852	-	(2,020,197)	25,600,655
Contractual Obligations	527,926	-	(20,196)	507,730
Capitalized Leases	115,557	-	(65,607)	49,950
Net Pension Obligation	441,659	26,237	-	467,896
Net OPEB Obligation	3,417,421	1,168,889	-	4,586,310
Accrued Leave (earned, unpaid)	3,500,554	3,895,221	(3,814,306)	3,581,471
<b>Totals</b>	<b>\$ 57,893,970</b>	<b>\$ 5,090,347</b>	<b>\$ (7,250,305)</b>	<b>\$ 55,734,012</b>

By purpose:

County	\$ 10,624,000	\$ -	\$ (848,000)	\$ 9,776,000
Community College	18,346,852	-	(1,422,197)	16,924,655
Public Schools (K-12)	20,920,000	-	(1,080,000)	19,840,000
Waterline	527,926	-	(20,196)	507,730
Equipment--Capitalized Leases	115,557	-	(65,607)	49,950
Employment/Post-employment	7,359,634	5,090,347	(3,814,306)	8,635,677
<b>Totals</b>	<b>\$ 57,893,970</b>	<b>\$ 5,090,347</b>	<b>\$ (7,250,305)</b>	<b>\$ 55,734,012</b>

### Business-type Activities

Landfill Closure/Post-Closure	\$ 7,259,762	\$ -	\$ (1,176,280)	\$ 6,083,482
Net OPEB Obligation	248,480	86,291	-	334,771
Accrued Leave (earned, unpaid)	131,659	125,031	(137,239)	119,451
<b>Totals</b>	<b>\$ 7,639,901</b>	<b>\$ 211,322</b>	<b>\$ (1,313,519)</b>	<b>\$ 6,537,704</b>

**C. Interfund Activity and Balances**

Interfund transfers enable the County to move unrestricted revenues from one fund to another fund to sustain programs that must be reported in the other fund. Also, see 'Exhibit II.E.02' in Subsection E of Section II. Transfers to/from other funds for the year ended June 30, 2012 consists of the following:

<b>Activity description</b>	<b>Amount</b>
From General Fund to Community Development Fund for portion of roadway expansion above the amount of the grant	\$ 3,910
From General Fund to Debt Service Fund for payments on outstanding long-term debt	2,095,528
From General Fund to Capital Projects Fund for current capital projects activity and accumulating resources for future capital projects	1,535,390
From General Fund to Solid Waste Fund to accumulate resources for future capital projects in supporting fund activities	250,000
From General Fund to Conference Center Fund for medical insurance on employees	219,117
Subtotal from General Fund	4,103,945
From Capital Projects Fund to General Fund for current capital projects activity of the school system	1,290,000
From Capital Projects Fund to Debt Service Fund for payments on outstanding long-term debt used for construction of school buildings	1,914,253
Subtotal from Capital Projects Fund	3,204,253
From Emergency Telephone Fund to General Fund for a portion of costs of personnel involved in supporting fund activities	69,097
Subtotal from Emergency Telephone Fund	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	282,860
From Solid Waste Fund to Capital Projects Fund to accumulate resources for future capital projects in supporting fund activities	2,750,000
<b>Total interfund activity</b>	<b>\$ 10,410,155</b>

Due to/from balances represent advances/reimbursements to be made among funds based upon the fact that the County utilizes a central depository for processing receipts and payments. For example, numerous payments were made following the receipt of invoices after June 30 for services performed or goods received prior to June 30. All interfund balances are expected to be offset with recorded transfers in the ensuing fiscal year. The composition of interfund balances as of June 30, 2012 is as follows:

<b>Reporting Fund</b>	<b>Due from General Fund</b>	<b>Due from Other Funds</b>	<b>Due to Other Funds</b>
<b>Governmental Funds</b>			
General Fund	\$ -	\$ 3,473,613	\$ 22,663
Capital Projects Fund	-	-	3,473,613
Emergency Telephone Fund	1,184	-	-
County Fire Service District Fund	5,722	-	-
Community Development Fund	15,757	-	-
<b>Total Interfund Balances</b>	<b>22,663</b>	<b>3,473,613</b>	<b>3,496,276</b>

#### **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:

<b>Item Description</b>	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Non-Major Funds</b>
<b>Fund balance available for appropriation</b>			
Cash and Investments	\$ 17,266,668	\$ 10,351,122	\$ 1,539,565
Liabilities	(5,691,615)	(6,640,164)	(288,987)
Deferred revenues not arising from cash receipts	1,834,890	8,000	34,418
<b>Fund balance available for appropriation</b>	<b>13,409,943</b>	<b>3,718,958</b>	<b>1,284,996</b>
<b>Restricted for Stabilization of State Statute</b>			
Total fund balance	25,063,714	5,153,333	1,445,212
Fund balance available for appropriation	(13,409,943)	(3,718,958)	(1,284,996)
Fund balance not available for appropriation	11,653,771	1,434,375	160,216
Nonspendable fund balance	(264,984)	(1,207)	(6,848)
<b>Restricted for Stabilization of State Statute</b>	<b>\$ 11,388,787</b>	<b>\$ 1,433,168</b>	<b>\$ 153,368</b>

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 18% 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, 2012, consists of the following:



<b>Governmental activities</b>	<b>Beginning Balance</b>	<b>Activity</b>	<b>Ending Balance</b>
Public safety	1,994,735.42	- 619,970.97	1,374,764.45
E911 Service Cash (FD26)	1,508,027.44	-197,410.79	1,310,616.65
Fire Districts Cash (FD28)	469,455.83	-422,035.48	47,420.35
Unspent Dare Program Donations	3,923.60	42.53	3,966.13
Unspent Sheriff Donations	12,499.95	-568.55	11,931.40
Unspent Reading Fathers Donations	7.50	0.00	7.50
Unspent Emergency Management Donations	140.73	1.32	142.05
Unspent EMS Donations	680.37	0.00	680.37
Human services	398.06	-398.06	0.00
Unspent grants to Social Services	15.66	-15.66	0.00
Unspent Health Donations	382.40	-382.40	0.00
Education	5,367,705.45	807,898.29	6,175,603.74
Public Schools Capital Reserve Cash (FD42)	5,367,705.45	807,898.29	6,175,603.74
Economic and physical development	1,049,342.30	-823,394.15	225,948.15
Community Development Cash (FD29)	997,283.00	-815,755.22	181,527.78
Unspent Coop Exp Special Project	23,687.53	-7,689.88	15,997.65
Unspent Soil Conservation Special Project	28,371.77	50.95	28,422.72
Culture and recreation	130,303.74	66,071.70	196,375.44
Unspent Library Donations	130,303.74	66,071.70	196,375.44
<b>Total</b>	<b>8,542,484.97</b>	<b>-569,793.19</b>	<b>7,972,691.78</b>

The component called "invested in capital assets, net of related debt" reports the total amount of capital assets as reduced by accumulated depreciation and remaining outstanding debt used to finance the purchase or construction of any capital assets. The balance of this account at June 30, 2012, consists of the following:

<b>Governmental Activities:</b>	<b>Beginning Balance</b>	<b>Activity</b>	<b>Ending Balance</b>
Capital Assets	\$ 181,123,364	\$ 26,527,012	\$ 207,650,376
Adjustments for depreciation and related debt			
Depreciation on capital assets	(46,772,943)	(4,655,322)	(51,428,265)
Unspent debt proceeds	-	1,652,151	1,652,151
Bonds issued for capital purposes, current portion	(3,100,196)	-	(3,100,196)
Leases issued for capital equipment, current portion	(65,606)	34,630	(30,976)
Bonds issued for capital purposes, future portion	(45,440,655)	3,100,197	(42,340,458)
Leases issued for capital equipment, future portion	(49,950)	30,975	(18,975)
Subtotal adjustments	(95,429,350)	(1,489,521)	(96,918,871)
<b>Invested in Capital Assets, Net of Related Debt</b>	<b>\$ 85,694,014</b>	<b>\$ 26,689,643</b>	<b>\$ 112,383,657</b>

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, the County budgets a functional allocation to Cleveland County Chamber, which is a separate non-profit entity, for said purposes. In essence, all occupancy taxes are distributed in accordance with State law.

### **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 \$1,415,130 for operating purposes and an additional \$75,000 for capital purposes during the fiscal year ended June 30, 2012 to Cleveland Community College.

The County paid an additional \$557 to CCC for training courses and course materials for employees. And, \$-0- 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, 2012. 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 \$1,172,197 on installment purchase loan from BB&T issued for community college capital facilities. After these payments, \$1,100,000 in general obligation bond debt remains outstanding and \$15,824,655 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 \$16,573 to IPDC during the fiscal year ended June 30, 2012. The County paid an additional \$81,407 to IPDC to coordinate and administer the Community Development Block Grant and related grant awards and \$36 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, 2012:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>State or Pass-Thru Grantor Number</u>	<u>Federal (Direct and Pass-Thru) Expenditures</u>	<u>State (Direct and Pass-Thru) Expenditures</u>
<u>U.S. Dept. of Health &amp; Human Services</u>				
<u>Passed-through the N.C. Dept. of Health and Human Services:</u>				
<u>Divisions of Aging (thru Isothermal Planning and Development) and Social Services</u>				
III-B Grants for Supportive Services and Senior Centers – In-Home Services	93.044	-	\$ 132,076	\$ 8,252
<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-Housing Rehabilitation	14.228	10-C-2187	\$ 71,263	-
Community Development Block Grant-Economic Development (CDBG-ED): Roadway/Railway expansion	14.228	09-E-2081	558,354	-
Total pass-thru grants awards from IPDC			<u>\$ 761,693</u>	<u>\$ 8,252</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	-	\$ 2,116,666	\$ -
Medical Assistance	93.778	-	105,788,387	62,002,458
Participation in Budgeted County Expenditures				
IV-D Offset Fees-ESC	93.563	-	357	-
IV-D Offset Fees-Federal	93.563	-	5,468	-
Links Transitional Funds	93.674	-	6,954	-
IV-E Adoption Subsidy	93.659	-	653,418	176,683
AFDC Payments and Penalties	93.560	-	(1,271)	(348)
AFDC/TANF Unemployed				
Parents Assistance	93.560	-	(100)	(43)
TANF Payments and Penalties	93.558	-	1,167,018	(126)
Child Welfare Services Adoption Subsidy		-	-	421,966
State-County / Special Assistance Domicillary Care Payments		-	-	1,237,547
Total participation in budgeted county expenditures			<u>1,831,844</u>	<u>1,835,677</u>
Total direct benefit payments			<u>\$ 109,736,896</u>	<u>\$ 63,838,135</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.

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**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**D. Required Supplementary Information:**

	<u>Identifier</u>	<u>Page No.</u>
1. Law Enforcement Officers' Special Separation Allowance Financial Schedules	Part II.D.1	86
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 Funds Financial Schedule	Part II.D.5	117
6. Fiduciary Funds Financial Statement	Part II.D.6	121

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.

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**1. Law Enforcement Officers' Special Separation Allowance Financial Schedules**

	<b>Identifier</b>	<b>Page No.</b>
a. LEOSSA Schedule of Funding Progress	Exhibit II.D.1.a	87
b. LEOSSA Schedule of Employer Contributions	Exhibit II.D.1.b	87
c. Notes to LEOSSA Financial Schedules	Exhibit II.D.1.c	88

Article 12D of Chapter 143 from the North Carolina General Statutes authorizes the Law Enforcement Officers' Special Separation Allowance (LEOSSA). The LEOSSA is administered under the North Carolina Local Governmental Employees' Retirement System (NC-LGERS). The displays here comply with the applicable provision of accounting requirements under Governmental Accounting Standards Board Statements Number 25 and 27.

**Cleveland County, North Carolina**  
**a. LEOSA Schedule of Funding Progress**

For the Year Ended June 30, 2012

Year Ended December 31	Actuarial Value of Assets	AAL* - Projected Unit Credit	Unfunded AAL*	Funded Ratio	Covered Payroll	Ratio of Unfunded AAL to Covered Payroll
<i>--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2005.</i>						
2011	\$ -	\$ 1,546,105	\$ 1,546,105	0.000%	\$ 3,526,273	43.845%
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	??

\* AAL = Actuarial Accrued Liability (see Valuation Balance Sheet on next page)  
 ?? = information not available

**Cleveland County, North Carolina**  
**b. LEOSA Schedule of Employer Contributions**

For the Year Ended June 30, 2012

Fiscal Year Ended June 30	Actual Contributions	Annual Required Contributions	Percentage Contributed	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
<i>--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2005.</i>						
2012	\$ 135,023	\$ 162,822	82.927%	\$ 161,260	83.730%	\$ 467,896
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	??	??	??	??	??

?? = information not available

Cleveland County, North Carolina  
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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, 2012**

The actuarial valuation for the fiscal year ended 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 below.

**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 ENDED JUNE 30, 2012**

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

	<u>Rate *</u>	<u>Amount</u>
1) value of benefits earned during the current year	2.1154%	\$ 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>

**NET PENSION OBLIGATION (& ANNUAL PENSION COST) FOR THE YEAR ENDED JUNE 30, 2012**

Net Pension Obligation, as of June 30, 2011		\$ 441,659
annual required contribution	\$ 162,822	
adjustment to annual required contribution	(23,645)	
interest on net pension obligation	22,083	
annual pension cost	<u>\$ 161,260</u>	
contributions	<u>(135,023)</u>	
Change in net pension obligation		26,237
Net Pension Obligation, as of June 30, 2012		<u>\$ 467,896</u>



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

**ADDITIONAL INFORMATION USED BY THE ACTUARY**

The primary purpose of the actuarial valuation is to determine the annual required contribution for each fiscal year. In preparing the valuation, the actuary relied on data provided by Cleveland County and the NC-LGERS. To verify the data, the actuary performed tests for reasonableness and consistency. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information used to actuarially determine the annual required contribution for the reported fiscal year 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, 2012
Valuation Date	Dec 31, 2010
Remaining Amortization Period	20 years
Actuarial Assumptions (projected rates):	
Projected Rate of Adjustments for Cost-of-Living	0.00%
Projected Rate of Return on Investments *	5.00%
Projected Rate of Salary Increases *	4.25 to 7.85%
* Includes Projected Rate of Inflation	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	Nonvested Plan Members	Total Plan Members
2012	10	-	75	14	99
2011	4	-	55	30	89
2010	6	-	57	27	90
2009	9	-	55	29	93
2008	9	-	48	35	92
2007	12	-	46	34	92
2006	12	-	39	42	93
2005	10	-	43	39	92
2004	9	-	41	37	87
2003	10	-	43	36	89
2002	8	-	44	33	85
2001	7	-	40	33	80

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

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**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 Numbers 43 and 45.

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

For the Year Ended June 30, 2012

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>						
2011	\$ -	\$ 13,359,447	\$ 13,359,447	0.000%	\$ 28,517,138	46.847%
2010	-	13,359,447	13,359,447	0.000%	28,517,138	46.847%
2009	-	15,565,951	15,565,951	0.000%	27,113,877	57.410%
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, 2012

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>						
2012	\$ 142,575	\$ 1,377,628	10.349%	\$ 1,397,755	10.200%	\$ 4,921,081
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, 2012

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, 2012**

The actuarial valuation for the fiscal year ended June 30, 2012 is based on the annual payroll for all employees in the calendar year ended December 31, 2010. The actuary's corresponding calculations are shown below.

**ANNUAL PAYROLL FOR THE PERIOD ENDED DECEMBER 31, 2010**

	<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, 2010**

Present and Prospective Assets	
present assets	\$ -
present value of future (unfunded) accrued liability contributions	13,359,447
total assets, as of December 31, 2010	<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, 2010	<u>\$ 13,359,447</u>

**ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2012**

The annual required contribution for the year ended 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 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, 2012**

Net OPEB Obligation, as of June 30, 2011		\$ 3,665,901
annual required contribution	\$ 1,377,628	
adjustment to annual required contribution	(126,509)	
interest on net OPEB obligation	146,636	
annual OPEB cost	<u>\$ 1,397,755</u>	
contributions	(142,575)	
Change in net OPEB obligation		1,255,180
Net OPEB Obligation, as of June 30, 2012		<u>\$ 4,921,081</u>

**Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2012**

**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 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, 2010
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.

<b>Fiscal Year Ended June 30</b>	<b>Retirees Receiving Benefits</b>	<b>Other * Plan Members</b>	<b>Vested Plan Members</b>	<b>Nonvested Plan Members</b>	<b>Total Plan Members</b>
2012	59	-	91	612	762
2011	59	-	91	612	762
2010	59	-	91	612	762
2009	55	-	114	578	747

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

**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
**For the Year Ended June 30, 2012**  
**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**D. Required Supplementary Information:**  
**3. Major Governmental Funds Financial Statements**

	<u>Identifier</u>	<u>Page No.</u>
a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)	Exhibit II.D.3.a	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, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance - Over (Under)	2011
	Budget	Actual		Actual
<b>REVENUES</b>				
Ad Valorem Taxes				
Current year - General Fund	\$ 37,204,879	\$ 38,507,996	\$ 1,303,117	\$ 36,633,453
Current year - Publid Schools	10,080,000	10,133,663	53,663	9,640,332
Prior years	1,814,790	1,828,455	13,665	1,971,679
Penalties, interest, and advertising, net	310,300	738,103	427,803	668,211
Subtotal Ad Valorem Taxes	49,409,969	51,208,217	1,798,248	48,913,675
Other Taxes				
Local option sales tax	7,975,000	8,077,072	102,072	7,405,889
Occupancy tax	196,000	235,913	39,913	207,890
Heavy equipment tax	24,000	24,371	371	42,778
Rental tax	24,000	32,816	8,816	29,069
Privilege license	-	5,110	5,110	4,635
Register of Deeds excise stamp	200,000	162,897	(37,103)	143,701
Subtotal Other Taxes	8,419,000	8,538,179	119,179	7,833,962
Intergovernmental Revenues, unrestricted				
Video programming services	325,000	309,135	(15,865)	331,536
Payments in lieu of taxes	11,000	-	(11,000)	26,880
Sheriff court fees	40,000	38,194	(1,806)	39,912
Jail fees	44,000	63,134	19,134	60,834
Safe road taxes	9,000	9,604	604	8,439
Subtotal Intergovernmental Revenues, unrestricted	429,000	420,067	(8,933)	467,601
Intergovernmental Revenues, restricted				
County program grants	2,766,498	2,108,664	(657,834)	737,230
Social services program grants	17,895,673	16,065,371	(1,830,302)	15,654,247
Health program grants	2,473,811	2,378,638	(95,173)	2,647,144
Court facilities fees	193,578	153,912	(39,666)	168,230
Other grants	5,006,472	869,989	(4,136,483)	1,756,558
Subtotal Intergovernmental Revenues, restricted	28,336,032	21,576,574	(6,759,458)	20,963,409
Subtotal Intergovernmental Revenues	28,765,032	21,996,641	(6,768,391)	21,431,010
Licenses, Fees, and Permits				
Elections fees	-	4,044	4,044	21
Register of Deeds fees and permits	425,000	386,517	(38,483)	357,567
Marriage Licenses	-	15,125	15,125	15,225
Street sign fees	-	1,580	1,580	880
Civil, pistol, and concealed weapons permits	150,000	239,037	89,037	153,801
Inmate fees	-	2,831	2,831	4,436
Emergency Management fees	-	770	770	1,130
Building permit and inspection fees	200,000	174,802	(25,198)	216,982
Zoning permits and fees	19,800	24,924	5,124	23,235
Soil Conservation signs	-	-	-	11
Environmental Health permits	91,700	93,605	1,905	92,405
Subtotal Licenses, Fees, and Permits	886,500	943,235	56,735	865,693

(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, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance - Over (Under)	2011
	Budget	Actual		Actual
<b>REVENUES (continued from previous page)</b>				
Sales and Services				
Rents, concessions, and parking	\$ 1,478,000	\$ 1,482,061	\$ 4,061	\$ 1,485,531
Contracted revenues	981,349	953,185	(28,164)	882,520
County program fees	1,046,292	1,037,369	(8,923)	1,883,256
Social Services Department fees	54,685	27,146	(27,539)	25,552
Health Department fees	459,380	468,088	8,708	455,267
Medicaid / Medicare service fees	5,975,449	7,951,876	1,976,427	5,747,679
Subtotal Sales and Services	9,995,155	11,919,725	1,924,570	10,479,805
Investment Earnings	565,000	100,756	(464,244)	202,277
Miscellaneous				
Incentive paybacks	-	1,268,978	1,268,978	-
ABC net revenues	60,000	105,859	45,859	67,798
Vending & phone commissions	61,500	98,219	36,719	77,102
Insurance proceeds	50,000	77,498	27,498	82,866
Contributions / donations	78,036	75,506	(2,530)	71,387
Sale of used surplus equipment and vehicles	25,000	31,958	6,958	49,413
Miscellaneous State refunds to County	-	20,216	20,216	16,041
Paving assessments	-	3,933	3,933	5,011
Miscellaneous others	54,700	27,795	(26,905)	17,103
Subtotal Miscellaneous	329,236	1,709,962	1,380,726	386,721
<b>Total Revenues</b>	<b>98,369,892</b>	<b>96,416,715</b>	<b>(1,953,177)</b>	<b>90,113,143</b>
<b>EXPENDITURES</b>				
General Government				
Commissioners (including grants received and awarded)				
Salaries / benefits	\$ 447,355	\$ 426,950	\$ (20,405)	\$ 367,813
Other expenses	2,966,621	2,144,732	(821,889)	1,914,616
Subtotal Commissioners	3,413,976	2,571,682	(842,294)	2,282,429
County Manager / Administration				
Salaries / benefits	496,912	495,215	(1,697)	524,683
Other expenses	24,244	23,798	(446)	18,386
Subtotal County Manager / Administration	521,156	519,013	(2,143)	543,069
Finance & Purchasing				
Salaries / benefits	542,936	538,297	(4,639)	547,800
Other expenses	76,876	56,412	(20,464)	64,483
Subtotal Finance & Purchasing	619,812	594,709	(25,103)	612,283
Tax Administration (assessing, listing, and collection)				
Salaries / benefits	1,127,288	1,115,930	(11,358)	1,138,781
Other expenses	310,619	268,386	(42,233)	258,397
Subtotal Tax Administration	1,437,907	1,384,316	(53,591)	1,412,533

(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, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance - Over (Under)	2011
	Budget	Actual		Actual
<b>EXPENDITURES (continued from previous page)</b>				
Legal / County Attorney				
Other expenses	\$ 154,661	\$ 151,049	\$ (3,612)	\$ 88,245
Capital outlay	2,046	2,045	(1)	27,435
Subtotal Legal / County Attorney	<u>156,707</u>	<u>153,094</u>	<u>(3,613)</u>	<u>115,680</u>
Elections				
Salaries / benefits	342,606	299,232	(43,374)	242,269
Other expenses	221,415	177,910	(43,505)	81,157
Subtotal Elections	<u>564,021</u>	<u>477,142</u>	<u>(86,879)</u>	<u>323,426</u>
Register of Deeds (including Automation)				
Salaries / benefits	331,352	328,380	(2,972)	326,964
Other expenses	61,505	48,525	(12,980)	50,361
Capital outlay	-	-	-	64,906
Subtotal Register of Deeds	<u>392,857</u>	<u>376,905</u>	<u>(15,952)</u>	<u>442,231</u>
Information Technology				
Salaries / benefits	456,071	453,192	(2,879)	419,570
Other expenses	89,851	87,920	(1,931)	78,910
Capital outlay	42,519	42,487	(32)	-
Subtotal Information Technology	<u>588,441</u>	<u>583,599</u>	<u>(4,842)</u>	<u>498,480</u>
Human Resources				
Salaries / benefits	307,221	304,631	(2,590)	309,320
Other expenses	20,426	17,513	(2,913)	18,232
Subtotal Human Resources	<u>327,647</u>	<u>322,144</u>	<u>(5,503)</u>	<u>327,552</u>
Facilities Maintenance				
Salaries / benefits	395,080	387,643	(7,437)	452,146
Other expenses	1,004,250	1,013,632	9,382	960,783
Capital outlay	15,535	15,534	(1)	46,107
Subtotal Facilities Maintenance	<u>1,414,865</u>	<u>1,416,809</u>	<u>1,944</u>	<u>1,459,036</u>
Juvenile Crime Prevention Council Admin., Other expenses	2,382	2,165	(217)	1,598
Communities in Schools, other expenses	58,500	58,500	-	58,500
Property and Liability Insurance, other expenses	123,083	89,825	(33,258)	18,417
Court Facilities				
Salaries / benefits	97,828	95,841	(1,987)	95,468
Other expenses	252,546	234,590	(17,956)	221,174
Subtotal Court Facilities	<u>350,374</u>	<u>330,431</u>	<u>(19,943)</u>	<u>316,642</u>
Total General Government	<u>9,971,728</u>	<u>8,880,334</u>	<u>(1,091,394)</u>	<u>8,411,876</u>
Transportation				
TACC, other expenses	39,465	39,465	-	39,464
Total Transportation	<u>39,465</u>	<u>39,465</u>	<u>-</u>	<u>39,464</u>

(continued on next page)

Cleveland County, North Carolina

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

For the Year Ended June 30, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance - Over (Under)	2011
	Budget	Actual		Actual
<b>EXPENDITURES (continued from previous page)</b>				
Public Safety				
Sheriff (including Schools Resource Officers)				
Salaries / benefits	\$ 5,174,226	\$ 5,135,354	\$ (38,872)	\$ 5,035,833
Other expenses	1,049,782	920,130	(129,652)	862,797
Capital outlay	292,592	292,268	(324)	292,183
Subtotal Sheriff	<u>6,516,600</u>	<u>6,347,752</u>	<u>(168,848)</u>	<u>6,190,813</u>
Law Enforcement and Other Public Safety Grants				
Other expenses	73,980	34,249	(39,731)	34,289
Capital outlay	124,565	90,744	(33,821)	-
Subtotal Public Safety Grants	<u>198,545</u>	<u>124,993</u>	<u>(73,552)</u>	<u>34,289</u>
Criminal Justice Partnership (Day Reporting Center)				
Salaries / benefits	29,000	24,451	(4,549)	30,720
Other expenses	79,571	53,683	(25,888)	49,590
Subtotal Criminal Justice Partnership	<u>108,571</u>	<u>78,134</u>	<u>(30,437)</u>	<u>80,310</u>
Federal and State Forfeited Property				
Salaries / benefits	25,000	-	(25,000)	-
Other expenses	244,918	138,254	(106,664)	117,115
Capital outlay	78,705	-	(78,705)	195,994
Subtotal Federal and State Forfeited Property	<u>348,623</u>	<u>138,254</u>	<u>(210,369)</u>	<u>313,109</u>
Detention Centers				
Salaries / benefits	2,357,033	2,331,372	(25,661)	1,792,686
Other expenses	1,691,788	1,600,416	(91,372)	1,155,300
Capital outlay	-	-	-	36,578
Subtotal Detention Centers	<u>4,048,821</u>	<u>3,931,788</u>	<u>(117,033)</u>	<u>2,984,564</u>
Emergency Management				
Salaries / benefits	216,671	214,690	(1,981)	214,087
Other expenses	242,666	208,969	(33,697)	74,244
Capital outlay	166,346	124,828	(41,518)	13,283
Subtotal Emergency Management	<u>625,683</u>	<u>548,487</u>	<u>(77,196)</u>	<u>301,614</u>
Emergency Medical Services				
Salaries / benefits	4,286,668	4,259,017	(27,651)	4,357,985
Other expenses	906,660	873,759	(32,901)	882,221
Capital outlay	377,884	374,481	(3,403)	213,625
Subtotal Emergency Medical Services	<u>5,571,212</u>	<u>5,507,257</u>	<u>(63,955)</u>	<u>5,453,831</u>
Rescue Squads, Other expenses	<u>127,378</u>	<u>123,945</u>	<u>(3,433)</u>	<u>87,570</u>
E911 Communications				
Salaries / benefits	935,410	927,559	(7,851)	923,475
Other expenses	49,454	27,352	(22,102)	31,237
Subtotal E911 Communications	<u>984,864</u>	<u>954,911</u>	<u>(29,953)</u>	<u>954,712</u>
Electronic Maintenance				
Salaries / benefits	229,188	228,315	(873)	253,653
Other expenses	102,114	94,409	(7,705)	135,472
Capital outlay	27,000	26,466	(534)	-
Subtotal Electronic Maintenance	<u>358,302</u>	<u>349,190</u>	<u>(9,112)</u>	<u>389,125</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, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance - Over (Under)	2011
	Budget	Actual		Actual
<b>EXPENDITURES (continued from previous page)</b>				
Inspections				
Salaries / benefits	359,911	356,412	(3,499)	355,278
Other expenses	33,837	31,813	(2,024)	29,303
Capital outlay	-	-	-	15,481
Subtotal Inspections	393,748	388,225	(5,523)	400,062
Coroner				
Salaries / benefits	32,115	31,635	(480)	31,579
Other expenses	66,282	63,716	(2,566)	69,081
Subtotal Coroner	98,397	95,351	(3,046)	100,660
Hazardous Materials, Other expenses	20,705	19,355	(1,350)	20,080
Animal/Rabies Control				
Salaries / benefits	437,310	424,297	(13,013)	433,280
Other expenses	172,671	167,187	(5,484)	152,056
Capital outlay	2,600	2,600	-	26,166
Subtotal Animal/Rabies Control	612,581	594,084	(18,497)	611,502
Total Public Safety	20,014,030	19,201,726	(812,304)	17,922,241
Human Services				
Social Services:				
Social Services Administration				
Salaries / benefits	1,006,463	975,233	(31,230)	999,288
Other expenses	818,369	576,435	(241,934)	686,297
Capital outlay	16,000	-	(16,000)	-
Subtotal Social Services Administration	1,840,832	1,551,668	(289,164)	1,685,585
Title XX				
Salaries / benefits	4,338,167	4,185,487	(152,680)	4,148,497
Other expenses	721,541	471,529	(250,012)	475,159
Subtotal Title XX	5,059,708	4,657,016	(402,692)	4,623,656
Outside Poor, Other expenses	7,195,072	5,288,348	(1,906,724)	5,784,944
Income Maintenance				
Salaries / benefits	4,125,970	3,939,131	(186,839)	3,993,985
Other expenses	723,500	309,468	(414,032)	683,441
Subtotal Income Maintenance	4,849,470	4,248,599	(600,871)	4,677,426
Special Assistance, Salaries / benefits	40,726	40,197	(529)	39,108
Aid to Blind, Other expenses	10,060	7,729	(2,331)	10,633
IVD Child Support				
Salaries / benefits	1,159,573	1,087,978	(71,595)	1,108,476
Other expenses	11,947	8,574	(3,373)	4,915
Subtotal IVD Child Support	1,171,520	1,096,552	(74,968)	1,113,391
Smart Start, Salaries / benefits	85,194	79,331	(5,863)	83,935
Public Assistance, Other expenses	4,727,588	4,410,260	(317,328)	3,853,661
Total Social Services	24,980,170	21,379,700	(3,600,470)	21,872,339

(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, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance - Over (Under)	2011
	Budget	Actual		Actual
<b>EXPENDITURES (continued from previous page)</b>				
Health services				
Health Administration				
Salaries / benefits	\$ 835,137	\$ 785,899	\$ (49,238)	\$ 796,132
Other expenses	651,861	583,979	(67,882)	598,111
Subtotal Health Administration	<u>1,486,998</u>	<u>1,369,878</u>	<u>(117,120)</u>	<u>1,394,243</u>
Smart Start				
Salaries / benefits	-	-	-	34,216
Other expenses	-	-	-	4,469
Subtotal Smart Start	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,685</u>
AIDS				
Salaries / benefits	65,876	65,264	(612)	65,123
Other expenses	1,583	678	(905)	795
Subtotal AIDS	<u>67,459</u>	<u>65,942</u>	<u>(1,517)</u>	<u>65,918</u>
Tuberculosis/Communicable Diseases				
Salaries / benefits	143,436	142,340	(1,096)	141,967
Other expenses	24,537	24,253	(284)	21,711
Subtotal Tuberculosis/Communicable Diseases	<u>167,973</u>	<u>166,593</u>	<u>(1,380)</u>	<u>163,678</u>
Adult Health				
Salaries / benefits	519,212	421,156	(98,056)	457,372
Other expenses	313,306	289,771	(23,535)	213,261
Capital outlay	-	-	-	63,876
Subtotal Adult Health	<u>832,518</u>	<u>710,927</u>	<u>(121,591)</u>	<u>734,509</u>
School Health				
Salaries / benefits	1,068,586	1,051,469	(17,117)	1,053,545
Other expenses	93,947	82,194	(11,753)	73,828
Subtotal School Health	<u>1,162,533</u>	<u>1,133,663</u>	<u>(28,870)</u>	<u>1,127,373</u>
Health Promotions				
Salaries / benefits	103,054	101,883	(1,171)	100,823
Other expenses	38,395	33,158	(5,237)	80,241
Subtotal Health Promotions	<u>141,449</u>	<u>135,041</u>	<u>(6,408)</u>	<u>181,064</u>
Child Health				
Salaries / benefits	556,621	539,021	(17,600)	526,521
Other expenses	105,504	83,278	(22,226)	69,827
Subtotal Child Health	<u>662,125</u>	<u>622,299</u>	<u>(39,826)</u>	<u>596,348</u>
Maternal Health				
Salaries / benefits	1,751,781	1,735,918	(15,863)	1,649,027
Other expenses	180,408	102,037	(78,371)	98,731
Subtotal Maternal Health	<u>1,932,189</u>	<u>1,837,955</u>	<u>(94,234)</u>	<u>1,747,758</u>
Family Planning				
Salaries / benefits	645,045	455,305	(189,740)	454,275
Other expenses	276,511	258,708	(17,803)	253,289
Subtotal Family Planning	<u>921,556</u>	<u>714,013</u>	<u>(207,543)</u>	<u>707,564</u>
Women - Infants - Children				
Salaries / benefits	437,751	413,573	(24,178)	406,028
Other expenses	135,905	101,740	(34,165)	96,621
Subtotal Women - Infants - Children	<u>573,656</u>	<u>515,313</u>	<u>(58,343)</u>	<u>502,649</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, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance - Over (Under)	2011
	Budget	Actual		Actual
<b>EXPENDITURES (continued from previous page)</b>				
Environmental Health				
Salaries / benefits	642,967	639,197	(3,770)	636,398
Other expenses	47,757	44,005	(3,752)	42,124
Capital outlay	-	-	-	12,047
Subtotal Environmental Health	690,724	683,202	(7,522)	690,569
Other Public Health Grants				
Salaries / benefits	98,487	95,161	(3,326)	155,924
Other expenses	305,846	225,235	(80,611)	130,833
Subtotal Other Public Health Grants	404,333	320,396	(83,937)	286,757
Dental Clinic				
Salaries / benefits	113,734	51,123	(62,611)	208,651
Other expenses	264,218	253,178	(11,040)	94,092
Subtotal Dental Clinic	377,952	304,301	(73,651)	302,743
Nurse Family Partnership				
Salaries / benefits	345,538	288,630	(56,908)	335,567
Other expenses	482,887	61,157	(421,730)	66,471
Subtotal Nurse Family Partnership	828,425	349,787	(478,638)	402,038
Carolina Access				
Salaries / benefits	1,353,100	1,124,306	(228,794)	869,084
Other expenses	1,583,222	1,379,872	(203,350)	598,276
Subtotal Carolina Access	2,936,322	2,504,178	(432,144)	1,467,360
CODAP				
Salaries / benefits	130,801	85,528	(45,273)	103,264
Other expenses	19,900	16,932	(2,968)	9,198
Subtotal CODAP	150,701	102,460	(48,241)	112,462
Total Health Services	13,336,913	11,535,948	(1,800,965)	10,521,718
Miscellaneous				
Mental health (Pathways)				
Salaries / benefits	29,297	27,793	(1,504)	-
Other expenses	762,642	762,638	(4)	1,227,934
Subtotal Mental health (Pathways)	791,939	790,431	(1,508)	1,227,934
Veteran Services				
Salaries / benefits	86,942	86,463	(479)	84,706
Other expenses	5,028	4,076	(952)	3,510
Subtotal Veteran Services	91,970	90,539	(1,431)	88,216
Council on Aging, Other expenses	140,037	140,037	-	140,035
Total Human Services	39,341,029	33,936,655	(5,404,374)	33,850,242
Debt Service				
Principal reduction	65,606	65,605	(1)	63,273
Interest and fees	3,620	3,619	(1)	6,585
Total Debt Service	69,226	69,224	(2)	69,858
Education				
Community College, other expenses	1,415,130	1,415,130	-	1,415,129
Subtotal Community College	1,415,130	1,415,130	-	1,415,129

(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, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance - Over (Under)	2011
	Budget	Actual		Actual
<b>EXPENDITURES (continued from previous page)</b>				
Public Schools				
Distribution of collected property taxes	10,774,740	10,608,207	(166,533)	10,150,311
Current expenses	10,408,213	10,408,213	-	10,408,213
Schools capital outlay	3,040,000	3,040,000	-	3,936,014
Subtotal Public Schools	24,222,953	24,056,420	(166,533)	24,494,538
Total Education	25,638,083	25,471,550	(166,533)	25,909,667
Economic and Physical Development				
Planning and Zoning				
Salaries / benefits	282,217	280,297	(1,920)	279,565
Other expenses	44,968	42,121	(2,847)	46,702
Subtotal Planning and Zoning	327,185	322,418	(4,767)	326,267
Economic Development				
Salaries / benefits	155,785	155,318	(467)	-
Other expenses	3,100,231	846,968	(2,253,263)	810,470
Capital outlay	475,622	305,909	(169,713)	996,108
Subtotal Economic Development	3,731,638	1,308,195	(2,423,443)	1,806,578
Cooperative Extension				
Salaries / benefits	218,789	219,019	230	237,135
Other expenses	72,600	43,958	(28,642)	53,653
Subtotal Cooperative Extension	291,389	262,977	(28,412)	290,788
Forestry, Other expenses	70,708	67,240	(3,468)	64,780
Soil conservation				
Salaries / benefits	76,397	75,437	(960)	73,157
Other expenses	13,485	6,429	(7,056)	8,109
Subtotal Soil Conservation	89,882	81,866	(8,016)	81,266
Waterline and sewer maintenance				
Other expenses	1,922,682	402,928	(1,519,754)	483,723
Capital outlay	-	-	-	25,000
Subtotal Waterline and Sewer Maintenance	1,922,682	402,928	(1,519,754)	508,723
Total Economic and Physical Development	6,433,484	2,445,624	(3,987,860)	3,078,402
Cultural				
Library System				
Salaries / benefits	681,194	674,146	(7,048)	668,335
Other expenses	405,745	296,747	(108,998)	383,825
Capital outlay	-	-	-	11,466
Subtotal Library System	1,086,939	970,893	(116,046)	1,063,626
Recreation				
Other expenses	106,935	94,046	(12,889)	74,171
Capital outlay	-	-	-	8,200
Subtotal Broad River Greenway	106,935	94,046	(12,889)	82,371
Historic Courthouse, Other expenses	74,417	63,135	(11,282)	38,261
Total Cultural	1,268,291	1,128,074	(140,217)	1,184,258
<b>Total Expenditures</b>	<b>\$ 102,775,336</b>	<b>\$ 91,172,652</b>	<b>\$ (11,602,684)</b>	<b>\$ 90,466,008</b>

(continued on next page)

Cleveland County, North Carolina

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

For the Year Ended June 30, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance - Over (Under)	2011
	Budget	Actual		Actual
<b>(continued from previous page)</b>				
Total Expenditures (repeated from prior page)	\$ 102,775,336	\$ 91,172,652	\$ (11,602,684)	\$ 90,466,008
Excess of Revenues Over (Under) Expenditures	(4,405,444)	5,244,063	9,649,507	(352,865)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In:				
from Special Revenue fund-Emergency Telephone	69,097	69,097	-	69,097
from Capital Projects fund	1,292,674	1,290,000	(2,674)	1,936,014
from Enterprise fund-Solid Waste	266,223	282,860	16,637	335,925
Transfers Out:				
to Special Revenue fund-Community Development	(30,087)	(3,910)	26,177	(94,913)
to Debt Service fund	(2,122,997)	(2,095,528)	27,469	(1,909,966)
to Capital Projects fund	(1,535,390)	(1,535,390)	-	(1,283,781)
to Enterprise fund-Solid Waste	(250,000)	(250,000)	-	-
to Enterprise fund-Conference Center	(300,000)	(219,117)	80,883	-
Fund Balance Appropriated	7,015,924	-	(7,015,924)	-
<b>Total Other Financing Sources (Uses)</b>	<b>4,405,444</b>	<b>(2,461,988)</b>	<b>(6,867,432)</b>	<b>(947,624)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>2,782,075</b>	<b>\$ 2,782,075</b>	<b>(1,300,489)</b>
<b>FUND BALANCES</b>				
Beginning Fund Balances		<u>22,281,639</u>		<u>23,582,128</u>
Ending Fund Balances		<u>\$ 25,063,714</u>		<u>\$ 22,281,639</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, 2012

With Comparative Totals from Project Inception to June 30, 2011

	Project Authorization	Prior Years	Current Year	Total to Date
<b>REVENUES</b>				
Intergovernmental revenues, restricted				
Early College High School (5-Year Diploma/Degree)	\$ 1,000,000	\$ 90,000	\$ (90,000)	\$ -
Kings Mountain Gateway Trails	795,000	585,000	200,000	785,000
Historic Courthouse Renovation	1,793,000	267,800	946,979	1,214,779
Subtotal	3,588,000	942,800	1,056,979	1,999,779
Investment earnings				
No assigned project	-	-	13,646	13,646
Miscellaneous				
Industrial Park - US Highway 74 Business	6,952	6,951	-	6,951
Farmers Market Shade Pavilion	5,000	-	39,197	39,197
No assigned project	-	-	129,549	129,549
Subtotal	11,952	6,951	168,746	175,697
Local Option Sales Taxes, restricted portions of Articles 40 and 42				
Other taxes-sales taxes	1,626,121	-	2,605,434	2,605,434
Investment earnings	-	-	5,759	5,759
Subtotal	1,626,121	-	2,611,193	2,611,193
State Corporate Income Taxes				
Investment earnings	-	-	336	336
Subtotal	-	-	336	336
State Education Lottery Proceeds				
Intergovernmental revenues-proceeds from State	10,360,196	-	1,381,187	1,381,187
Investment earnings	45,123	-	45,122	45,122
Subtotal	10,405,319	-	1,426,309	1,426,309
<b>Total Revenues</b>	<b>15,631,392</b>	<b>949,751</b>	<b>5,277,209</b>	<b>6,226,960</b>
<b>EXPENDITURES</b>				
General government:				
Computer replacement program	521,587	382,331	103,416	485,747
Various other projects	295,000	40,819	19,908	60,727
Subtotal	816,587	423,150	123,324	546,474
Public safety				
Jail Annex Expansion	7,634,207	7,076,920	406,293	7,483,213
E911 Dispatch Equipment	312,700	3,485	-	3,485
EMS Base Station - No. 3 Township	569,343	311,185	148,380	459,565
Public Shooting Range	28,000	3,000	-	3,000
Subtotal	8,544,250	7,394,590	554,673	7,949,263
Education				
Early College High School (5-Year Diploma/Degree)	22,860,483	7,338,629	12,774,176	20,112,805
Shelby Middle School	26,694,512	20,363,261	2,726,710	23,089,971
Central Services / Turning Point Academy	8,979,040	-	2,237,485	2,237,485
Community College grant	75,000	-	75,000	75,000
Subtotal	58,609,035	27,701,890	17,813,371	45,515,261

(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, 2012

With Comparative Totals from Project Inception to June 30, 2011

	Project Authorization	Prior Years	Current Year	Total to Date
<b>EXPENDITURES (continued from previous page)</b>				
Economic and physical development				
Foothills Commerce Center - West Shelby	\$ 1,485,320	\$ 879,866	\$ 486,940	\$ 1,366,806
Large Industrial Park - Washburn Switch Road	3,000,000	-	2,744,159	2,744,159
Industrial Park - Washburn Switch Road	1,206,794	1,186,792	19,936	1,206,728
Industrial Park - US Highway 74 Business	880,790	770,190	10,234	780,424
Kings Mountain Gateway Trails	998,000	875,313	121,182	996,495
Industrial Park - US Highway 29	636,846	636,846	-	636,846
American Legion World Series	437,535	262,535	110,117	372,652
City-County Airport Renovations	344,446	238,375	106,070	344,445
Farmers Market Shade Pavilion	45,000	-	-	-
Waterline and sewer extensions	27,545	-	20,295	20,295
Subtotal	9,062,276	4,849,917	3,618,933	8,468,850
Cultural and recreational				
Historic Courthouse Renovation	3,742,126	1,576,109	1,553,809	3,129,918
Subtotal	3,742,126	1,576,109	1,553,809	3,129,918
<b>Total Expenditures</b>	<b>80,774,274</b>	<b>41,945,656</b>	<b>23,664,110</b>	<b>65,609,766</b>
Excess of Revenues over (under) Expenditures	(65,142,882)	(40,995,905)	(18,386,901)	(59,382,806)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
from General	4,795,305	4,274,174	435,390	4,709,564
from Solid Waste Fund for specific project	3,000,000	-	2,750,000	2,750,000
from General Fund for no specific project	22,575,683	12,877,878	1,100,000	13,977,878
Subtotal	30,370,988	17,152,052	4,285,390	21,437,442
Installment financing issued				
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	46,720,000	46,302,950	-	46,302,950
Fund balance appropriated	83,334	-	-	-
Local Option Sales Taxes, restricted portions of Articles 40 and 42				
Transfers out:				
to General Fund	(1,290,000)	-	(1,290,000)	(1,290,000)
to Debt Service Fund	(487,975)	-	(487,974)	(487,974)
Fund balance appropriated	151,854	-	-	-
Subtotal	(1,626,121)	-	(1,777,974)	(1,777,974)
State Education Lottery Proceeds				
Transfers out:				
to Debt Service Fund	(10,405,319)	-	(1,426,279)	(1,426,279)
<b>Total Other Financing Sources (Uses)</b>	<b>65,142,882</b>	<b>63,455,002</b>	<b>1,081,137</b>	<b>64,536,139</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>22,459,097</b>	<b>(17,305,764)</b>	<b>5,153,333</b>

(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, 2012

With Comparative Totals from Project Inception to June 30, 2011

	Project Authorization	Prior Years	Current Year	Total to Date
<b>(continued from previous page)</b>				
Net Change in Fund Balance (repeated from prior page)	\$ -	\$ 22,459,097	(17,305,764)	\$ 5,153,333
<b>FUND BALANCES</b>				
Beginning fund balances			22,459,097	
Ending fund balances			5,153,333	
Breakdown of fund balances:				
Local Option Sales Taxes, restricted portions of Articles 40 and 42				
Beginning fund balances			6,031,819	
Ending fund balances			6,865,038	
State Corporate Income Taxes				
Beginning fund balances			462	
Ending fund balances			798	
State Education Lottery Proceeds				
Beginning fund balances			-	
Ending fund balances			30	
All Other Capital Projects				
Beginning fund balances, as restated			16,426,816	
Ending fund balances			\$ (1,712,533)	

(continued from previous page)

**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
**For the Year Ended June 30, 2012**  
**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**D. Required Supplementary Information:**  
**4. Non-major Governmental Funds Financial Statements**

	<u>Identifier</u>	<u>Page No.</u>
a. Non-major Governmental Funds: Combining Balance Sheet	Exhibit II.D.4.a	108
b. Non-major Governmental Funds: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.D.4.b	110
c. 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

(continued on next page)

June 30, 2012  
With Comparative Totals as of June 30, 2011

	Non-Major Governmental Funds		
	Emergency Telephone	County Fire Service District	Community Development
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,310,617	\$ 47,420	\$ 181,528
Taxes receivable, net	-	34,418	-
Accounts receivable, net	34,055	63,873	32,651
Due from other funds	1,184	5,722	15,757
Prepaid items	6,848	-	-
<b>Total assets</b>	<b>\$ 1,352,704</b>	<b>\$ 151,433</b>	<b>\$ 229,936</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 2,079	\$ (126)	\$ 30,425
Contract retainage	-	-	36,092
Unearned revenues	-	4,445	181,528
Deferred revenues	-	34,418	-
Due to other funds	-	-	-
<b>Total liabilities</b>	<b>2,079</b>	<b>38,737</b>	<b>248,045</b>
Fund balances:			
Non-spendable			
Prepaid items	6,848	-	-
Restricted			
Stabilization of State Statute	35,239	69,721	48,408
Emergency Telephone	1,308,538	-	-
County Fire Service District	-	42,975	-
Unassigned	-	-	(66,517)
<b>Total fund balances</b>	<b>1,350,625</b>	<b>112,696</b>	<b>(18,109)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,352,704</b>	<b>\$ 151,433</b>	<b>\$ 229,936</b>

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Non-Major Governmental Funds			
	Debt Service	Totals	
		2012	2011
\$	-	\$ 1,539,565	\$ 2,974,766
	-	34,418	39,869
	-	130,579	707,117
	-	22,663	8,038
	-	6,848	832
<b>\$</b>	<b>-</b>	<b>\$ 1,734,073</b>	<b>\$ 3,730,622</b>
\$	-	\$ 32,378	\$ 301,739
	-	36,092	86,104
	-	185,973	809,158
	-	34,418	202,437
	-	-	431,150
	-	288,861	1,830,588
	-	6,848	832
	-	153,368	635,308
	-	1,308,538	1,444,202
	-	42,975	463,062
	-	(66,517)	(643,370)
	-	1,445,212	1,900,034
<b>\$</b>	<b>-</b>	<b>\$ 1,734,073</b>	<b>\$ 3,730,622</b>

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Cleveland County, North Carolina  
b. Non-major Governmental Funds: Combining Statement of Revenues,  
Expenditures, and Changes in Fund Balances

(continued on next page)

For the Year Ended June 30, 2012  
With Comparative Totals For the Year Ended June 30, 2011

	Non-Major Governmental Funds		
	Emergency Telephone	County Fire Service District	Community Development
<b>REVENUES</b>			
Ad valorem taxes	\$ -	\$ 881,659	\$ -
Other taxes	381,896	240,324	-
Intergovernmental revenues, restricted	26,762	3,810	1,409,092
Investment earnings	2,180	110	-
Miscellaneous	-	-	-
<b>Total revenues</b>	<b>410,838</b>	<b>1,125,903</b>	<b>1,409,092</b>
<b>EXPENDITURES</b>			
Public safety	520,776	1,546,149	-
Economic and physical development	-	-	1,268,543
Debt service, principal reduction	-	-	-
Debt service, interest and fees	-	-	-
<b>Total expenditures</b>	<b>520,776</b>	<b>1,546,149</b>	<b>1,268,543</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(109,938)</b>	<b>(420,246)</b>	<b>140,549</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	3,910
Transfers out	(69,097)	-	-
<b>Total other financing sources (uses)</b>	<b>(69,097)</b>	<b>-</b>	<b>3,910</b>
<b>Net change in fund balance</b>	<b>(179,035)</b>	<b>(420,246)</b>	<b>144,459</b>
<b>FUND BALANCES</b>			
Beginning fund balances	1,529,660	532,942	(162,568)
Ending fund balances	\$ 1,350,625	\$ 112,696	\$ (18,109)

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Non-Major Governmental Funds			
Debt Service	Totals		
	2012	2011	
\$ -	\$ 881,659	\$	871,557
-	622,220		808,600
1,612,809	3,052,473		2,015,442
-	2,290		14,350
-	-		(2,474)
<u>1,612,809</u>	<u>4,558,642</u>		<u>3,707,475</u>
-	2,066,925		2,275,169
-	1,268,543		1,228,908
3,370,393	3,370,393		2,783,775
2,252,197	2,252,197		1,704,965
<u>5,622,590</u>	<u>8,958,058</u>		<u>7,992,817</u>
<u>(4,009,781)</u>	<u>(4,399,416)</u>		<u>(4,285,342)</u>
4,009,781	4,013,691		3,594,568
-	(69,097)		(69,097)
<u>4,009,781</u>	<u>3,944,594</u>		<u>3,525,471</u>
-	(454,822)		(759,871)
-	1,900,034		2,659,905
<u>\$ -</u>	<u>\$ 1,445,212</u>	<u>\$</u>	<u>1,900,034</u>

(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, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance - Over (Under)	2011
	Budget	Actual		Actual
<b>REVENUES</b>				
System subscriber/surcharge fees	\$ 381,896	\$ 381,896	\$ -	\$ 585,975
Reimbursements from other PSAPs	-	26,762	26,762	27,013
Investment earnings	-	2,180	2,180	11,083
Miscellaneous adjustments	-	-	-	(2,474)
<b>Total revenues</b>	<b>381,896</b>	<b>410,838</b>	<b>28,942</b>	<b>621,597</b>
<b>EXPENDITURES</b>				
Public safety:				
Supplies and materials	8,902	389	(8,513)	2,288
Travel and training	1,000	545	(455)	-
Telecommunications	168,820	109,762	(59,058)	113,667
Contracted services	38,183	37,012	(1,171)	33,856
Professional services	43,235	30,082	(13,153)	15,223
Equipment lease shared with other PSAPs	50,232	48,659	(1,573)	49,115
Other	3,850	635	(3,215)	(782)
Capital outlay, equipment	12,000	-	(12,000)	-
Subtotal	326,222	227,084	(99,138)	213,367
<i>Separately reported expenditures from special 50% fund:</i>				
Supplies and materials	4,484	12,492	8,008	174,971
Professional services	-	-	-	5,779
Capital outlay, equipment	292,839	281,200	(11,639)	407,181
Subtotal	297,323	293,692	(3,631)	587,931
<b>Total public safety expenditures</b>	<b>623,545</b>	<b>520,776</b>	<b>(102,769)</b>	<b>801,298</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(241,649)</b>	<b>(109,938)</b>	<b>131,711</b>	<b>(179,701)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Implemental functions / Transfers to General Fund	(69,097)	(69,097)	-	(69,097)
Fund balance appropriated	310,746	-	(310,746)	-
<b>Total other financing sources (uses)</b>	<b>241,649</b>	<b>(69,097)</b>	<b>(310,746)</b>	<b>(69,097)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>(179,035)</b>	<b>(179,035)</b>	<b>(248,798)</b>
<b>FUND BALANCES</b>				
Beginning fund balances		1,529,660		1,778,458
Ending fund balances		<u>\$ 1,350,625</u>		<u>\$ 1,529,660</u>
<b>RECAP OF SPECIAL 50% FUND</b>				
Beginning balance, July 1, 2010	\$	883,885		
Expenditures July 1, 2010 to June30, 2011		(587,931)		
Expenditures July 1, 2011 to June30, 2012		(293,692)		
<b>Unspent funds, June 30, 2012 *</b>	<b>\$</b>	<b><u>2,262</u></b>		

\* As of July 1, 2012, these unspent monies revert back to the regular Emergency Telephone Fund



## 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, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance - Over (Under)	2011
	Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes				
Current year	\$ 829,350	\$ 837,543	\$ 8,193	\$ 823,124
Prior years	25,650	35,020	9,370	38,817
Penalties and interest	10,000	9,096	(904)	9,616
Subtotal ad valorem taxes	<u>865,000</u>	<u>881,659</u>	<u>16,659</u>	<u>871,557</u>
Other taxes, local option sales taxes	235,000	240,324	5,324	222,625
Intergovernmental revenues, restricted	-	3,810	3,810	27,917
Investment earnings	-	110	110	3,267
<b>Total revenues</b>	<u>1,100,000</u>	<u>1,125,903</u>	<u>25,903</u>	<u>1,125,366</u>
<b>EXPENDITURES</b>				
Public safety:				
Supplies	4,015	913	(3,102)	810
Repairs on equipment	1,750	-	(1,750)	-
Contracted and professional services	5,000	2,227	(2,773)	1,495
Insurance	52,500	52,008	(492)	49,965
Awards to Volunteer Fire Departments	1,491,001	1,491,001	-	1,421,601
<b>Total expenditures</b>	<u>1,554,266</u>	<u>1,546,149</u>	<u>(8,117)</u>	<u>1,473,871</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(454,266)</u>	<u>(420,246)</u>	<u>34,020</u>	<u>(348,505)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fund balance appropriated	454,266	-	(454,266)	-
<b>Total other financing sources (uses)</b>	<u>454,266</u>	<u>-</u>	<u>(454,266)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>(420,246)</u>	<u>\$ (420,246)</u>	<u>(348,505)</u>
<b>FUND BALANCES</b>				
Beginning fund balances		532,942		881,447
Ending fund balances		<u>\$ 112,696</u>		<u>\$ 532,942</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, 2012

With Comparative Totals from Project Inception to June 30, 2011

	Project Authorization	Prior Years	Current Year	Total to Date
<b>REVENUES</b>				
Intergovernmental revenues, federal restricted	\$ 2,400,000	\$ 538,449	\$ 1,342,070	\$ 1,880,519
Intergovernmental revenues, state restricted	500,000	432,978	67,022	500,000
<b>Total revenues</b>	<b>2,900,000</b>	<b>971,427</b>	<b>1,409,092</b>	<b>2,380,519</b>
<b>EXPENDITURES</b>				
Economic and physical development:				
Community Development Block Grant -				
Housing Rehab (CDBG-HR):				
Administration	40,000	-	32,155	32,155
Housing rehabilitation	360,000	-	39,108	39,108
Other Activities	-	-	-	-
Community Development Block Grant -				
Economic Development (CDBG-ED):				
Administration	35,000	26,276	8,724	35,000
Roadway/Railway expansion	1,590,000	1,006,088	566,628	1,572,716
Community Development Block -				
Section 108 Loan Guarantee (CDBG-LG):				
Shell Building	1,000,000	196,544	621,928	818,472
<b>Total expenditures</b>	<b>3,025,000</b>	<b>1,228,908</b>	<b>1,268,543</b>	<b>2,497,451</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(125,000)</b>	<b>(257,481)</b>	<b>140,549</b>	<b>(116,932)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in:				
From General Fund	125,000	94,913	3,910	98,823
<b>Total other financing sources (uses)</b>	<b>125,000</b>	<b>94,913</b>	<b>3,910</b>	<b>98,823</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ (162,568)</b>	<b>144,459</b>	<b>\$ (18,109)</b>
<b>FUND BALANCES</b>				
Beginning fund balances			(162,568)	
Ending fund balances			<b>\$ (18,109)</b>	

## 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, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance - Over (Under)	2011
	Budget	Actual		Actual
<b>REVENUES</b>				
Intergovernmental revenues, restricted	\$ 1,612,810	\$ 1,612,809	\$ (1)	\$ 989,085
<b>Total revenues</b>	<b>1,612,810</b>	<b>1,612,809</b>	<b>(1)</b>	<b>989,085</b>
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	3,818,394	3,370,393	(448,001)	2,783,775
Interest	2,274,667	2,252,105	(22,562)	1,696,913
Fees	5,000	92	(4,908)	8,052
<b>Total expenditures</b>	<b>6,098,061</b>	<b>5,622,590</b>	<b>(475,471)</b>	<b>4,488,740</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in				
From General Fund	2,122,997	2,095,528	(27,469)	1,909,966
From Capital Projects Fund	2,362,254	1,914,253	(448,001)	1,589,689
<b>Total other financing sources (uses)</b>	<b>4,485,251</b>	<b>4,009,781</b>	<b>(475,470)</b>	<b>3,499,655</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>
<b>FUND BALANCES</b>				
Beginning fund balances		-		-
Ending fund balances	\$ -	-	\$ -	-

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**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
**For the Year Ended June 30, 2012**  
**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**D. Required Supplementary Information:**  
**5. Major Enterprise Funds Financial Schedule**

	<b>Identifier</b>	<b>Page No.</b>
a. Solid Waste Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis	Exhibit II.D.5.a	118
b. Conference Center Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis	Exhibit II.D.5.b	120

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, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance - Over (Under)	2011
	Budget	Actual		Actual
<b>REVENUES</b>				
Operating revenues:				
Household user fees	\$ 1,464,941	\$ 1,428,628	\$ (36,313)	\$ 1,428,027
Departmental fees	3,182,324	4,107,019	924,695	3,561,955
Miscellaneous	17,619	30,062	12,443	200,196
Total operating revenues	4,664,884	5,565,709	900,825	5,190,178
Non-operating revenues:				
Other taxes	150,000	480,154	330,154	440,791
Intergovernmental revenues	52,695	84,168	31,473	130,666
Interest earned	7,686	2,179	(5,507)	44,053
Total non-operating revenues	210,381	566,501	356,120	615,510
<b>Total revenues</b>	<b>4,875,265</b>	<b>6,132,210</b>	<b>1,256,945</b>	<b>5,805,688</b>
<b>EXPENDITURES</b>				
Administration and operating expenditures:				
Salaries and benefits	1,896,672	1,823,121	(73,551)	1,750,698
Supplies and materials	53,789	50,950	(2,839)	97,024
Automotive fuels and supplies	535,665	500,114	(35,551)	478,932
Uniforms	8,705	8,464	(241)	6,159
Travel and training	5,861	7,128	1,267	9,465
Utilities, telecommunications, and postage	99,430	83,701	(15,729)	81,732
Repairs and maintenance	181,109	164,450	(16,659)	118,395
Advertising	4,500	3,160	(1,340)	5,181
Laundry and dry cleaning	16,962	14,998	(1,964)	15,965
Rent	8,150	8,097	(53)	27,098
Contracted services	322,321	279,979	(42,342)	335,128
Insurance	86,900	86,900	-	80,400
Garbage	969,765	903,502	(66,263)	922,920
Professional and legal services	289,934	260,545	(29,389)	123,350
Solid waste disposal tax to State	254,000	328,754	74,754	282,962
Miscellaneous	15,402	14,319	(1,083)	22,368
Total administration and operating expenditures	4,749,165	4,538,182	(210,983)	4,357,777
Capital outlay expenditures	3,588,599	156,655	(3,431,944)	1,027,093
<b>Total expenditures</b>	<b>8,337,764</b>	<b>4,694,837</b>	<b>(3,642,927)</b>	<b>5,384,870</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(3,462,499)</b>	<b>1,437,373</b>	<b>4,899,872</b>	<b>420,818</b>

(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, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance - Over (Under)	2011
	Budget	Actual		Actual
<b>(continued from previous page)</b>				
Excess of revenues over (under) expenditures (repeated from prior page)	\$ (3,462,499)	\$ 1,437,373	\$ 4,899,872	\$ 420,818
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from General Fund	250,000	250,000	-	-
Transfers out to General Fund	(266,223)	(282,860)	(16,637)	(335,925)
Transfers out to Capital Projects Fund	(3,000,000)	(2,750,000)	250,000	-
Fund balance appropriated	6,478,722	-	(6,478,722)	-
<b>Total other financing sources (uses)</b>	<b>3,462,499</b>	<b>(2,782,860)</b>	<b>(6,245,359)</b>	<b>(335,925)</b>
<b>Net change in fund balance (modified accrual basis)</b>	<b>\$ -</b>	<b>\$ (1,345,487)</b>	<b>\$ (1,345,487)</b>	<b>\$ 84,893</b>

Reconciliation of Modified Accrual Basis with Full Accrual Basis

Net change in fund balance

(modified accrual basis)	\$ (1,345,487)	\$ 84,893
Capital outlay expenditures	156,655	1,027,093
Trade-in allowance on purchase of capital asset	-	16,000
Non-cash gain (loss) on disposals of capital assets	(26,161)	(26,551)
Acquisition of capital assets through landfill closure activity	1,671,409	1,500,710
Depreciation expense	(672,310)	(677,696)
Change in accrued retirement benefits	(86,291)	(85,930)
Change in accrued leave earned expense	12,208	8,455
Change in accrued landfill closure and postclosure care expense	(495,129)	(3,527,692)
<b>Change in net assets (full accrual basis)</b>	<b>\$ (785,106)</b>	<b>\$ (1,680,718)</b>

Another Difference in Reporting Under Modified Accrual (MA) Basis

Versus Full Accrual (FA) Basis:

Departmental fees (modified accrual basis)	\$ 4,107,019	\$ 3,561,955
Bad debt expense (reduces departmental fees revenue under MA basis)	9,462	21
Departmental fees (full accrual basis)	<b>\$ 4,116,481</b>	<b>\$ 3,561,976</b>

(continued from previous page)

## Cleveland County, North Carolina

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

For the Year Ended June 30, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance - Over (Under)	2011
	Budget	Actual		Actual
<b>EXPENDITURES</b>				
Administration and operating expenditures:				
Supplies and materials	\$ 136,211	\$ 53,033	\$ (83,178)	\$ -
Professional and legal services	163,789	163,789	-	-
<b>Total expenditures</b>	<b>300,000</b>	<b>216,822</b>	<b>(83,178)</b>	<b>-</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(300,000)</b>	<b>(216,822)</b>	<b>83,178</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in from General Fund	300,000	219,117	(80,883)	-
<b>Total other financing sources (uses)</b>	<b>300,000</b>	<b>219,117</b>	<b>(80,883)</b>	<b>-</b>
<b>Net change in fund balance (modified accrual basis)</b>	<b>\$ -</b>	<b>\$ 2,295</b>	<b>\$ 2,295</b>	<b>\$ -</b>
<b>Reconciliation of Modified Accrual Basis with Full Accrual Basis</b>				
<b>Net change in fund balance (modified accrual basis)</b>		<b>\$ 2,295</b>		<b>\$ -</b>
No differences		<u>-</u>		<u>-</u>
<b>Change in net assets (full accrual basis)</b>		<u><b>\$ 2,295</b></u>		<u><b>\$ -</b></u>



**Cleveland County, North Carolina**  
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**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**D. Required Supplementary Information:**  
**6. Fiduciary Funds Financial Statement**

	<b>Identifier</b>	<b>Page No.</b>
a. Combining Statement of Changes in Assets and Liabilities -- Fiduciary Funds	Exhibit II.D.6.a	122

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

Fines and Forfeitures Agency Fund

Inmate Agency Fund

Property Tax Agency Fund

Rescue Squad Agency Fund

Social Services Agency Fund

Cleveland County, North Carolina

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

For the Year Ended June 30, 2012

	Beginning Balance 2011	Additions	Deductions	Ending Balance 2012
<b>Fines and Forfeitures Agency Fund</b>				
<b>Assets</b>				
Intergovernmental receivable *	\$ 5,040	\$ 505,134	\$ (505,668)	\$ 4,506
<b>Liabilities</b>				
Due to other taxing units - State of North Carolina *	\$ 5,040	\$ 503,478	\$ (504,012)	\$ 4,506
Due to other taxing units - Cleveland County Board of Education	-	493,332	(493,332)	-
<b>Total liabilities</b>	<b>\$ 5,040</b>	<b>\$ 996,810</b>	<b>\$ (997,344)</b>	<b>\$ 4,506</b>
<b>Inmate Agency Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 4,429	\$ 246,143	\$ (230,425)	\$ 20,147
Intergovernmental receivable	1,847	138,294	(131,446)	8,695
<b>Total assets</b>	<b>\$ 6,276</b>	<b>\$ 384,437</b>	<b>\$ (361,871)</b>	<b>\$ 28,842</b>
<b>Liabilities</b>				
Accounts payable	\$ 6,276	\$ 509,178	\$ (486,612)	\$ 28,842
<b>Property Tax Agency Fund</b>				
<b>Assets</b>				
Taxes receivable	\$ 35,203	\$ 439,530	\$ (442,513)	\$ 32,220
Accounts receivable	805,406	12,653,821	(12,740,798)	718,429
Intergovernmental receivable	218,469	13,236,706	(13,280,229)	174,946
<b>Total assets</b>	<b>\$ 1,059,078</b>	<b>\$ 26,330,057</b>	<b>\$ (26,463,540)</b>	<b>\$ 925,595</b>
<b>Liabilities</b>				
Accounts payable	\$ 179,445	\$ 15,605,213	\$ (15,650,515)	\$ 134,143
Due to other taxing units	879,633	13,376,486	(13,464,667)	791,452
<b>Total liabilities</b>	<b>\$ 1,059,078</b>	<b>\$ 28,981,699</b>	<b>\$ (29,115,182)</b>	<b>\$ 925,595</b>
<b>Rescue Squad Agency Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 5,122	\$ 1,233	\$ (2,100)	\$ 4,255
<b>Total assets</b>	<b>\$ 5,122</b>	<b>\$ 1,233</b>	<b>\$ (2,100)</b>	<b>\$ 4,255</b>
<b>Liabilities</b>				
Accounts payable	\$ 5,122	\$ 1,233	\$ (2,100)	\$ 4,255
<b>Total liabilities</b>	<b>\$ 5,122</b>	<b>\$ 1,233</b>	<b>\$ (2,100)</b>	<b>\$ 4,255</b>

(continued on next page)

Cleveland County, North Carolina

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

For the Year Ended June 30, 2012

	Beginning Balance 2011	Additions	Deductions	Ending Balance 2012
<b>(continued from previous page)</b>				
<b>Social Services Agency Fund</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 92,612	\$ 315,330	\$ (286,850)	\$ 121,092
<b>Liabilities</b>				
Accounts payable	\$ 92,612	\$ 315,330	\$ (286,850)	\$ 121,092
<b>TOTALS, All Agency Funds</b>				
<b>Assets</b>				
Cash and investments	\$ 102,163	\$ 562,706	\$ (519,375)	\$ 145,494
Taxes receivable	35,203	439,530	(442,513)	32,220
Accounts receivable	805,406	12,653,821	(12,740,798)	718,429
Intergovernmental receivable	225,356	13,880,134	(13,917,343)	188,147
<b>Total assets</b>	<b>\$ 1,168,128</b>	<b>\$ 27,536,191</b>	<b>\$ (27,620,029)</b>	<b>\$ 1,084,290</b>
<b>Liabilities</b>				
Accounts payable	\$ 283,455	\$ 16,430,954	\$ (16,426,077)	\$ 288,332
Due to other taxing units	884,673	14,373,296	(14,462,011)	795,958
<b>Total liabilities</b>	<b>\$ 1,168,128</b>	<b>\$ 30,804,250</b>	<b>\$ (30,888,088)</b>	<b>\$ 1,084,290</b>

Note:

\* These amounts in Fines & Forfeitures Agency Fund concern the 3% late penalty on delinquent property taxes on motor vehicles

(continued from previous page)

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**II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**E. Other Supplementary Information**

	<u>Identifier</u>	<u>Page No.</u>
1. Schedule of Cash and Investment Balances	Exhibit II.E.01	125
2. Schedule of Interfund Transfers	Exhibit II.E.02	126
3. Analysis of Current Tax Levy - County Government (10)	Exhibit II.E.03	127
4. Schedule of Ad Valorem Taxes Receivable - County Government (10) and Public Schools (20)	Exhibit II.E.04	128
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This section contains required schedules that depict information pertaining to cash balances, transfers among accounting entities (known as funds), and ad valorem tax collections in the County.

Cleveland County, North Carolina  
1. Schedule of Cash and Investment Balances

June 30, 2012

	Fund Number	Cash Distribution By Funds		Totals
		Amounts Presented on Statements *	Amounts Presented on Statements *	
<b>Unrestricted cash and cash equivalents</b>				
General Fund	10-20, 60-66		\$ 17,266,668	
Special Revenue Funds:				
Emergency Telephone Fund	26	1,310,617		
Fire District Fund	28	47,420		
Community Development Fund	29	181,528	1,539,565	
Capital Projects Funds, unrestricted cash	40-42		8,698,971	
Enterprise Fund, unrestricted cash	54		1,986,674	
Agency Funds	70-89		145,494	
<b>Total unrestricted cash and cash equivalents</b>				\$ 29,637,372
<b>Restricted cash and cash equivalents</b>				
Capital Projects Funds, restricted cash	40-42		1,652,151	
<b>Total restricted cash</b>				1,652,151
<b>Total cash and cash equivalents</b>				<b>\$ 31,289,523</b>

	Purchase Value	Fair (Market) Value	Amounts Presented on Statements *
<b>Cash</b>			
In physical possession	\$ 15,904	\$ 15,904	\$ 15,904
In demand deposits	20,236,273	20,236,273	20,236,273
<b>Total cash</b>	20,252,177	20,252,177	20,252,177
<b>Cash equivalents</b>			
NC Capital Management Trust (money market accounts)	11,037,346	11,037,346	11,037,346
<b>Total cash equivalents</b>	11,037,346	11,037,346	11,037,346
<b>Total cash and cash equivalents</b>	<b>\$ 31,289,523</b>	<b>\$ 31,289,523</b>	<b>\$ 31,289,523</b>

\* '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, 2012

	Transfers out from:				Total
	General Fund	Capital Projects Fund	Emergency Telephone Fund	Enterprise Fund	
<b>Transfers in to:</b>					
General Fund	\$ -	\$ 1,290,000	\$ 69,097	\$ 282,860	\$ 1,641,957
Capital Projects Fund	1,535,390	-	-	-	1,535,390
Community Development Fund	3,910	-	-	-	3,910
Debt Service Fund	2,095,528	1,914,253	-	-	4,009,781
<b>Total</b>	<b>\$ 3,884,828</b>	<b>\$ 3,204,253</b>	<b>\$ 69,097</b>	<b>\$ 282,860</b>	<b>\$ 7,441,038</b>

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

For the Year Ended June 30, 2012

	County-Wide			Levy	
	Property Valuation	Rare Per \$100	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy</b>					
Property taxed at current year's rate	\$ 6,282,165,518	0.57000%	\$ 35,808,343	\$ 32,516,349	\$ 3,291,994
Penalties (late charges)			49,689	49,689	-
<b>Subtotals</b>	<u>6,282,165,518</u>		<u>35,858,033</u>	<u>32,566,038</u>	<u>3,291,994</u>
<b>Discoveries, Late Listings, and Other Supplements (including Public Service Companies)</b>					
Public Service Companies	604,756,377	0.57000	3,447,111	3,447,111	-
Property taxed at current year's rate	119,422,526	0.57000	680,708	330,610	350,098
<b>Subtotals</b>	<u>724,178,903</u>		<u>4,127,820</u>	<u>3,777,722</u>	<u>350,098</u>
<b>Abatements</b>					
Property taxed at current year's rate	(17,622,339)	0.57000	(100,447)	(58,052)	(42,395)
<b>Subtotals</b>	<u>(17,622,339)</u>		<u>(100,447)</u>	<u>(58,052)</u>	<u>(42,395)</u>
<b>Totals</b>	<u>\$ 6,988,722,082</u>		<u>39,885,405</u>	<u>36,285,708</u>	<u>3,599,697</u>
<b>Net Levy</b>			39,885,405	36,285,708	3,599,697
<b>Less Uncollected Taxes, Current Year, at June 30</b>			(1,297,548)	(798,742)	(498,806)
<b>Current Year's Taxes Collected</b>			<u>\$ 38,587,857</u>	<u>\$ 35,486,966</u>	<u>\$ 3,100,891</u>
Current Levy Collection Percentage (current year's taxes collected / net levy)			96.747%	97.799%	86.143%

**Secondary Market Disclosures:**

Assessed Valuations:

	Assessment Ratio			
	100%			
Real Property	\$ 5,035,338,075	\$ 0.57000	\$ 28,701,427	
Personal Property (current rate)	1,348,627,630	0.57000	7,687,178	
Public Service Companies	604,756,377	0.57000	3,447,111	
Penalties	-		49,689	
<b>Totals</b>	<u>\$ 6,988,722,082</u>		<u>39,885,405</u>	

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

Cleveland County Schools (County-wide public school district)-(20)	10,496,145
County Fire Protection Service District (serves portion of County)-(28)	870,796
NCGS Chapter 69 Fire Protection District-Fallston (74)	144,129
NCGS Chapter 69 Fire Protection District-Lattimore (75)	94,001
NCGS Chapter 69 Fire Protection District-Rippy (76)	190,629
<b>Totals</b>	<u>\$ 51,681,105</u>

## Cleveland County, North Carolina

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

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
County Government (10)						
2012	\$ -	\$ 35,858,033	\$ 4,127,820	\$ (38,587,857)	\$ (100,447)	\$ 1,297,548
2011	1,441,140	-	9,651	(1,118,596)	(18,528)	313,667
2010	345,299	-	3,590	(170,067)	(5,747)	173,075
2009	178,066	-	3,357	(59,202)	(4,829)	117,392
2008	138,971	-	2,679	(30,252)	(4,522)	106,876
2007	108,037	-	-	(22,637)	(79)	85,320
2006	95,695	-	7	(19,694)	-	76,009
2005	85,093	-	-	(12,521)	(3)	72,568
2004	90,887	-	-	(7,856)	(13)	83,018
2003	82,481	-	-	(6,261)	-	76,220
2002	83,061	-	-	(814)	(81,113)	1,134
older	1,999	-	-	-	-	1,999
	<u>2,650,729</u>	<u>\$ 35,858,033</u>	<u>\$ 4,147,105</u>	<u>\$ (40,035,757)</u>	<u>\$ (215,281)</u>	<u>2,404,827</u>
Public Schools (20)						
2012	\$ -	\$ 9,436,446	\$ 1,878,551	\$ (10,154,651)	\$ (818,853)	\$ 341,494
2011	379,267	-	2,540	(294,384)	(4,876)	82,547
2010	90,876	-	945	(44,757)	(1,512)	45,551
2009	46,733	-	884	(15,551)	(1,271)	30,795
2008	35,946	-	693	(7,825)	(1,169)	27,645
2007	27,946	-	-	(5,855)	(20)	22,071
2006	24,753	-	2	(5,094)	-	19,661
2005	22,058	-	-	(3,238)	(1)	18,819
2004	23,558	-	-	(2,027)	(3)	21,527
2003	21,285	-	-	(1,616)	-	19,670
2002	21,813	-	-	(209)	(21,311)	293
older	495	-	-	-	-	495
	<u>694,731</u>	<u>\$ 9,436,446</u>	<u>\$ 1,883,614</u>	<u>\$ (10,535,206)</u>	<u>\$ (849,018)</u>	<u>630,568</u>
		(1,005,993)	Less allowance for uncollectible ad valorem taxes receivable-County Gov't			(994,566)
		(262,294)	Less allowance for uncollectible ad valorem taxes receivable-Public Schools			(259,554)
<b>Total</b>	<u>\$ 2,077,174</u>	<b>Ad valorem taxes receivable, net</b>				<u>\$ 1,781,275</u>

## Reconciliation with revenues:

Total reported ad valorem tax revenues	\$ 51,208,217
Discounts	100,849
Penalties, Interest, and advertising fees	(738,103)
<b>Total collections of taxes (as above)</b>	<u>\$ 50,570,963</u>



## Cleveland County, North Carolina

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

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2012	\$ -	\$ 821,153	\$ 78,035	\$ (839,339)	\$ (28,391)	\$ 31,457
2011	34,707	-	338	(26,574)	(569)	7,902
2010	8,871	-	180	(4,314)	(247)	4,490
2009	4,530	-	177	(1,659)	(226)	2,822
2008	3,167	-	137	(721)	(187)	2,396
2007	2,248	-	-	(596)	(2)	1,651
2006	2,043	-	-	(489)	-	1,554
2005	2,020	-	-	(327)	-	1,693
2004	2,056	-	-	(191)	-	1,865
2003	1,616	-	-	(129)	-	1,488
2002	1,578	-	-	(21)	(1,538)	19
older	9	-	-	-	-	9
	<u>62,845</u>	<u>\$ 821,153</u>	<u>\$ 78,866</u>	<u>\$ (874,359)</u>	<u>\$ (31,161)</u>	<u>57,344</u>
	(22,976)	Less allowance for uncollectible ad valorem taxes receivable				(22,925)
<b>Total</b>	<u>\$ 39,869</u>	<b>Ad valorem taxes receivable, net</b>				<u>\$ 34,419</u>

**Reconciliation with revenues:**

Total reported ad valorem tax revenues	\$ 881,659
Discounts	1,796
Penalties, Interest, and advertising fees	(9,096)
<b>Total collections of taxes (as above)</b>	<u>\$ 874,359</u>

## Cleveland County, North Carolina

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

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2012	\$ -	\$ 137,584	\$ 7,552	\$ (138,259)	\$ (1,008)	\$ 5,869
2011	6,688	-	19	(4,923)	(68)	1,717
2010	2,333	-	-	(1,184)	(12)	1,137
2009	679	-	-	(222)	(10)	448
2008	570	-	3	(133)	(3)	437
2007	357	-	-	(25)	-	332
2006	420	-	-	(118)	-	302
2005	436	-	-	(130)	-	306
2004	334	-	-	(23)	-	311
2003	379	-	-	(63)	-	316
2002	405	-	-	(5)	(400)	-
older	-	-	-	-	-	-
<b>Total</b>	<b>\$ 12,601</b>	<b>\$ 137,584</b>	<b>\$ 7,574</b>	<b>\$ (145,085)</b>	<b>\$ (1,500)</b>	<b>\$ 11,173</b>

## Cleveland County, North Carolina

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

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2012	\$ -	\$ 88,912	\$ 5,392	\$ (90,212)	\$ (303)	\$ 3,789
2011	4,018	-	22	(3,220)	(39)	781
2010	830	-	-	(444)	(1)	385
2009	379	-	-	(165)	-	214
2008	321	-	-	(34)	-	287
2007	331	-	-	(9)	-	322
2006	154	-	-	(22)	-	131
2005	123	-	-	(8)	-	115
2004	110	-	-	(10)	-	100
2003	129	-	-	(16)	-	113
2002	102	-	-	(1)	(93)	7
older	12	-	-	-	-	12
<b>Total</b>	<b>\$ 6,509</b>	<b>\$ 88,912</b>	<b>\$ 5,414</b>	<b>\$ (94,141)</b>	<b>\$ (436)</b>	<b>\$ 6,258</b>

## Cleveland County, North Carolina

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

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2012	\$ -	\$ 184,578	\$ 15,390	\$ (181,736)	\$ (9,339)	\$ 8,894
2011	9,812	-	48	(7,867)	(105)	1,888
2010	2,300	-	16	(1,348)	(9)	958
2009	1,145	-	-	(309)	(4)	831
2008	619	-	-	(95)	-	524
2007	437	-	-	(63)	-	374
2006	436	-	-	(51)	-	386
2005	302	-	-	(34)	-	268
2004	415	-	-	(38)	-	377
2003	311	-	4	(22)	(4)	289
2002	318	-	-	(7)	(311)	-
older	-	-	-	-	-	-
<b>Total</b>	<b>\$ 16,093</b>	<b>\$ 184,578</b>	<b>\$ 15,458</b>	<b>\$ (191,569)</b>	<b>\$ (9,771)</b>	<b>\$ 14,788</b>

## Cleveland County, North Carolina

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

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2012	\$ -	\$ 689,008	\$ 44,853	\$ (689,752)	\$ (17,209)	\$ 26,900
2011	29,924	-	186	(23,267)	(372)	6,471
2010	7,362	-	70	(3,831)	(108)	3,493
2009	3,556	-	62	(1,152)	(91)	2,375
2008	2,887	-	41	(598)	(65)	2,265
2007	2,082	-	-	(402)	(1)	1,678
2006	1,771	-	-	(354)	-	1,417
2005	1,698	-	-	(269)	-	1,428
2004	1,727	-	-	(150)	-	1,577
2003	1,423	-	-	(121)	-	1,302
2002	1,344	-	-	(20)	(1,315)	9
older	19	-	-	-	-	19
<b>Total</b>	<b>\$ 53,793</b>	<b>\$ 689,008</b>	<b>\$ 45,211</b>	<b>\$ (719,915)</b>	<b>\$ (19,160)</b>	<b>\$ 48,936</b>

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

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2012	\$ -	\$ 7,464,533	\$ 250,286	\$ (7,440,904)	\$ (45,757)	\$ 228,158
2011	232,396	-	1,055	(179,544)	(2,272)	51,635
2010	51,137	-	-	(28,966)	(303)	21,868
2009	29,274	-	-	(8,640)	(28)	20,606
2008	24,574	-	-	(6,970)	-	17,605
2007	22,662	-	-	(5,305)	-	17,357
2006	22,045	-	-	(4,808)	-	17,237
2005	16,383	-	-	(2,398)	(3)	13,982
2004	14,947	-	-	(1,025)	(9)	13,913
2003	16,361	-	-	(883)	-	15,478
2002	12,096	-	-	(40)	(11,698)	357
older	1,000	-	-	-	-	1,000
<b>Total</b>	<b>\$ 442,875</b>	<b>\$ 7,464,533</b>	<b>\$ 251,341</b>	<b>\$ (7,679,482)</b>	<b>\$ (60,070)</b>	<b>\$ 419,197</b>

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

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2012	\$ -	\$ 768,487	\$ 17,922	\$ (768,530)	\$ (3,427)	\$ 14,452
2011	16,617	-	124	(12,906)	(270)	3,565
2010	3,834	-	-	(2,659)	-	1,175
2009	1,597	-	-	(527)	-	1,070
2008	1,241	-	-	(420)	-	821
2007	935	-	-	(176)	-	759
2006	764	-	4	(9)	-	759
2005	676	-	-	(231)	-	446
2004	784	-	-	(212)	-	572
2003	641	-	-	(142)	-	499
2002	687	-	-	(32)	(655)	-
older	-	-	-	-	-	-
<b>Total</b>	<b>\$ 27,777</b>	<b>\$ 768,487</b>	<b>\$ 18,050</b>	<b>\$ (785,842)</b>	<b>\$ (4,352)</b>	<b>\$ 24,119</b>

## Cleveland County, North Carolina

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

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2012	\$ -	\$ 120,531	\$ 15,753	\$ (128,668)	\$ (2,025)	\$ 5,591
2011	7,091	-	86	(5,378)	(195)	1,605
2010	1,671	-	-	1,118	(24)	2,764
2009	1,086	-	-	(220)	(26)	840
2008	726	-	-	(76)	(27)	623
2007	249	-	-	(49)	(32)	168
2006	233	-	-	-	-	233
2005	592	-	-	(3)	-	589
2004	259	-	-	(36)	-	223
2003	185	-	-	(8)	-	176
2002	272	-	-	-	(272)	-
older	-	-	-	-	-	-
<b>Total</b>	<b>\$ 12,365</b>	<b>\$ 120,531</b>	<b>\$ 15,839</b>	<b>\$ (133,321)</b>	<b>\$ (2,601)</b>	<b>\$ 12,813</b>

## Cleveland County, North Carolina

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

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2012	\$ -	\$ 2,450,085	\$ 102,109	\$ (2,442,643)	\$ (23,143)	\$ 86,408
2011	118,309	-	198	(97,108)	(664)	20,735
2010	20,601	-	-	(10,585)	(64)	9,952
2009	12,750	-	-	(3,621)	-	9,130
2008	8,966	-	-	(1,211)	(367)	7,388
2007	7,064	-	-	(1,054)	-	6,010
2006	4,735	-	-	(358)	-	4,377
2005	4,043	-	-	(183)	-	3,860
2004	5,894	-	-	(349)	-	5,544
2003	5,610	-	-	(298)	-	5,312
2002	10,655	-	-	(17)	(10,638)	-
older	-	-	-	-	-	-
<b>Total</b>	<b>\$ 198,627</b>	<b>\$ 2,450,085</b>	<b>\$ 102,307</b>	<b>\$ (2,557,427)</b>	<b>\$ (34,876)</b>	<b>\$ 158,717</b>

## Cleveland County, North Carolina

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

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2012	\$ -	\$ 28,330	\$ 5,083	\$ (32,384)	\$ (43)	\$ 985
2011	798	-	9	(710)	-	97
2010	111	-	-	(32)	-	79
2009	92	-	-	(26)	-	66
2008	25	-	-	-	-	25
2007	31	-	-	(2)	-	29
2006	253	-	-	(3)	-	250
2005	25	-	-	(4)	-	21
2004	64	-	-	(30)	-	34
2003	78	-	-	(42)	-	36
2002	83	-	-	-	(83)	-
older	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,560</b>	<b>\$ 28,330</b>	<b>\$ 5,092</b>	<b>\$ (33,234)</b>	<b>\$ (126)</b>	<b>\$ 1,622</b>

## Cleveland County, North Carolina

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

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2012	\$ -	\$ 74,470	\$ 3,291	\$ (64,589)	\$ (403)	\$ 12,770
2011	12,951	-	8	(9,933)	(23)	3,003
2010	3,328	-	-	(18,118)	(10)	(14,799)
2009	2,095	-	-	(418)	(19)	1,658
2008	1,451	-	-	(362)	(19)	1,071
2007	1,187	-	-	(566)	-	621
2006	1,553	-	-	(698)	-	855
2005	1,594	-	-	(477)	-	1,117
2004	892	-	-	(254)	-	638
2003	281	-	-	(4)	-	277
2002	431	-	-	-	(431)	-
older	-	-	-	-	-	-
<b>Total</b>	<b>\$ 25,765</b>	<b>\$ 74,470</b>	<b>\$ 3,299</b>	<b>\$ (95,418)</b>	<b>\$ (905)</b>	<b>\$ 7,211</b>

Cleveland County, North Carolina  
16. Schedule of Ad Valorem Taxes Receivable - Town of Fallston (84)

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2012	\$ -	\$ 19,910	\$ 432	\$ (19,433)	\$ (17)	\$ 893
2011	817	-	-	(530)	-	286
2010	371	-	-	(260)	-	112
2009	36	-	-	(9)	-	28
2008	31	-	-	(6)	-	25
2007	16	-	-	-	-	16
2006	54	-	-	(17)	-	37
2005	62	-	-	(2)	-	60
2004	53	-	-	-	-	53
2003	28	-	-	(14)	-	15
2002	81	-	-	-	(81)	-
older	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,549</b>	<b>\$ 19,910</b>	<b>\$ 432</b>	<b>\$ (20,270)</b>	<b>\$ (98)</b>	<b>\$ 1,525</b>

Cleveland County, North Carolina  
17. Schedule of Ad Valorem Taxes Receivable - Town of Earl (85)

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2012	\$ -	\$ 15,319	\$ 873	\$ (15,328)	\$ (80)	\$ 785
2011	785	-	2	(587)	(3)	197
2010	389	-	-	(137)	-	253
2009	197	-	-	(44)	-	154
2008	83	-	-	(3)	-	81
2007	29	-	-	(1)	-	28
2006	47	-	-	(9)	-	38
2005	64	-	-	(16)	-	49
2004	192	-	-	(11)	-	182
2003	297	-	-	(12)	-	285
2002	112	-	-	-	(112)	-
older	-	-	-	-	-	-
<b>Total</b>	<b>\$ 2,197</b>	<b>\$ 15,319</b>	<b>\$ 875</b>	<b>\$ (16,145)</b>	<b>\$ (195)</b>	<b>\$ 2,051</b>

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

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2012	\$ -	\$ 12,936	\$ 315	\$ (12,687)	\$ (120)	\$ 444
2011	534	-	5	(405)	(9)	125
2010	180	-	-	(58)	-	122
2009	105	-	-	(1)	-	104
2008	111	-	-	(2)	-	108
2007	96	-	-	(1)	-	96
2006	105	-	-	(10)	-	95
2005	105	-	-	(6)	-	99
2004	79	-	-	(8)	-	72
2003	21	-	-	-	-	21
2002	8	-	-	-	(8)	-
older	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,343</b>	<b>\$ 12,936</b>	<b>\$ 320</b>	<b>\$ (13,177)</b>	<b>\$ (137)</b>	<b>\$ 1,285</b>

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

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2012	\$ -	\$ 48,006	\$ 2,957	\$ (47,410)	\$ (683)	\$ 2,870
2011	4,130	-	-	(2,951)	(122)	1,056
2010	1,285	-	-	(690)	(122)	474
2009	577	-	-	(115)	(122)	340
2008	392	-	-	(9)	(119)	264
2007	255	-	-	(88)	-	167
2006	254	-	-	(94)	-	160
2005	175	-	-	(15)	-	160
2004	246	-	-	(14)	-	232
2003	237	-	-	(5)	-	232
2002	162	-	-	-	(162)	-
older	-	-	-	-	-	-
<b>Total</b>	<b>\$ 7,713</b>	<b>\$ 48,006</b>	<b>\$ 2,957</b>	<b>\$ (51,391)</b>	<b>\$ (1,330)</b>	<b>\$ 5,956</b>



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

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2012	\$ -	\$ 6,212	\$ 314	\$ (6,101)	\$ (132)	\$ 292
2011	311	-	-	(237)	-	74
2010	33	-	-	(19)	-	14
2009	13	-	-	(4)	-	9
2008	18	-	-	-	-	18
2007	3	-	-	(0)	-	3
2006	17	-	-	-	-	17
2005	5	-	-	(1)	-	4
2004	6	-	-	(2)	-	3
2003	4	-	-	(1)	-	3
2002	5	-	-	-	(5)	-
older	-	-	-	-	-	-
<b>Total</b>	<b>\$ 415</b>	<b>\$ 6,212</b>	<b>\$ 314</b>	<b>\$ (6,366)</b>	<b>\$ (137)</b>	<b>\$ 438</b>

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

June 30, 2012

Fiscal Year Ended June 30	Uncollected Balance 2011	Additions		Deductions		Uncollected Balance 2012
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2012	\$ -	\$ 20,541	\$ 877	\$ (20,360)	\$ (22)	\$ 1,036
2011	677	-	-	(428)	-	250
2010	252	-	-	(77)	-	175
2009	175	-	-	(57)	-	118
2008	168	-	-	(17)	-	151
2007	140	-	-	(42)	-	98
2006	71	-	-	(10)	-	61
2005	48	-	-	-	-	48
2004	39	-	-	(3)	-	37
2003	46	-	-	(22)	-	24
2002	12	-	-	-	(12)	-
older	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,628</b>	<b>\$ 20,541</b>	<b>\$ 877</b>	<b>\$ (21,016)</b>	<b>\$ (34)</b>	<b>\$ 1,996</b>

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**Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2012  
III: STATISTICAL AND TREND INFORMATION**

	<u>Identifier</u>	<u>Page No.</u>
A. Information for Publicly Sold Securities	Subsection III.A	141
B. Revenue Capacity Schedules:	Subsection III.B	147
C. Debt Capacity Schedules:	Subsection III.C	147
D. Demographic, Economic, and Operating Schedules:	Subsection III.D	159
E. Financial Trends Schedules:	Subsection III.E	165

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

Schedules on revenue capacity concern the County's reliance on and changes in property taxes in recent years. Schedules on debt capacity regard the County's reliance on and changes in borrowed funds in recent years. The demographic, economic, and operating schedules help you ascertain the environment in which the County operates. Schedules on financial trends outline the changes in the County's financial status and activities over recent years.

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

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**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
**For the Year Ended June 30, 2012**  
**III: STATISTICAL AND TREND INFORMATION**  
**A. Information for Publicly Sold Securities**

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

Issuer: Cleveland County, North Carolina  
 Contact Person: C. D. Crepps  
 Fiscal Year Ended: June 30, 2012  
 Reporting Period: July 1, 2012 to September 30, 2012  
 Six-Digit Cusips: 186036 and 18604S

**Subject: Notice of Filing of Annual Information**

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

**Subject: Certification of Material Events Notice**

SEC Rule 15c2-12(b)(5)(iii) requires an "Issuer" or other obligated person to provide notice within ten business days of any of the following events with respect to the various publicly offered securities:

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, IRS notices, or material events affecting the tax status of the security
7. Modifications to rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution, or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership, or similar event of the County
13. Merger, consolidation, acquisition, or sale of all or substantially all assets of the County
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material
15. Failure to file continuing annual information disclosure both timely and accurately

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

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

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

	<u>Identifier</u>	<u>Page No.</u>
1. Tax Information and Debt Information (including bonds issued)	Exhibit III.A.1	142
2. Budget Ordinance as of July 1, 2012 - Annually Budgeted Funds	Exhibit III.A.2	143
3. Budget Amended as of September 30, 2012 - Annually Budgeted Funds	Exhibit III.A.3	144
4. Budget Reconciliation as of September 30, 2012 - Annually Budgeted Funds	Exhibit III.A.4	145
Also, other pertinent information, such as the item listed below, can be found in this report.		
List of Principal County Officials	Subsection I.B	11

Respectfully yours,

*C. D. Crepps*

C. D. Crepps, County Finance Director

## Cleveland County, North Carolina

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

## Exhibit III.A.1

For the Year Ended June 30, 2012

**Property Tax Information**

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

Please refer to the schedules and page numbers in the list below from this report (Cleveland County, North Carolina's Annual Financial and Compliance Report For the Year Ended June 30, 2012).

<u>Description</u>	<u>Identifier</u>	<u>Page No.</u>
"Analysis of Current Tax Levy - County Government" for the most recent fiscal year	Exhibit II.E.03	127
"Schedule of Ad Valorem Taxes Receivable - County Gov't" for the most recent fiscal year	Exhibit II.E.04	128
"Property Tax Levies by Taxing District" for twelve most recent fiscal years	Exhibit III.B.1	148
"Property Tax Levies and Collections" for twelve most recent fiscal years	Exhibit III.B.2	148
"Direct and Overlapping Property Tax Rates" for twelve most recent fiscal years	Exhibit III.B.3	150
"Principal Taxpayers" for the years ended June 30, 2012, 2009, 2006, and 2003	Exhibit III.B.4	152
"Assessed Value of Taxable Property and Tax Rates" for twelve most recent fiscal years	Exhibit III.B.5	154

Note: The latest revaluation of real property became effective with the tax levy for the fiscal year that began July 1, 2008. The next scheduled revaluation of real property will become effective with the tax levy for the fiscal year beginning July 1, 2014.

**Debt Information**

## BONDS ISSUED AND SUBJECT TO SEC RULE 15c2-12

2009-10 \$22,000,000 Public School Bonds, Series 2010A&B, 10.3 years/average maturity, 5.30% true interest cost

1997-98 \$3,100,000 Community College Bonds, Series 1998, 11.74 years/average maturity, 4.66% true interest cost

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

None

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

Please refer to the report "Analysis of Debt of North Carolina Counties, Municipalities And Districts at June 30, 2012", filed with the Municipal Securities Rulemaking Board (MSRB) by the Division of State and Local Government Finance of the North Carolina Department of State Treasurer.

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

Please refer to the schedules and page numbers in the list below from this report (Cleveland County, North Carolina's Annual Financial and Compliance Report For the Year Ended June 30, 2012).

<u>Description</u>	<u>Identifier</u>	<u>Page No.</u>
"Notes to Financial Statements"		
"Pension Plan Obligations"	Note b.B.2	66
"Closure and Post-closure Care Costs - Solid Waste Landfill Facility"	Note b.B.3	70
"Capital Leases"	Note b.B.7.a	72
"Total Indebtedness"	Note b.B.7.e	73
"Conduit Debt Obligations"	Note b.B.7.f	75
"Long-Term Obligation Activity"	Note b.B.7.h	77
"Computation of Legal Debt Margin" for twelve most recent fiscal years	Exhibit III.C.1	154
"Computation of Direct Debt - General Obligation Bonds" for the most recent fiscal year	Exhibit III.C.2	155
"Annual Requirements and Debt Limitations for General Obligation Bonds"	Exhibit III.C.3	155
"Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Government Expenditures" for twelve most recent fiscal years	Exhibit III.C.4	156
"Breakdown of Outstanding Debt" for twelve most recent fiscal years	Exhibit III.C.5	156
"Ratios of Outstanding Debt" for twelve most recent fiscal years	Exhibit III.C.6	157

Cleveland County, North Carolina  
2. Budget Ordinance as of July 1, 2012 - Annually Budgeted Funds

## Exhibit III.A.2

For the Year Ending June 30, 2013

Description	Governmental Funds			Proprietary Fund	Total
	General Fund	Special Revenue Funds	Debt Service Fund	Enterprise Funds	
<b>ESTIMATED REVENUES</b>					
Ad valorem taxes	\$ 50,491,525	\$ 932,750	\$ -	\$ -	\$ 51,424,275
Other taxes / Assessments	8,445,000	525,551	-	1,604,762	10,575,313
Intergovernmental, unrestrcited	419,000	-	-	-	419,000
Intergovernmental, restricted	19,641,410	27,013	1,562,588	15,000	21,246,011
Licenses, permits, and fees	913,400	-	-	-	913,400
Sales and services (dept fees)	9,329,357	-	-	4,233,910	13,563,267
Investment earnings	260,000	-	-	2,000	262,000
Miscellaneous	280,633	-	-	-	280,633
<b>Total estimated revenues</b>	<b>89,780,325</b>	<b>1,485,314</b>	<b>1,562,588</b>	<b>5,855,672</b>	<b>98,683,899</b>
<b>APPROPRIATIONS</b>					
General government	10,199,504	-	-	-	10,199,504
Transportation	39,465	-	-	-	39,465
Public safety	18,702,913	1,796,932	-	-	20,499,845
Human services	36,029,413	-	-	-	36,029,413
Environmental	-	-	-	5,986,224	5,986,224
Education	22,314,213	-	-	-	22,314,213
Schools capital outlay	2,840,000	-	-	-	2,840,000
Economic and physical develop.	1,639,048	-	-	-	1,639,048
Cultural and recreational	1,200,294	-	-	250,000	1,450,294
Debt service, principal reduction	66,266	-	3,371,170	-	3,437,436
Debt service, interest	2,960	-	2,159,990	-	2,162,950
<b>Total appropriations</b>	<b>93,034,076</b>	<b>1,796,932</b>	<b>5,531,160</b>	<b>6,236,224</b>	<b>106,598,392</b>
<b>Estimated revenues over (under) appropriations</b>	<b>(3,253,751)</b>	<b>(311,618)</b>	<b>(3,968,572)</b>	<b>(380,552)</b>	<b>(7,914,493)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds:					
General Fund	-	300,000	2,071,398	500,000	2,871,398
Special Revenue Funds	72,325	-	-	-	72,325
Capital Projects Fund	1,290,000	-	1,897,174	-	3,187,174
Solid Waste Fund	266,223	-	-	-	266,223
Transfers to other funds:					
General Fund	-	(72,325)	-	(266,223)	(338,548)
Special Revenue Funds	(300,000)	-	-	-	(300,000)
Debt Service Fund	(2,071,398)	-	-	-	(2,071,398)
Capital Projects Fund	(1,100,000)	-	-	-	(1,100,000)
Solid Waste Fund	(500,000)	-	-	-	(500,000)
Appropriated fund balances	5,596,601	83,943	-	146,775	5,827,319
<b>Total other financing sources (uses)</b>	<b>3,253,751</b>	<b>311,618</b>	<b>3,968,572</b>	<b>380,552</b>	<b>7,914,493</b>
<b>Estimated revenues and other financing sources over (under) appropriations and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

## Cleveland County, North Carolina

## 3. Budget Amended as of September 30, 2012 - Annually Budgeted Funds

## Exhibit III.A.3

For the Year Ending June 30, 2013

Description	Governmental Funds			Proprietary Fund	Total
	General Fund	Special Revenue Funds	Debt Service Fund	Enterprise Funds	
<b>ESTIMATED REVENUES</b>					
Ad valorem taxes	\$ 50,491,525	\$ 932,750	\$ -	\$ -	\$ 51,424,275
Other taxes / Assessments	8,445,000	525,551	-	1,604,762	10,575,313
Intergovernmental, unrestrcited	419,000	-	-	-	419,000
Intergovernmental, restricted	21,992,737	27,013	1,562,588	15,000	23,597,338
Licenses, permits, and fees	913,400	-	-	-	913,400
Sales and services (dept fees)	9,371,357	-	-	4,233,910	13,605,267
Investment earnings	260,000	-	-	2,000	262,000
Miscellaneous	284,996	-	-	-	284,996
<b>Total estimated revenues</b>	<b>92,178,015</b>	<b>1,485,314</b>	<b>1,562,588</b>	<b>5,855,672</b>	<b>101,081,589</b>
<b>APPROPRIATIONS</b>					
General government	10,192,907	-	-	-	10,192,907
Transportation	39,465	-	-	-	39,465
Public safety	19,048,932	1,796,932	-	-	20,845,864
Human services	36,168,303	-	-	-	36,168,303
Environmental	-	-	-	6,091,124	6,091,124
Education	22,314,213	-	-	-	22,314,213
Schools capital outlay	2,843,000	-	-	-	2,843,000
Economic and physical develop.	4,045,724	-	-	-	4,045,724
Cultural and recreational	1,215,366	-	-	328,127	1,543,493
Debt service, principal reduction	66,266	-	3,371,170	-	3,437,436
Debt service, interest	2,960	-	2,159,990	-	2,162,950
<b>Total appropriations</b>	<b>95,937,136</b>	<b>1,796,932</b>	<b>5,531,160</b>	<b>6,419,251</b>	<b>109,684,479</b>
<b>Estimated revenues over (under) appropriations</b>	<b>(3,759,121)</b>	<b>(311,618)</b>	<b>(3,968,572)</b>	<b>(563,579)</b>	<b>(8,602,890)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds:					
General Fund	-	300,000	2,071,398	500,000	2,871,398
Special Revenue Funds	72,325	-	-	-	72,325
Capital Projects Fund	1,290,000	-	1,897,174	-	3,187,174
Solid Waste Fund	266,223	-	-	-	266,223
Transfers to other funds:					
General Fund	-	(72,325)	-	(266,223)	(338,548)
Special Revenue Funds	(300,000)	-	-	-	(300,000)
Debt Service Fund	(2,071,398)	-	-	-	(2,071,398)
Capital Projects Fund	(1,100,000)	-	-	-	(1,100,000)
Solid Waste Fund	(500,000)	-	-	-	(500,000)
Capital lease financing issued	52,633	-	-	-	52,633
Appropriated fund balances	6,049,338	83,943	-	329,802	6,463,083
<b>Total other financing sources (uses)</b>	<b>3,759,121</b>	<b>311,618</b>	<b>3,968,572</b>	<b>563,579</b>	<b>8,602,890</b>
<b>Estimated revenues and other financing sources over (under) appropriations and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>



## Cleveland County, North Carolina

## 4. Budget Reconciliation as of September 30, 2012 - Annually Budgeted Funds

## Exhibit III.A.4

For the Year Ending June 30, 2013

Description	Governmental Funds			Proprietary Fund	Total
	General Fund	Special Revenue Funds	Debt Service Fund	Enterprise Funds	
<b>APPROPRIATIONS AND TRANSFERS OUT PER BUDGET ORDINANCE</b>					
General Fund:					
Primary Government Services	\$ 49,117,933				\$ 49,117,933
Social Services & Public Assistance	22,723,890				22,723,890
Public Health Services	12,917,250				12,917,250
Employee Wellness	778,579				778,579
Court Facilities	322,822				322,822
Public School District	10,425,000				10,425,000
Workers' Compensation	720,000				720,000
Special Revenue Funds:					
Emergency Telephone		\$ 353,291			353,291
County Fire Service District		1,515,966			1,515,966
Debt Service Fund:					
			\$ 5,531,160		5,531,160
Enterprise Funds:					
Solid Waste Fund				\$ 6,252,447	6,252,447
Conference Center Fund				250,000	250,000
<b>Total appropriations and transfers out per budget ordinance</b>	<b>97,005,474</b>	<b>1,869,257</b>	<b>5,531,160</b>	<b>6,502,447</b>	<b>110,908,338</b>
<b>APPROPRIATIONS AND TRANSFERS OUT PER BUDGET AMENDMENTS</b>					
July:	2,780,080	-	-	183,027	2,963,107
August:	117,638	-	-	-	117,638
September:	5,342	-	-	-	5,342
<b>Total appropriations and transfers out per budget amendments</b>	<b>2,903,060</b>	<b>-</b>	<b>-</b>	<b>183,027</b>	<b>3,086,087</b>
<b>TOTAL BUDGET TO DATE</b>	<b>99,908,534</b>	<b>1,869,257</b>	<b>5,531,160</b>	<b>6,685,474</b>	<b>113,994,425</b>
<b>LESS: TRANSFERS OUT</b>	<b>(3,971,398)</b>	<b>(72,325)</b>	<b>-</b>	<b>(266,223)</b>	<b>(4,309,946)</b>
<b>TOTAL APPROPRIATIONS</b>	<b>\$ 95,937,136</b>	<b>\$ 1,796,932</b>	<b>\$ 5,531,160</b>	<b>\$ 6,419,251</b>	<b>\$ 109,684,479</b>

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**Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2012  
III: STATISTICAL AND TREND INFORMATION  
B. Revenue Capacity Schedules:**

	<u>Identifier</u>	<u>Page No.</u>
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2. Property Tax Levies and Collections (twelve most recent fiscal years)	Exhibit III.B.2	148
3. Direct and Overlapping Property Tax Rates (twelve most recent fiscal years)	Exhibit III.B.3	150
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**III: STATISTICAL AND TREND INFORMATION  
C. Debt Capacity Schedules:**

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Cleveland County, North Carolina

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

Exhibit III.B.1

(continued on next page)

For the Year Ended June 30, 2012

Fiscal Year Ended June 30	County-Wide		Special	Agency Funds		
	County Government	Public Schools	County Fire	County Schools	Kings Mountain Schools	Shelby City Schools
2012	\$ 39,885,405	\$ 10,496,145	\$ 870,796	\$ -	\$ -	\$ -
2011	38,150,463	10,039,541	859,529	-	-	-
2010	37,937,850	9,983,359	858,599	-	-	-
2009	38,035,443	10,001,743	865,440	-	-	-
2008	35,495,516	9,180,062	796,340	-	-	-
2007	34,992,445	9,041,235	778,464	-	-	-
2006	34,304,168	8,872,808	751,964	-	-	-
2005	33,654,906	8,702,570	731,336	-	-	-
2004	31,810,691	8,208,648	644,205	-	-	-
2003	31,082,261	8,023,050	659,290	-	-	-
2002	30,734,285	7,898,388	637,681	-	-	-
2001	29,818,887	6,967,370	607,130	224,992	274,742	165,205

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

Cleveland County, North Carolina

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

Exhibit III.B.2

(continued on next page)

For the Year Ended June 30, 2012

Fiscal Year Ended June 30	Levy	First Year		Collections and Abatements After 1st Year
		Collections in First Year	Percent Collected	
2012	\$ 51,681,105	\$ 49,992,054	96.732%	\$ -
2011	49,471,422	47,595,790	96.209%	-
2010	49,202,687	47,199,319	95.928%	1,777,772
2009	49,317,117	46,878,947	95.056%	2,285,668
2008	45,765,637	43,518,113	95.089%	2,109,359
2007	45,118,371	43,026,504	95.364%	1,981,797
2006	44,236,504	42,170,493	95.330%	1,967,968
2005	43,419,903	41,221,362	94.937%	2,104,772
2004	40,973,570	38,712,884	94.483%	2,153,488
2003	40,064,096	37,736,229	94.190%	2,229,771
2002	39,571,729	37,246,560	94.124%	2,323,716
2001	38,351,161	35,890,180	93.583%	2,460,981

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

(continued on next page)

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Agency Funds (cont.)			
Fallston Fire	Lattimore Fire	Rippy Fire	All Districts
\$ 144,129	\$ 94,001	\$ 190,629	\$ 51,681,105
135,345	93,711	192,833	49,471,422
134,943	93,175	194,761	49,202,687
131,002	91,163	192,326	49,317,117
123,261	55,272	115,186	45,765,637
118,199	74,086	113,942	45,118,371
119,269	76,048	112,247	44,236,504
139,441	79,069	112,581	43,419,903
140,364	69,961	99,701	40,973,570
126,435	68,761	104,299	40,064,096
135,081	70,737	95,557	39,571,729
132,345	70,839	89,651	38,351,161

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Total Collections To Date	Percent Collected	Balance Delinquent	Percent Delinquent
\$ 49,992,054	96.732%	\$ 1,689,051	3.268%
47,595,790	96.209%	408,502	0.826%
48,977,091	99.541%	225,596	0.459%
49,164,615	99.691%	152,502	0.309%
45,627,472	99.698%	138,165	0.302%
45,008,301	99.756%	110,070	0.244%
44,138,461	99.778%	98,043	0.222%
43,326,134	99.784%	93,769	0.216%
40,866,372	99.738%	107,198	0.262%
39,966,000	99.755%	98,096	0.245%
39,570,276	99.996%	1,453	0.004%
38,351,161	100.000%	-	0.000%

(continued from previous page)

Cleveland County, North Carolina

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

Exhibit III.B.3

(continued below and on next page)

For the Year Ended June 30, 2012

Fiscal Year Ended June 30	County-Wide		Special	Agency Funds		
	County Government	Public Schools	County Fire	County Schools	Kings Mountain Schools	Shelby City Schools
2012	\$ 0.005700	\$ 0.001500	\$ 0.000300	n/a	n/a	n/a
2011	0.005700	0.001500	0.000300	n/a	n/a	n/a
2010	0.005700	0.001500	0.000300	n/a	n/a	n/a
2009	0.005800	0.001500	0.000300	n/a	n/a	n/a
2008	0.005800	0.001500	0.000300	n/a	n/a	n/a
2007	0.005800	0.001500	0.000300	n/a	n/a	n/a
2006	0.005800	0.001500	0.000300	n/a	n/a	n/a
2005	0.006200	0.001600	0.000300	n/a	n/a	n/a
2004	0.006200	0.001600	0.000300	n/a	n/a	n/a
2003	0.006200	0.001600	0.000300	n/a	n/a	n/a
2002	0.006200	0.001600	0.000300	n/a	n/a	n/a
2001	0.006270	n/a	0.000200	\$ 0.001000	\$ 0.001900	\$ 0.002200

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

(continued from above and on next page)

Fiscal Year Ended June 30	Agency Funds (cont.)					
	Town of Boiling Springs	Town of Grover	City of Kings Mountain	City of Kings Mountain MSD	Town of Lattimore	Town of Kingstown
2012	\$ 0.002900	\$ 0.003800	\$ 0.004000	\$ 0.002362	\$ 0.001800	\$ 0.003500
2011	0.002900	0.003800	0.004000	0.002362	0.001800	0.003500
2010	0.002900	0.003800	0.004000	0.002362	0.001800	0.003500
2009	0.003000	0.003800	0.004000	0.002362	0.001800	0.003500
2008	0.003000	0.003800	0.004000	0.002362	0.001800	0.003500
2007	0.003000	0.003600	0.003600	0.002362	0.001800	0.003500
2006	0.003000	0.003600	0.003600	0.002362	0.001800	0.003500
2005	0.003300	0.002900	0.003600	n/a	0.002000	0.003500
2004	0.003000	0.002900	0.003600	n/a	0.002000	0.003500
2003	0.002800	0.002900	0.003600	n/a	0.002000	0.003500
2002	0.002800	0.002900	0.003600	n/a	0.002000	0.003500
2001	0.003000	0.002900	0.004000	n/a	0.002000	0.003500

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

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

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

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

Exhibit III.B.4  
For the Year Ended June 30, 2012

(continued below and on next page)

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy
1. Duke Energy	Electric Utility	\$ 511,477,842	7.661%	\$ 3,823,283
2. PPG Industries, Inc.	Fiberglass	98,493,800	1.475%	1,158,352
3. Wal-Mart	Warehouse/Retail Store	77,094,969	1.155%	875,447
4. Eaton Corporation	Truck Transmissions	42,660,575	0.639%	328,382
5. Southeastern Container	Plastic Bottles	24,714,525	0.370%	306,148
6. Ticona Polymers	Polymers	39,949,653	0.598%	301,424
7. Baldor Electric	Electric Motors	34,337,642	0.514%	264,400
8. Bellsouth Telephone	Telecommunications	28,940,662	0.433%	262,891
9. Southern Power	Electric Utility	27,505,375	0.412%	211,791
10. Chematall Foote	Mining	16,923,518	0.253%	188,965
11. Curtiss Wright Controls	Aircraft Parts	15,016,502	0.225%	173,441
12. Shelby Mall LLC	Real Estate	13,606,248	0.204%	157,152
Totals		\$ 930,721,311	13.940%	\$ 8,051,676

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

Exhibit III.B.4  
For the Year Ended June 30, 2009

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy
1. Duke Energy	Electric Utility	\$ 200,383,274	3.010%	\$ 1,535,336
2. PPG Industries, Inc.	Fiber Glass	98,495,562	1.479%	1,085,467
3. Wal-Mart	Warehouse/Retail Store	88,019,966	1.322%	1,016,868
4. Eaton Corporation	Truck Transmissions	47,785,810	0.718%	367,951
5. Ticona Polymers	Polymers	47,289,369	0.710%	358,018
6. Bellsouth Telephone	Communications	32,933,853	0.495%	304,121
7. Southeastern Container	Plastic Bottles	21,193,993	0.318%	237,373
8. Entertainment Distribution	Laser Discs	30,228,805	0.454%	232,762
9. Copeland Corporation	Air Compressors	15,371,791	0.231%	176,628
10. Baldor Electric	Electric Motors	20,616,204	0.310%	158,745
11. Lowe's Home Centers	Retail Store	13,667,975	0.205%	157,865
12. Shelby Mall LLC	Real Estate	13,606,248	0.204%	157,152
Totals		\$ 629,592,850	9.457%	\$ 5,788,286



Cleveland County, North Carolina

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

Exhibit III.B.4

For the Year Ended June 30, 2006

(continued below and from previous page)

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy
1. Wal-Mart	Warehouse/Retail Store	\$ 98,369,035	1.665%	\$ 1,131,244
2. Duke Energy	Electric Utility	126,291,439	2.138%	1,007,181
3. PPG Industries, Inc.	Fiber Glass	118,367,793	2.004%	916,371
4. Copeland Corporation	Air Compressors	39,285,976	0.665%	451,789
5. Ticona Celanese	Polymers	56,309,080	0.953%	439,211
6. Eaton Corporation	Truck Transmissions	49,332,151	0.835%	384,791
7. Bell South	Communications	39,569,804	0.670%	365,428
8. UMG/PMDC CBL	Laser Discs	37,120,559	0.628%	289,540
9. Arteva/Kosa/Invista	Polymers	28,064,669	0.475%	218,905
10. Curtiss Wright	Aircraft Parts	16,315,113	0.276%	187,624
11. Reliance Electric	Electric Motors	22,940,732	0.388%	178,988
12. Hull Storey/HSCM	Real Estate	14,404,358	0.244%	165,761
Totals		\$ 646,370,709	10.943%	\$ 5,736,833

Cleveland County, North Carolina

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

Exhibit III.B.4

For the Year Ended June 30, 2003

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation
1. PPG Industries, Inc.	Fiber Glass	\$ 131,533,997	2.627%
2. Duke Energy	Electric Utility	127,968,623	2.556%
3. Copeland Corporation	Air Compressors	67,715,977	1.352%
4. Ticona Celanese	Polymers	48,651,594	0.972%
5. Bell South	Communications	46,121,238	0.921%
6. Eaton Corporation	Truck Transmissions	44,864,818	0.896%
7. UMG/PMDC CBL	Laser Discs	43,628,575	0.871%
8. Arteva/Kosa	Polymers	42,635,749	0.851%
9. Honeywell/Fasco Controls	Electronics	30,859,251	0.616%
10. Reliance Electric	Electric Motors	22,323,339	0.446%
11. Kemet	Electronics	20,944,611	0.418%
12. Wal-Mart	Warehouse/Retail Store	12,119,660	0.242%
Totals		\$ 639,367,432	12.769%

## Cleveland County, North Carolina

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

## Exhibit III.B.5

For the Year Ended June 30, 2012

Fiscal Year Ended June 30	Real Property	Personal Property	Corporate Excess	Total Assessed Value	County-Wide Property Tax Rate
2012	\$ 5,035,338,075	\$ 1,348,627,630	\$ 604,756,377	\$ 6,988,722,082	0.007200
2011	5,008,320,561	1,293,716,402	374,726,300	6,676,763,263	0.007200
2010	4,983,714,807	1,334,442,491	326,924,856	6,645,082,154	0.007200
(a) 2009	4,913,217,141	1,451,890,284	292,601,507	6,657,708,932	0.007300
2008	4,439,802,142	1,435,203,908	236,754,791	6,111,760,841	0.007300
2007	4,360,134,267	1,423,645,599	236,954,915	6,020,734,781	0.007300
2006	4,235,213,856	1,442,246,979	229,147,077	5,906,607,912	0.007300
(a) 2005	4,159,817,633	1,423,203,225	202,217,191	5,785,238,049	0.007800
2004	3,539,044,771	1,375,973,251	203,430,042	5,118,448,064	0.007800
2003	3,434,891,384	1,364,495,344	207,752,627	5,007,139,355	0.006200
2002	3,357,768,932	1,306,813,709	227,312,824	4,891,895,465	0.006200
(a) 2001	3,291,473,275	1,279,383,519	230,209,657	4,801,066,451	0.006270

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

## Cleveland County, North Carolina

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

## Exhibit III.C.1

For the Year Ended June 30, 2012

Fiscal Year Ended June 30	Assessed Value Less Corporate Excess	Percentage Applied	Legal Debt Limit (A)	Total Long-Term Debt (B)	Legal Debt Margin	Ratio of (B) to (A)
2012	\$ 6,383,965,705	8.0%	\$ 510,717,256	\$ 47,048,385	\$ 463,668,871	9.212%
2011	6,302,036,963	8.0%	504,162,957	50,418,778	453,744,179	10.000%
2010	6,318,157,298	8.0%	505,452,584	35,619,603	469,832,981	7.047%
2009	6,365,107,425	8.0%	509,208,594	16,811,245	492,397,349	3.301%
2008	5,875,006,050	8.0%	470,000,484	12,934,111	457,066,373	2.752%
2007	5,783,779,866	8.0%	462,702,389	11,666,458	451,035,931	2.521%
2006	5,677,460,835	8.0%	454,196,867	16,558,287	437,638,580	3.646%
2005	5,583,020,858	8.0%	446,641,669	21,444,599	425,197,070	4.801%
2004	4,915,018,022	8.0%	393,201,442	25,690,000	367,511,442	6.534%
2003	4,799,386,728	8.0%	383,950,938	30,640,000	353,310,938	7.980%
2002	4,664,582,641	8.0%	373,166,611	37,325,000	335,841,611	10.002%
2001	4,570,856,794	8.0%	365,668,544	41,975,000	323,693,544	11.479%

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

## Cleveland County, North Carolina

## 2. Computation of Direct and Underlying Debt for non-Revenue Bonded Debt

## Exhibit III.C.2

For the Year Ended June 30, 2012

	Gross Non-Revenue Bonded Debt	Less Debt Payable from Other Entity	Net Non-Revenue Bonded Debt	Percent Applicable to County	Amount Applicable to County
Direct:					
Cleveland County	\$ -	\$ -	\$ -	100.0%	\$ -
Underlying:					
Public Schools	19,840,000	19,840,000	-	100.0%	-
Community College	1,100,000	-	1,100,000	100.0%	1,100,000
Totals:	<u>\$ 20,940,000</u>	<u>\$ 19,840,000</u>	<u>\$ 1,100,000</u>		<u>\$ 1,100,000</u>

## Cleveland County, North Carolina

## 3. Annual Requirements and Debt Limitations for non-Revenue Bonded Debt

## Exhibit III.C.3

For the Year Ended June 30, 2012

Fiscal Year Ending June 30	Annual Requirements		Debt Balance	
	Principal	Principal and Interest	Outstanding Principal	Subject to Statutory Debt Limits
2013	\$ 1,330,000	\$ 2,338,628	\$ 20,940,000	\$ 20,940,000
2014	1,335,000	2,309,198	19,610,000	19,610,000
2015	1,335,000	2,265,983	18,275,000	18,275,000
2016	1,335,000	2,218,428	16,940,000	16,940,000
2017	1,185,000	2,016,859	15,605,000	15,605,000
2018	1,085,000	1,868,542	14,420,000	14,420,000
2019	1,085,000	1,821,670	13,335,000	13,335,000
2020	1,085,000	1,773,170	12,250,000	12,250,000
2021	1,085,000	1,723,043	11,165,000	11,165,000
2022	1,135,000	1,721,289	10,080,000	10,080,000
2023	1,135,000	1,658,637	8,945,000	8,945,000
2024	1,135,000	1,595,985	7,810,000	7,810,000
2025	1,140,000	1,538,333	6,675,000	6,675,000
2026	1,140,000	1,471,415	5,535,000	5,535,000
2027	1,140,000	1,404,497	4,395,000	4,395,000
2028	1,085,000	1,282,579	3,255,000	3,255,000
2029	1,085,000	1,216,719	2,170,000	2,170,000
2030	1,085,000	1,150,860	1,085,000	1,085,000
Totals	<u>\$ 20,940,000</u>	<u>\$ 31,375,835</u>		

## Cleveland County, North Carolina

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

## Exhibit III.C.4

For the Year Ended June 30, 2012

Fiscal Year Ended June 30	Debt Service Expenditures for Principal Reductions	Debt Service Expenditures for Interest	Total Debt Service Expenditures (A)	Total Governmental Expenditures (B)	Ratio of (A) to (B)	Population Estimate (*)	Total Debt Service Expenditures Per Capita
2012	\$ 1,330,000	\$ 1,037,658	\$ 2,367,658	\$ 123,794,820	1.91%	98,391	\$ 24.06
2011	1,330,000	791,817	2,121,817	127,726,273	1.66%	98,760	21.48
2010	2,325,000	148,700	2,473,700	102,710,743	2.41%	98,078	25.22
2009	2,425,000	225,450	2,650,450	107,347,730	2.47%	97,588	27.16
2008	4,715,000	368,500	5,083,500	99,870,997	5.09%	96,968	52.42
2007	4,875,000	516,350	5,391,350	95,912,913	5.62%	96,077	56.11
2006	4,870,000	651,960	5,521,960	93,458,137	5.91%	95,607	57.76
2005	4,880,000	807,117	5,687,117	87,943,452	6.47%	96,129	59.16
2004	4,920,000	913,610	5,833,610	83,974,172	6.95%	96,435	60.49
2003	5,030,000	1,305,496	6,335,496	81,379,267	7.79%	96,752	65.48
2002	4,435,000	1,965,875	6,400,875	87,055,929	7.35%	96,660	66.22
2001	4,375,000	2,182,884	6,557,884	82,552,538	7.94%	96,554	67.92

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

## Cleveland County, North Carolina

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

## Exhibit III.C.5

For the Year Ended June 30, 2012

Fiscal Year Ending June 30	Gross Non-Revenue Bonded Debt	Revenue Bonded Debt	Other Long-Term Debt	Total Long-Term Debt	Capital Leases	Total Debt	Debt Other Than Gross Non-Revenue Bonded Debt
2012	\$ 20,940,000	\$ -	\$ 26,108,385	\$ 47,048,385	\$ 49,951	\$ 47,098,336	\$ 26,158,336
2011	22,270,000	-	28,148,778	50,418,778	115,556	50,534,334	28,264,334
2010	23,600,000	-	12,019,603	35,619,603	178,830	35,798,433	12,198,433
2009	3,925,000	-	12,886,245	16,811,245	156,964	16,968,209	13,043,209
2008	6,350,000	-	6,584,111	12,934,111	203,079	13,137,190	6,787,190
2007	11,065,000	-	601,458	11,666,458	116,363	11,782,821	717,821
2006	15,940,000	-	618,287	16,558,287	178,826	16,737,113	797,113
2005	20,810,000	-	634,599	21,444,599	237,777	21,682,376	872,376
2004	25,690,000	-	-	25,690,000	123,626	25,813,626	123,626
2003	28,210,000	2,430,000	-	30,640,000	3,158	30,643,158	2,433,158
2002	34,710,000	2,615,000	-	37,325,000	42,885	37,367,885	2,657,885
2001	39,180,000	2,795,000	-	41,975,000	77,069	42,052,069	2,872,069

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

(continued below)

## Exhibit III.C.6

For the Year Ended June 30, 2012

Fiscal Year Ended June 30	Gross on-Revenue Bonded Debt	Less Debt Payable from Other Entity	Net Non-Revenue Bonded Debt (A)	Assessed Value (thousands) (B)	Ratio of (A) to (B)	Population Estimate (C)	Ratio of (A) to (C)
2012	\$ 20,940,000	\$ (19,840,000)	\$ 1,100,000	\$ 6,988,722	0.02%	98,391	11.18
2011	22,270,000	(20,920,000)	1,350,000	6,676,763	0.02%	98,760	13.67
2010	23,600,000	(22,000,000)	1,600,000	6,645,082	0.02%	98,078	16.31
2009	3,925,000	-	3,925,000	6,657,709	0.06%	97,588	40.22
2008	6,350,000	-	6,350,000	6,111,761	0.10%	96,968	65.49
2007	11,065,000	(2,200,000)	8,865,000	6,020,735	0.15%	96,077	92.27
2006	15,940,000	(4,470,000)	11,470,000	5,906,608	0.19%	95,607	119.97
2005	20,810,000	(6,675,000)	14,135,000	5,785,238	0.24%	96,129	147.04
2004	25,690,000	(8,820,000)	16,870,000	5,118,448	0.33%	96,435	174.94
2003	28,210,000	(10,915,000)	17,295,000	5,007,139	0.35%	96,752	178.76
2002	34,710,000	(12,685,000)	22,025,000	4,891,895	0.45%	96,660	227.86
2001	39,180,000	(14,460,000)	24,720,000	4,801,066	0.51%	96,554	256.02

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

(continued from above)

## Exhibit III.C.6

For the Year Ended June 30, 2012

Fiscal Year Ended June 30	Gross Non-Revenue Bonded Debt (from above)	Other Bonded and Long-Term Debt (Exhibit III. C.5)	Total Long-Term Debt (A)	Assessed Value (thousands) (B)	Ratio of (A) to (B)	Population Estimate (C)	Ratio of (A) to (C)
(continued from above)							
2012	\$ 20,940,000	\$ 26,108,385	\$ 47,048,385	\$ 6,988,722	0.67%	98,391	478.18
2011	22,270,000	28,148,778	50,418,778	6,676,763	0.76%	98,760	510.52
2010	23,600,000	12,019,603	35,619,603	6,645,082	0.54%	98,078	363.18
2009	3,925,000	12,886,245	16,811,245	6,657,709	0.25%	97,588	172.27
2008	6,350,000	6,584,111	12,934,111	6,111,761	0.21%	96,968	133.39
2007	11,065,000	601,458	11,666,458	6,020,735	0.19%	96,077	121.43
2006	15,940,000	618,287	16,558,287	5,906,608	0.28%	95,607	173.19
2005	20,810,000	634,599	21,444,599	5,785,238	0.37%	96,129	223.08
2004	25,690,000	-	25,690,000	5,118,448	0.50%	96,435	266.40
2003	28,210,000	2,430,000	30,640,000	5,007,139	0.61%	96,752	316.69
2002	34,710,000	2,615,000	37,325,000	4,891,895	0.76%	96,660	386.15
2001	39,180,000	2,795,000	41,975,000	4,801,066	0.87%	96,554	434.73

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**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
**For the Year Ended June 30, 2012**  
**III: STATISTICAL AND TREND INFORMATION**  
**D. Demographic, Economic, and Operating Schedules:**

	<u>Identifier</u>	<u>Page No.</u>
1. Miscellaneous Information	Exhibit III.D.1	160
2. Economic Trends Schedule (twelve most recent fiscal years)	Exhibit III.D.2	161
3. County Employment by Function (twelve most recent fiscal years)	Exhibit III.D.3	161
4. Principal Industry Sectors - Current versus 3, 6, and 9 years ago	Exhibit III.D.4	162

**Cleveland County, North Carolina**  
**1. Miscellaneous Information**

**Exhibit III.D.1**

For the Year Ended June 30, 2012

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

Transportation:

Major Highways

Through the county I-85 and U.S. Highway 74

Nearby counties North/South = I-85, I-26, and I-77; East/West = I-40

Air Travel:

Shelby/Cleveland Regional Airport has a runway length of 5,000 feet

Charlotte/Douglas International Airport is located 37 miles east of Shelby

Greenville-Spartanburg International Airport is located 62 miles south of Shelby

Asheville Airport is located 74 miles west of Shelby

Hickory Airport is located 39 miles north of Shelby

Rail Service:

CSX has an East-West main line in the County and has an intermodal facility in Charlotte

Norfolk Southern has a main line and a branch line in the County and has an intermodal facility in Charlotte

Port Access:

Charleston, South Carolina (located 222 miles east-southeast of Shelby)

Wilmington, North Carolina (located 238 miles east of Shelby)

Savannah, Georgia (located 254 miles southeast of Shelby)

Morehead City, North Carolina (located 310 miles east of Shelby)

Norfolk/Virginia Beach, Virginia (located 342 miles east-northeast of Shelby)

Other Important Information for Businesses:

North Carolina is a right-to-work state.

The corporate community of the county has no union representation at present.

The county offers Local Industrial Incentive Grants and Tax credits to qualified companies.

Labor force within a 35-mile radius exceeds 600,000.

Electric utility rates, supplied by Duke Energy, are among the lowest in the nation.



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

**Exhibit III.D.2**  
**For the Year Ended June 30, 2012**

Fiscal Year Ended June 30	Population	Median Age	June 30 Labor Force	June 30 Unemployment Rate	Personal Income (thousands)	Per Capita Income	Year-End School Enrollment
2012	98,391	40.96	49,696	10.9385%	no data	no data	16,557
2011	98,760	40.26	47,445	12.0708%	no data	no data	16,762
2010	98,078	38.49	48,323	13.1945%	\$ 2,939,629	\$ 29,972	17,325
2009	97,588	38.36	51,811	15.3790%	2,873,475	29,445	17,497
2008	96,968	38.35	51,007	7.9205%	2,980,088	30,733	17,672
2007	96,077	38.24	48,367	7.0606%	2,860,669	29,775	17,873
2006	95,607	38.11	47,985	6.5896%	2,696,570	28,205	17,971
2005	96,129	37.90	46,504	7.3456%	2,599,907	27,046	18,195
2004	96,435	37.63	42,524	9.5781%	2,490,142	25,822	17,963
2003	96,752	37.37	43,183	11.1456%	2,372,464	24,521	17,799
2002	96,660	37.11	44,957	13.2415%	2,308,629	23,884	17,598
2001	96,554	36.84	47,191	12.2926%	2,300,206	23,823	17,411

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

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

**Exhibit III.D.3**  
**For the Year Ended June 30, 2012**

Fiscal Year Ended June 30	General Government	Public Safety	Human Services	Environmental	Economic and Physical Development	Cultural and Recreational (a)	Total
2012	85	271	385	36	17	16	810
2011	84	254	379	36	16	16	785
2010	84	238	373	36	16	16	763
2009	84	235	380	36	16	16	767
2008	82	236	367	32	14	16	747
2007	82	236	361	32	14	16	741
2006	82	236	352	31	14	16	731
2005	82	236	348	30	13	n/a	709
2004	80	233	343	30	13	n/a	699
2003	78	230	335	27	14	n/a	684
2002	78	223	345	22	14	n/a	682
2001	74	221	336	22	20	n/a	673

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

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

Exhibit III.D.4

(continued below and on next page)

For the Year Ended December 31, 2011

Industry NAICS Sector *	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 265,541,240	5,272	11.094%
2. Health Care and Social Assistance	185,147,496	5,228	11.002%
3. Educational Services	124,626,591	3,932	8.274%
4. Retail Trade	95,031,484	3,697	7.780%
5. Public Administration	71,231,536	1,998	4.205%
6. Transportation and Warehousing	69,732,005	1,985	4.177%
7. Construction	45,304,345	1,252	2.635%
8. Wholesale Trade	41,416,090	1,126	2.370%
9. Administrative and Waste Services	39,883,995	1,852	3.897%
10. Accommodation and Food Services	32,326,076	2,508	5.278%
11. Finance and Insurance	26,225,506	645	1.357%
12. Professional and Technical Services	21,115,610	572	1.204%
<b>Totals</b>	<b>\$ 1,017,581,974</b>	<b>30,067</b>	<b>63.272%</b>

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

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

Exhibit III.D.4

For the Year Ended December 31, 2008

Industry NAICS Sector *	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 293,423,895	6,469	12.700%
2. Health Care and Social Assistance	190,229,380	5,417	10.635%
3. Educational Services	126,087,648	4,035	7.922%
4. Retail Trade	99,653,931	3,924	7.704%
5. Public Administration	70,078,435	2,012	3.950%
6. Transportation and Warehousing	54,172,459	1,802	3.538%
7. Construction	46,750,774	1,387	2.723%
8. Wholesale Trade	46,657,834	1,328	2.607%
9. Administrative and Waste Services	32,248,915	1,382	2.713%
10. Accommodation and Food Services	28,419,277	2,466	4.841%
11. Finance and Insurance	26,698,140	703	1.380%
12. Professional and Technical Services	22,453,276	625	1.227%
<b>Totals</b>	<b>\$ 1,036,873,964</b>	<b>31,550</b>	<b>61.939%</b>

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

Exhibit III.D.4

For the Year Ended December 31, 2005

(continued below and from previous page)

Industry NAICS Sector	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 319,943,664	7,535	15.919%
2. Health Care and Social Assistance	167,489,871	5,335	11.271%
3. Educational Services	110,979,718	4,025	8.504%
4. Retail Trade	92,402,464	4,040	8.535%
5. Public Administration	60,693,231	1,926	4.069%
6. Construction	44,985,467	1,499	3.167%
7. Wholesale Trade	43,983,411	1,385	2.926%
8. Transportation and Warehousing	32,889,123	1,082	2.286%
9. Finance and Insurance	24,655,051	675	1.426%
10. Accommodation and Food Services	24,596,473	2,252	4.758%
11. Administrative and Waste Services	24,117,502	1,213	2.563%
12. Professional and Technical Services	18,238,663	530	1.120%
<b>Totals</b>	<b>\$ 964,974,638</b>	<b>31,497</b>	<b>66.545%</b>

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

Exhibit III.D.4

For the Year Ended December 31, 2002

Industry NAICS Sector	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 342,638,876	9,183	21.395%
2. Health Care and Social Assistance	137,552,076	4,706	10.964%
3. Educational Services	99,596,665	3,704	8.630%
4. Retail Trade	76,501,026	3,979	9.270%
5. Public Administration	55,844,672	1,913	4.457%
6. Wholesale Trade	45,345,417	1,517	3.534%
7. Construction	38,310,455	1,485	3.460%
8. Transportation and Warehousing	26,180,813	837	1.950%
9. Accommodation and Food Services	23,180,102	2,274	5.298%
10. Administrative and Waste Services	21,108,864	1,186	2.763%
11. Professional and Technical Services	17,028,526	537	1.251%
12. Finance and Insurance	16,939,464	529	1.232%
<b>Totals</b>	<b>\$ 900,226,956</b>	<b>31,850</b>	<b>74.204%</b>

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**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
**For the Year Ended June 30, 2012**  
**III: STATISTICAL AND TREND INFORMATION**  
**E. Financial Trends Schedules:**

	<u>Identifier</u>	<u>Page No.</u>
1. Government-Wide Changes in Net Assets (nine most recent fiscal years)	Exhibit III.E.1	166
2. All Funds Combined: Changes in Fund Balances (twelve most recent fiscal years)	Exhibit III.E.2	170
3. Government-Wide Net Assets by Component (nine most recent fiscal years)	Exhibit III.E.3	174
4. All Funds Combined: Fund Balances by Category (twelve most recent fiscal years)	Exhibit III.E.4	174
5. Retirement Contributions Schedule	Exhibit III.E.5	176

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.1

For the Year Ended June 30, 2012

Description	2012	2011	2010	2009	2008
Program revenues: Charges for services:					
Governmental activities:					
General government	\$ 2,395,705	\$ 2,283,008	\$ 2,415,181	\$ 2,298,111	\$ 2,453,453
Public safety	5,899,901	5,486,734	5,134,699	5,097,275	6,124,163
Human services	7,050,168	5,470,082	5,175,178	4,845,865	4,800,258
Education (property taxes)	10,608,208	10,150,261	10,170,228	10,099,061	9,215,690
Economic and physical dev.	38,150	48,357	65,717	43,401	58,980
Cultural and recreational	98,075	57,589	43,813	49,164	118,385
Total governmental activities:	26,090,207	23,496,031	23,004,816	22,432,877	22,770,929
Business-type activities:					
Solid waste coll. and disp.	5,545,109	4,990,003	4,392,221	4,682,719	4,762,245
Total primary government	31,635,316	28,486,034	27,397,037	27,115,596	27,533,174
Program revenues: Operating grants and contributions:					
Governmental activities:					
General government	1,000,766	1,084,642	1,272,324	1,193,492	1,131,279
Public safety	2,216,861	682,837	1,076,840	1,993,543	2,515,297
Human services	18,363,979	18,590,542	18,147,393	18,102,895	16,200,691
Education	-	-	-	49,187	13,630
Economic and physical dev.	1,840,163	3,214,965	81,802	1,421,994	461,092
Cultural and recreational	(112,460)	559,339	263,787	225,228	283,022
Interest on L/T liabilities	1,232,809	799,086	-	-	66,000
Total governmental activities:	24,542,118	24,931,411	20,842,146	22,986,339	20,671,011
Business-type activities:					
Solid waste coll. and disp.	2,239,632	2,291,115	288,119	360,124	308,472
Total primary government	26,781,750	27,222,526	21,130,265	23,346,463	20,979,483
Program revenues: Capital grants and contributions:					
Governmental activities:					
General government	14,141	33,680	73,898	62,691	719,895
Public safety	67,461	26,271	601,747	123,190	91,643
Human services	-	5,020	15,191	364,626	19,928,365
Education	3,947,837	2,907,522	2,791,265	5,235,930	5,279,537
Economic and physical dev.	1,268,978	-	-	-	(12,671)
Cultural and recreational	1,146,979	404,846	450,000	1,024,268	(8,440)
Total governmental activities:	6,445,396	3,377,339	3,932,101	6,810,705	25,998,329
Business-type activities:					
Solid waste coll. and disp.	-	-	8,500	-	-
Total primary government	6,445,396	3,377,339	3,940,601	6,810,705	25,998,329

(continued from previous page)

	2007	2006	2005	2004	2003
\$	2,429,620	\$ 2,527,083	\$ 2,355,606	\$ 2,209,485	\$ 2,164,737
	4,413,692	3,818,583	4,332,493	3,141,950	2,927,502
	4,407,313	4,036,087	4,033,832	3,193,175	3,149,820
	9,091,504	8,972,777	8,742,826	8,216,640	8,050,849
	81,421	61,724	54,046	51,992	59,169
	29,949	37,810	6,360	31,592	4,032
	20,453,499	19,454,064	19,525,163	16,844,834	16,356,109
	4,927,433	5,049,367	5,234,744	5,173,466	4,903,705
	25,380,932	24,503,431	24,759,907	22,018,300	21,259,814
	827,817	772,508	795,598	905,013	879,382
	2,035,114	2,002,420	2,466,598	1,636,234	1,568,579
	16,411,564	15,239,907	14,046,319	13,970,155	13,260,602
	24,458	19,485	67,913	12,605	2,971,105
	302,598	469,506	195,220	650,582	926,439
	251,214	550,313	277	11,123	31,176
	134,100	189,225	242,850	284,750	36,637
	19,986,865	19,243,364	17,814,775	17,470,462	19,673,920
	326,760	335,768	430,911	488,594	631,809
	20,313,625	19,579,132	18,245,686	17,959,056	20,305,729
	50,373	459,853	14,776	14,420	-
	88,538	379,797	47,089	60,396	321
	5,153,258	8,295,526	423,860	4,742,383	14,789,296
	5,359,018	4,235,498	3,630,898	3,554,389	-
	4,226	956,067	-	-	280,522
	-	2,480,692	155,479	-	65,588
	10,655,413	16,807,433	4,272,102	8,371,588	15,135,727
	-	-	-	81,655	-
	10,655,413	16,807,433	4,272,102	8,453,243	15,135,727

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.1

For the Year Ended June 30, 2012

Description	2012	2011	2010	2009	2008
<b>(continued from Page 1 of 4)</b>					
Expenses:					
Governmental activities:					
General government	\$ 8,691,799	\$ 6,778,422	\$ 9,027,646	\$ 9,094,328	\$ 8,641,901
Transportation	39,465	39,464	39,464	39,464	39,464
Public safety	24,741,145	23,198,228	21,698,159	20,436,483	20,235,804
Human services	35,480,842	36,593,375	33,914,103	39,264,800	39,510,671
Education	26,031,948	26,328,319	25,446,822	26,670,648	24,943,842
Economic and physical dev.	2,780,339	3,882,363	2,348,461	3,042,821	2,118,255
Cultural and recreational	1,212,620	1,016,592	1,103,213	1,272,016	1,286,918
Interest on L/T liabilities	2,209,258	2,283,810	643,989	697,162	669,490
Total governmental activities:	101,187,416	100,120,573	94,221,857	100,517,722	97,446,345
Business-type activities:					
Conference center	216,822	-	-	-	-
Solid waste coll. and disp.	5,789,166	8,669,964	3,613,920	8,267,583	5,285,293
Total business-type activities:	6,005,988	8,669,964	3,613,920	8,267,583	5,285,293
Total primary government	107,193,404	108,790,537	97,835,777	108,785,305	102,731,638
Net Revenue (Expense):					
Governmental activities:	(44,109,695)	(48,315,792)	(46,442,794)	(48,287,801)	(28,006,076)
Business-type activities:	1,778,753	(1,388,846)	1,074,920	(3,224,740)	(214,576)
Total primary government	(42,330,942)	(49,704,638)	(45,367,874)	(51,512,541)	(28,220,652)
General revenues:					
Governmental activities:					
Ad valorem property taxes	40,301,804	38,645,416	38,289,687	38,618,389	35,815,553
Local option sales taxes	8,077,072	7,405,889	7,429,274	9,694,631	12,002,826
Other taxes and licenses	461,395	426,626	378,380	348,147	921,337
Contributions	380,000	190,000	-	-	2,200,000
Investment earnings, general	100,740	202,215	546,517	1,103,612	1,604,977
Transfers	2,563,743	335,925	335,059	228,936	241,245
Total governmental activities:	51,884,754	47,206,071	46,978,917	49,993,715	52,785,938
Business-type activities:					
Investment earnings, general	2,179	44,053	14,553	160,189	616,174
Transfers	(2,563,743)	(335,925)	(335,059)	(228,936)	(241,245)
Total business-type activities:	(2,561,564)	(291,872)	(320,506)	(68,747)	374,929
Total primary government	49,323,190	46,914,199	46,658,411	49,924,968	53,160,867
Change in net assets:					
Governmental activities:	7,775,059	(1,109,721)	536,123	1,705,914	24,779,862
Business-type activities:	(782,811)	(1,680,718)	754,414	(3,293,487)	160,353
Total primary government	6,992,248	(2,790,439)	1,290,537	(1,587,573)	24,940,215
Ending net assets:					
Governmental activities:	133,572,906	125,797,847	126,907,568	126,371,445	124,665,531
Business-type activities:	11,867,191	12,650,002	14,330,720	13,576,306	16,869,793
Total primary government	\$ 145,440,097	\$ 138,447,849	\$ 141,238,288	\$ 139,947,751	\$ 141,535,324



(continued from previous page)

2007	2006	2005	2004	2003
(continued from Page 2 of 4)				
\$ 8,063,096	\$ 7,645,671	\$ 7,368,767	\$ 6,693,917	\$ 6,060,805
39,464	39,464	39,464	39,464	39,464
18,572,762	18,634,535	16,959,262	14,592,422	13,597,513
38,398,880	36,663,358	34,168,346	31,558,753	30,430,820
23,309,846	23,633,490	22,534,208	23,194,640	21,219,309
3,527,997	1,635,055	1,844,628	1,880,008	6,339,654
1,101,380	1,079,245	683,964	734,460	876,231
662,667	690,823	828,077	908,176	1,182,993
93,676,092	90,021,641	84,426,716	79,601,840	79,746,789
-	-	-	-	-
4,567,905	4,469,516	4,294,878	4,103,114	3,713,218
4,567,905	4,469,516	4,294,878	4,103,114	3,713,218
98,243,997	94,491,157	88,721,594	83,704,954	83,460,007
(42,580,315)	(34,516,780)	(42,814,676)	(36,914,956)	(28,581,033)
686,288	915,619	1,370,777	1,640,601	1,822,296
(41,894,027)	(33,601,161)	(41,443,899)	(35,274,355)	(26,758,737)
35,297,651	34,646,125	33,889,146	32,565,809	31,286,514
12,037,091	11,372,496	11,220,896	11,044,070	9,263,392
844,704	793,545	758,366	664,613	655,701
2,270,000	2,205,000	2,145,000	2,125,000	4,945,566
1,529,276	1,106,547	742,029	565,477	774,312
175,347	142,784	148,661	131,654	79,102
52,154,069	50,266,497	48,904,098	47,096,623	47,004,587
702,957	470,625	193,024	72,486	78,704
(175,347)	(142,784)	(148,661)	(131,654)	(79,102)
527,610	327,841	44,363	(59,168)	(398)
52,681,679	50,594,338	48,948,461	47,037,455	47,004,189
9,573,754	15,749,717	6,089,422	10,181,667	18,423,554
1,213,898	1,243,460	1,415,140	1,581,433	1,821,898
10,787,652	16,993,177	7,504,562	11,763,100	20,245,452
99,885,669	90,311,915	74,562,198	68,472,776	58,291,109
16,709,440	15,495,542	14,252,082	12,836,942	11,255,509
\$ 116,595,109	\$ 105,807,457	\$ 88,814,280	\$ 81,309,718	\$ 69,546,618

## Cleveland County, North Carolina

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

(continued on next page)

## Exhibit III.E.2

For the Year Ended June 30, 2012

Description	2012	2011	2010	2009	2008
Revenues:					
Governmental funds:					
Ad valorem property taxes	\$ 52,089,876	\$ 49,785,232	\$ 49,833,593	\$ 49,505,781	\$ 45,717,409
Local option sales taxes	10,918,854	10,067,729	10,111,795	13,124,777	15,837,377
Other taxes	846,979	1,071,366	1,016,187	970,576	917,099
Intergovernmental revenues	27,487,280	24,260,241	21,352,565	22,867,190	23,281,317
Licenses, permits, and fees	943,235	865,693	883,785	906,097	1,086,477
Sales and services	11,919,725	10,479,805	9,709,237	9,529,871	9,497,364
Investment earnings	167,909	266,555	875,926	1,595,774	2,265,167
Miscellaneous	1,878,708	551,634	750,285	1,898,522	1,024,394
Total governmental funds:	106,252,566	97,348,255	94,533,373	100,398,588	99,626,604
Enterprise funds:					
Operating revenues	5,565,709	5,190,178	4,707,821	4,920,223	4,878,108
Non-operating revenues	566,501	615,510	487,386	313,015	858,456
Total enterprise funds:	6,132,210	5,805,688	5,195,207	5,233,238	5,736,564
Total primary government	112,384,776	103,153,943	99,728,580	105,631,826	105,363,168
Expenditures, non-capital:					
Governmental funds:					
General government	8,820,268	8,258,073	8,285,991	8,465,727	7,691,136
Transportation	39,465	39,464	39,464	39,464	39,464
Public safety	20,357,264	19,404,100	18,025,869	17,962,171	16,690,549
Human services	33,936,655	33,774,319	33,192,709	36,165,026	37,307,822
Education	22,431,550	21,973,653	21,918,571	21,849,965	20,264,032
Economic and physical dev.	3,408,258	3,286,202	1,454,212	2,464,437	1,733,675
Cultural and recreational	1,128,074	1,164,592	1,121,982	1,097,770	1,085,151
Debt service, principal reductic	3,435,998	2,847,048	3,250,871	2,888,981	4,876,307
Debt service, interest	2,255,816	1,711,550	643,989	499,364	409,221
Total governmental funds:	95,813,348	92,459,001	87,933,658	91,432,905	90,097,357
Enterprise funds:					
Environmental	4,538,182	4,387,077	4,361,641	4,360,945	4,277,825
Cultural and recreational	216,822	-	-	-	-
Total enterprise funds:	4,755,004	4,387,077	4,361,641	4,360,945	4,277,825
Total primary government	100,351,530	96,846,078	92,295,299	95,793,850	94,375,182
Expenditures, capital:					
Governmental funds:					
General government	183,390	461,282	456,472	776,735	626,270
Public safety	1,466,060	3,283,864	5,329,708	7,008,460	2,449,686
Human services	-	75,923	690,162	542,426	1,332,108
Education	20,853,371	28,906,988	6,125,420	4,914,746	4,738,167
Economic and physical dev.	3,924,842	1,658,202	1,651,388	1,351,481	377,409
Cultural and recreational	1,553,809	861,313	523,935	1,320,977	250,000
Total governmental funds:	27,981,472	35,247,572	14,777,085	15,914,825	9,773,640
Enterprise fund : environmental	156,655	997,793	874,601	2,962,957	6,104,817
Total primary government	28,138,127	36,245,365	15,651,686	18,877,782	15,878,457

(continued from previous page)

	2007	2006	2005	2004	2003	2002	2001
\$	45,093,388	\$ 44,483,730	\$ 43,355,393	\$ 40,749,630	\$ 39,942,314	\$ 39,596,061	\$ 37,753,838
	15,845,539	14,895,552	14,345,733	14,049,144	13,099,757	11,130,488	11,143,286
	1,250,797	1,227,608	1,063,837	663,789	655,554	677,631	940,957
	22,815,367	20,712,669	16,770,486	17,109,288	16,237,754	24,303,484	25,355,039
	1,139,917	1,174,717	1,154,658	1,465,398	1,443,654	1,109,378	680,712
	8,351,036	8,351,003	10,653,350	8,679,352	8,667,146	6,079,747	5,241,099
	2,000,774	1,366,276	894,590	662,210	913,046	1,296,836	2,183,993
	642,769	1,021,584	500,510	832,929	395,274	1,321,179	2,038,122
	97,139,587	93,233,139	88,738,557	84,211,740	81,354,499	85,514,804	85,337,046
	5,035,968	5,218,497	5,284,036	5,291,178	4,965,954	3,502,600	3,867,401
	920,833	718,244	460,202	480,554	616,589	570,557	699,826
	5,956,801	5,936,741	5,744,238	5,771,732	5,582,543	4,073,157	4,567,227
	103,096,388	99,169,880	94,482,795	89,983,472	86,937,042	89,587,961	89,904,273
	7,775,143	7,237,619	6,948,768	6,313,545	5,630,787	5,917,228	5,540,019
	39,464	39,464	39,464	39,464	39,464	39,464	39,464
	16,419,086	15,379,062	14,562,315	13,511,461	12,974,638	12,441,356	11,656,933
	36,472,481	34,866,255	32,565,757	30,198,443	29,560,351	29,470,009	28,712,958
	19,959,846	19,841,118	19,580,241	18,828,640	18,631,028	18,528,486	20,090,830
	3,389,623	1,235,881	1,787,955	1,497,583	3,014,269	758,003	870,945
	968,115	1,051,486	577,489	657,260	720,820	712,924	720,576
	4,954,194	4,945,263	4,923,684	4,945,906	5,066,552	4,469,183	4,406,968
	551,238	690,823	819,310	923,942	1,307,265	1,970,013	2,189,236
	90,529,190	85,286,971	81,804,983	76,916,244	76,945,174	74,306,666	74,227,929
	3,625,443	3,568,759	3,405,980	3,214,739	2,885,124	2,978,066	2,489,259
	-	-	-	-	-	-	-
	3,625,443	3,568,759	3,405,980	3,214,739	2,885,124	2,978,066	2,489,259
	94,154,633	88,855,730	85,210,963	80,130,983	79,830,298	77,284,732	76,717,188
	205,000	575,126	217,591	765,622	257,572	103,573	463,877
	1,099,487	2,734,682	1,387,946	956,864	684,542	761,753	874,028
	523,313	384,199	1,072,937	167,050	487,764	1,086,209	203,780
	3,350,000	3,792,372	2,953,967	4,448,424	2,588,282	7,913,614	4,376,187
	202,573	440,870	318,103	687,346	97,232	2,884,114	2,322,371
	3,350	243,917	187,925	115,046	81,185	-	84,366
	5,383,723	8,171,166	6,138,469	7,140,352	4,196,577	12,749,263	8,324,609
	899,304	306,391	325,597	354,690	904,488	428,452	549,126
	6,283,027	8,477,557	6,464,066	7,495,042	5,101,065	13,177,715	8,873,735

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.2

For the Year Ended June 30, 2012

Description	2012	2011	2010	2009	2008
<b>(continued from Page 1 of 4)</b>					
Excess of revenues over (under) expenditures:					
Governmental funds:	\$ (17,542,254)	\$ (30,358,318)	\$ (8,177,370)	\$ (6,949,142)	\$ (244,393)
Enterprise funds:	1,220,551	420,818	(41,035)	(2,090,664)	(4,646,078)
Total primary government	(16,321,703)	(29,937,500)	(8,218,405)	(9,039,806)	(4,890,471)
Other financing sources (uses):					
Governmental funds:					
Issuance of debt financing	-	17,563,250	22,081,095	6,720,000	6,230,676
Extinguishment of debt	-	-	-	-	94,165
Transfers	2,563,743	335,925	335,059	228,936	241,245
Total governmental funds:	2,563,743	17,899,175	22,416,154	6,948,936	6,566,086
Enterprise funds:					
Enterprise fund : transfers	(2,563,743)	(335,925)	(335,059)	(228,936)	(241,245)
Total enterprise funds:	(2,563,743)	(335,925)	(335,059)	(228,936)	(241,245)
Total primary government	-	17,563,250	22,081,095	6,720,000	6,324,841
Net change in fund balances:					
Governmental funds:	(14,978,511)	(12,459,143)	14,238,784	(206)	6,321,693
Enterprise funds:	(1,343,192)	84,893	(376,094)	(2,319,600)	(4,887,323)
Total primary government	(16,321,703)	(12,374,250)	13,862,690	(2,319,806)	1,434,370
Ending fund balances:					
Governmental funds:	31,662,259	46,640,770	59,099,913	44,861,129	44,861,335
Enterprise funds:	5,661,498	7,004,690	6,919,797	7,295,891	9,615,491
Total primary government	\$ 37,323,757	\$ 53,645,460	\$ 66,019,710	\$ 52,157,020	\$ 54,476,826
Debt service expenditures as a percentage of noncapital expenditures:					
Governmental funds:	5.941%	4.930%	4.429%	3.706%	5.866%
Total primary government	5.672%	4.707%	4.220%	3.537%	5.601%

(continued from previous page)

	2007	2006	2005	2004	2003	2002	2001
(continued from Page 2 of 4)							
\$	1,226,674	\$ (224,998)	\$ 795,105	\$ 155,144	\$ 212,748	\$ (1,541,125)	\$ 2,784,508
	1,432,054	2,061,591	2,012,661	2,202,303	1,792,931	666,639	1,528,842
	2,658,728	1,836,593	2,807,766	2,357,447	2,005,679	(874,486)	4,313,350
	-	-	797,368	146,374	30,456,674	-	-
	-	-	-	-	(30,323,141)	-	-
	175,347	142,784	148,661	131,654	79,102	65,659	70,213
	175,347	142,784	946,029	278,028	212,635	65,659	70,213
	(175,347)	(142,784)	(148,661)	(131,654)	(79,102)	(65,659)	(70,213)
	(175,347)	(142,784)	(148,661)	(131,654)	(79,102)	(65,659)	(70,213)
	-	-	797,368	146,374	133,533	-	-
	1,402,021	(82,214)	1,741,134	433,172	425,383	(1,475,466)	2,854,721
	1,256,707	1,918,807	1,864,000	2,070,649	1,713,829	600,980	1,458,629
	2,658,728	1,836,593	3,605,134	2,503,821	2,139,212	(874,486)	4,313,350
	38,539,642	37,137,621	37,219,835	35,478,701	35,045,529	34,620,146	36,095,612
	14,502,814	13,246,107	11,327,300	9,463,300	7,392,651	5,678,822	5,077,842
\$	53,042,456	\$ 50,383,728	\$ 48,547,135	\$ 44,942,001	\$ 42,438,180	\$ 40,298,968	\$ 41,173,454
	6.081%	6.608%	7.020%	7.631%	8.284%	8.666%	8.886%
	5.847%	6.343%	6.740%	7.325%	7.984%	8.332%	8.598%

Cleveland County, North Carolina

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

(continued)

Exhibit III.E.3

For the Year Ended June 30, 2012

Fiscal Year Ended June 30	Governmental Activities				Business-Type
	Invested in Capital Assets, Net	Restricted Net Assets	Unrestricted Net Assets	Subtotal	Invested in Capital Assets, Net
2012	\$ 110,731,505	\$ 23,441,547	\$ (600,146)	\$ 133,572,906	\$ 16,169,340
2011	85,694,014	39,629,067	474,766	125,797,847	15,039,747
2010	73,352,330	13,033,908	40,521,330	126,907,568	13,200,191
2009	86,285,668	11,130,562	28,955,215	126,371,445	13,483,249
2008	85,741,754	11,915,459	27,008,318	124,665,531	11,004,690
2007	68,762,375	10,298,262	20,825,032	99,885,669	5,575,418
2006	62,126,673	8,019,763	20,165,479	90,311,915	5,298,264
2005	47,613,359	7,624,049	19,324,790	74,562,198	5,688,961
2004	44,361,220	7,633,009	16,478,547	68,472,776	5,858,493
2003	36,526,958	7,067,819	14,696,332	58,291,109	6,042,171

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

Cleveland County, North Carolina

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

(continued)

Exhibit III.E.4

For the Year Ended June 30, 2012

Fiscal Year Ended June 30	General Fund			All Other	All Special Revenue Funds
	Non-Spendable Fund Balance	Spendable Fund Balance	Subtotal	Non-Spendable Fund Balance	Spendable Fund Balance
2012	\$ 264,984	\$ 24,798,730	\$ 25,063,714	\$ 8,055	\$ 1,438,364
2011	285,701	21,995,938	22,281,639	1,912	1,899,202
2010	229,844	23,352,284	23,582,128	4,016	2,655,889
2009	297,808	24,423,891	24,721,699	-	3,185,963
2008	212,984	28,325,731	28,538,715	-	3,195,093
2007	364,741	28,655,720	29,020,461	150	2,797,478
2006	209,622	29,309,993	29,519,615	-	1,837,498
2005	216,419	29,622,352	29,838,771	843	947,851
2004	217,656	28,099,023	28,316,679	2,778	856,888
2003	80,900	27,549,348	27,630,248	-	1,085,018
2002	257,538	25,944,413	26,201,951	-	3,508,002
2001	49,183	24,510,193	24,559,376	-	4,972,658

Continued on next page (continued from previous page)

Business-Type Activities	Business-Type Activities (cont.)	Primary Government			
		Invested in Capital Assets, Net	Restricted Net Assets	Unrestricted Net Assets	Total
Unrestricted Net Assets	Subtotal				
\$ (4,302,149)	\$ 11,867,191	\$ 126,900,845	\$ 23,441,547	\$ (4,902,295)	\$ 145,440,097
(2,389,745)	12,650,002	100,733,761	39,629,067	(1,914,979)	138,447,849
1,130,529	14,330,720	86,552,521	13,033,908	41,651,859	141,238,288
93,057	13,576,306	99,768,917	11,130,562	29,048,272	139,947,751
5,865,103	16,869,793	96,746,444	11,915,459	32,873,421	141,535,324
11,134,022	16,709,440	74,337,793	10,298,262	31,959,054	116,595,109
10,197,278	15,495,542	67,424,937	8,019,763	30,362,757	105,807,457
8,563,121	14,252,082	53,302,320	7,624,049	27,887,911	88,814,280
6,978,449	12,836,942	50,219,713	7,633,009	23,456,996	81,309,718
5,213,338	11,255,509	42,569,129	7,067,819	19,909,670	69,546,618

On an accrual basis for

Continued on next page (continued from previous page)

All Capital Project Funds	All Other	Total Governmental Funds		
		Non-Spendable Fund Balance	Spendable Fund Balance	Total
Spendable Fund Balance	Subtotal			
\$ 5,152,126	\$ 6,598,545	\$ 273,039	\$ 31,389,220	\$ 31,662,259
22,458,017	24,359,131	287,613	46,353,157	46,640,770
32,857,880	35,517,785	233,860	58,866,053	59,099,913
16,953,467	20,139,430	297,808	44,563,321	44,861,129
13,127,527	16,322,620	212,984	44,648,351	44,861,335
6,721,553	9,519,181	364,891	38,174,751	38,539,642
5,780,508	7,618,006	209,622	36,927,999	37,137,621
6,432,370	7,381,064	217,262	37,002,573	37,219,835
6,302,356	7,162,022	220,434	35,258,267	35,478,701
6,330,263	7,415,281	80,900	34,964,629	35,045,529
4,910,193	8,418,195	257,538	34,362,608	34,620,146
6,563,578	11,536,236	49,183	36,046,429	36,095,612

Cleveland County, North Carolina  
5. Retirement Contributions Schedule

(continued below)

## Exhibit III.E.5

For the Year Ended June 30, 2012

Fiscal Year Ended June 30	LGERS Employer's Normal Benefit *	LGERS Employer's Death Benefit	LEOSSA Employer's Contrib.	SRIP-LEO Employer's Contrib.	SRIP-LEO Employee's Contrib.
2012	\$ 1,909,791	\$ 24,305	\$ 135,023	\$ 178,052	\$ 66,544
2011	1,752,277	23,734	66,036	172,195	77,547
2010	1,337,248	24,324	60,798	174,476	69,998
2009	1,350,086	24,107	90,237	172,568	68,177
2008	1,247,558	22,708	96,599	164,582	65,740
2007	1,163,090	23,382	105,507	153,610	39,680
2006	1,124,382	20,561	114,758	150,053	37,025
2005	1,055,424	19,344	117,577	139,613	43,705
2004	1,009,461	18,482	97,473	138,125	27,710
2003	985,415	18,039	100,384	129,300	29,791
2002	973,470	19,212	67,976	124,145	27,511
2001	917,075	18,525	59,529	119,301	23,788

\* After many years of contributing at just under 5% of eligible earnings, effective July 1, 2010, County began contributing at just under 6.5% of eligible earnings. Effective July 1, 2011, County began contributing nearly 7% of eligible earnings.

## 5. Retirement Contributions Schedule

(continued from above)

## Exhibit III.E.5

For the Year Ended June 30, 2012

Fiscal Year Ended June 30	401(k) Employer's Contrib.	401(k) Employee's Contrib.	RODSPF Employer's Contrib. *	Post-Retirement Health Premiums	No. of Retirees Receiving Paid Health Premiums
(continued from above)					
2012	\$ 1,208,791	\$ 493,324	\$ 5,399	\$ 378,017	69
2011	1,205,919	455,204	5,012	355,119	67
2010	1,219,198	428,762	5,259	321,505	59
2009	1,208,323	436,175	5,601	262,840	55
2008	1,133,931	424,774	6,922	206,160	50
2007	1,061,542	360,115	22,426	174,720	43
2006	982,566	370,542	22,417	156,744	45
2005	971,149	336,204	22,448	133,901	41
2004	894,965	277,312	24,546	106,038	36
2003	880,088	284,088	25,375	97,112	31
2002	850,672	266,178	20,729	95,706	35
2001	945,172	283,259	16,391	72,648	27

\* Effective July 1, 2007, the rate of contribution set by the State changed from 4.5% to 1.5% of eligible fees.



**Cleveland County, North Carolina  
Annual Financial and Compliance Report  
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**IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS**

	<b>Identifier</b>	<b>Page No.</b>
A. Reports from the Independent Auditor	Subsection IV.A.	179
B. Schedule of Findings, Questioned Costs, and Responses	Subsection IV.B.	186
C. Summary Schedule of Prior Year Findings, Questioned Costs, and Responses	Subsection IV.C.	188
D. Schedule of Expenditures of Federal and State Awards	Subsection IV.D.	189
1. Notes to Schedule of Expenditures of Federal and State Awards	Exhibit IV.D.1	195

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

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**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
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**IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS**  
**A. Reports from the Independent Auditor**

	<u>Identifier</u>	<u>Page No.</u>
1. Report from the Independent Auditor on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	Exhibit IV.A.1	180
2. Report from the Independent Auditor on Compliance with Requirements Applicable to Each Major Federal Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133 and with the State Single Audit Implementation Act	Exhibit IV.A.2	182
3. Report from the Independent Auditor on Compliance with Requirements Applicable to Each Major State Program and On Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and with the State Single Audit Implementation Act	Exhibit IV.A.3	184

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

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

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

### **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
Cleveland County, North Carolina

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cleveland County, North Carolina, as of and for the year ended June 30, 2012, not presented here, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 25, 2012. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
October 25, 2012

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

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

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

### **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
Cleveland County, North Carolina

#### **Compliance**

We have audited the compliance of Cleveland County, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Cleveland County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings, Responses, and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Cleveland County's management. Our responsibility is to express an opinion on Cleveland County's compliance based on our audit.

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

In our opinion, Cleveland County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

## Internal Control Over Compliance

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

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

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

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
October 25, 2012

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

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

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

### **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
Cleveland County, North Carolina

#### **Compliance**

We have audited the compliance of Cleveland County, North Carolina, with the types of compliance requirements described in applicable sections of OMB Circular A-133 and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012. Cleveland County's major State programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings, Responses, and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major State programs is the responsibility of Cleveland County's management. Our responsibility is to express an opinion on Cleveland County's compliance based on our audit.

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

In our opinion, Cleveland County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2012.



## Internal Control Over Compliance

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

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

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

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

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
October 25, 2012

**CLEVELAND COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**1. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness identified? No
- Significant deficiency identified that is not considered to be a material weakness? No

Non-compliance material to financial statements noted? No

**Federal Awards**

Internal control over major federal programs:

- Material weakness identified? No
- Significant deficiency identified that is not considered to be a material weakness? No

Type of auditors' report issued on compliance for major federal programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

Identification of major federal programs:

<b><u>Program Name</u></b>	<b><u>CFDA #</u></b>
Medicaid Cluster	93.720, 73.775, 93.777, 93.778
TANF Cluster	93.558, 93.714, 93.716
Special Supplemental Nutrition Program for Women Infants and Children	10.557
Low Income Energy Assistance Program	93.568

Dollar threshold used to distinguish between Type A and Type B Programs \$3,000,000

Auditee qualified as low-risk auditee? No

**CLEVELAND COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**1. Summary of Auditors' Results (Continued)**

**State Awards**

Internal control over major State programs:

- Material weakness identified? No
- Significant deficiency identified that is not considered to be a material weakness? No

Type of auditors' report issued on compliance for major State programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? No

Identification of Major State Programs:

**Program Name**

Medicaid Cluster  
State-County/Special Assistance for Adults

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

None reported

**3. Federal Award Findings and Questioned Costs**

None reported

**4. State Award Findings and Questioned Costs**

None reported

**CLEVELAND COUNTY, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

None Reported.

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

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
<b>Federal Awards:</b>					
<u>U.S. Dept. of Agriculture</u>					
<u>Passed-Through N.C. Department of Agriculture:</u>					
<u>Emergency Food Assistance Cluster:</u>					
Emergency Food Assistance Program (Administration)	10.568	-	\$ 11,182	\$ -	\$ -
Emergency Food Assistance Program (Commodities)	10.569	-	210,410	-	-
<u>Total Emergency Food Assistance Program Cluster</u>			<u>221,592</u>	<u>-</u>	<u>-</u>
<u>Passed-Through N.C. Department of Health and Human Services:</u>					
<u>Division of Public Health</u>					
Special Supplemental Nutrition Program for Women, Infants, and Children - direct benefit payments	10.557	-	2,116,666	-	-
Special Supplemental Nutrition Program for Women, Infants, and Children - administration	10.557	5403, -4, -5, -9	538,847	-	-
<u>Total Division of Public Health</u>			<u>2,655,513</u>	<u>-</u>	<u>-</u>
<u>Passed-Through N.C. Department of Health and Human Services:</u>					
<u>Division of Social Services:</u>					
<u>Administration:</u>					
<u>Supplemental Nutrition Assistance Program Cluster:</u>					
Supplemental Nutrition Asst. Program - Administration	10.561	404, 417	848,258	-	848,258
Food Stamps Claims Collect	10.561	454	(13,972)	-	-
Food Stamps Incentive Retention	10.561	455	25,801	-	-
Supplemental Nutrition Assistance Program - Fraud	10.561	405	38,113	-	38,113
<u>Total Supplemental Nutrition Assistance Program Cluster</u>			<u>898,200</u>	<u>-</u>	<u>886,371</u>
<u>Total U.S. Department of Agriculture</u>			<u>3,775,305</u>	<u>-</u>	<u>886,371</u>
<u>U.S. Department of Commerce</u>					
<u>Direct program:</u>					
<u>Economic Development Cluster:</u>					
Investments for Public Works & Development Facilities	11.300	04-01-06334	984,827	-	115,982
<u>Total U.S. Department of Commerce</u>			<u>984,827</u>	<u>-</u>	<u>115,982</u>
<u>U.S. Department of Health and Human Services</u>					
<u>Passed-Through the N.C. Department of Health and Human Services:</u>					
<u>Divisions of Aging (thru Isothermal Planning and Development) and Social Services</u>					
<u>Aging Cluster:</u>					
Special Programs for the Aging - III-B Grants for Supportive Services and Senior Centers - In Home Services	93.044	-	132,076	8,252	-
<u>Total Aging Cluster</u>			<u>132,076</u>	<u>8,252</u>	<u>-</u>
Social Services Block Grant - In Home Services	93.667	022	13,806	-	1,972
<u>Total Division of Aging</u>			<u>145,882</u>	<u>8,252</u>	<u>1,972</u>

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

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
<b>Federal Awards: (continued from previous page)</b>					
<u>Division of Child Development:</u>					
<u>Subsidized Child Care Cluster:</u>					
<u>Child Care Development Fund Cluster:</u>					
Division of Social Services:					
Child Care and Development Fund -- Administration	93.596	364	153,509	614,674	-
Division of Child Development:					
Child Care and Development Fund -- Discretionary	93.575	D*23, TB23	1,317,345	-	-
Child Care and Development Fund -- Mandatory	93.596	M*23	471,880	-	-
Child Care and Development Fund -- Match	93.596	V*23	690,472	285,018	-
<u>Total Child Care Development Fund Cluster:</u>			2,633,206	899,692	-
<u>Temporary Assistance for Needy Families Cluster:</u>					
Temporary Assistance for Needy Families - Child Care	93.558	T223	562,266	-	-
TANF Emergency Contingency Fund-ARRA	93.714	4023, 347, 438	69,650	-	-
<u>Total Temporary Assistance for Needy Families Cluster:</u>			631,916	-	-
Foster Care Title IV-E	93.658	Q423, 460, 467	11,973	-	-
Smart Start	-	4023, 347, 438	-	26,956	-
State and Local Appropriations	-	0023	-	144,707	-
TANF-MOE	-	1623	-	366,181	-
<u>Total Subsidized Child Care Cluster:</u>			3,277,095	1,437,536	-
<u>Centers for Medicare and Medicaid Services</u>					
<u>Division of Medical Assistance:</u>					
<u>Medicaid Cluster:</u>					
Medicaid Assistance Program	93.778	-	133,048	51,331	-
<u>Direct Benefit Payments:</u>					
Medicaid Assistance Program - direct benefit payments	93.778	-	105,788,387	62,002,458	9,444
<u>Division of Social Services:</u>					
Medical Assistance Program - Administration	93.778	412, 422	1,204,365	-	1,203,437
Adult Care Home CM	93.778	211, 213	16,717	8,358	8,358
At-Risk CM	93.778	-	27,921	-	-
Medical Assistance Expansion	93.778	477	21,652	21,652	-
Medical Transportation Administration	93.778	375	81,561	-	81,561
Medical Transportation Services	93.778	377	1,038,128	549,873	-
Special Adult Home	93.778	128, 131	37,531	16,886	20,644
<u>Total Medicaid Cluster:</u>			108,349,309	62,650,558	1,323,444
<u>Division of Public Health</u>					
Public Health Emergency Preparedness	93.069		43,822	-	-
Environmental Public Health and Emergency Response	93.070		14,041	-	-
Immunization Program/Aid to County Funding	93.268	6025, 631D	37,037	-	-
ARRA - Preventing Healthcare-Associated Infections	93.717		5,064	-	-
Breast and Cervical Cancer Early Detection	93.919	310D, 360C	30,340	8,925	-
HIV Prevention Activities	93.940	433B	28,000	-	-
Maternal and Child Health Services Block Grant	93.994	57XX, 601X, 53XX	114,279	278,415	-
<u>Total Division of Public Health</u>			272,583	287,340	-

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**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
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**D. Schedule of Expenditures of Federal and State Awards**

<b>Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>State or Pass-Thru Grantor Number</b>	<b>Federal (Direct and Pass-Thru) Expenditures</b>	<b>State (Direct and Pass-Thru) Expenditures</b>	<b>County Expenditures</b>
<b>Federal Awards: (continued from previous page)</b>					
<u>Division of Social Services:</u>					
<u>Foster Care and Adoption Assistance Cluster:</u>					
IV-E Admin	93.658	-	4,759	2,380	2,380
IV-E Child Protective Services	93.658	072, 074	352,114	97,689	254,424
IV-E Family Max	93.658	-	1,790	-	956
IV-E Foster Care, Optional Fund	93.658	96, 97, 132, 302, 407	475,373	-	457,697
IV-E Foster Care	93.658	-	358,371	95,699	95,700
IV-E Foster Care Eligibility Determination	93.658	431	1,963	-	1,963
IV-E Max and Max Level III	93.658	-	339,592	89,893	91,376
IV-E, IV-B, and State Vendor	93.658	-	11,417	-	-
IV-E Adoption Subsidy - direct benefit payments	93.659	-	653,418	176,683	176,683
Child Welfare Services Adoption Subsidy - direct benefit payments	-	-	-	421,966	126,641
At-Risk Max	-	-	-	10,556	5,660
Special Provision	-	-	-	12,183	-
State-County / Special Assistance Domiciliary Care Payments - direct benefit payments	-	-	-	1,237,547	1,237,547
State Foster Home	-	-	-	188,837	188,836
Special Needs Adoption	-	-	-	214,058	-
State Max	-	-	-	92,035	92,035
<u>Total Foster Care and Adoption Assistance Cluster:</u>			<u>2,198,798</u>	<u>2,639,526</u>	<u>2,731,895</u>
<u>TANF Cluster:</u>					
TANF Payments and Penalties - direct benefit payments	93.558	-	1,167,018	(126)	272
TANF Unemployed Parents - direct benefit payments (reimbursements)	93.558	-	(100)	(43)	(13)
TANF Administration	93.558	226	221,346	-	-
TANF Health Services	93.558	-	14,132	-	-
TANF Services / Child Services	93.558	238	1,848,045	-	-
TANF / Domestic Violence Services	93.558	111, 278, 356	24,644	-	-
TANF CPS and FC / Adoption Services	93.558	341, 358	(3,823)	-	-
Sub Employment	93.714	071, 146	37,155	9,289	-
<u>Total TANF Cluster:</u>			<u>3,308,417</u>	<u>9,119</u>	<u>259</u>
TANF Eligible	-	-	306	-	-
TANF to SSBG-APS	-	170	61,066	-	20,355
TANF Incentives	-	268	-	2,161	-
<u>Subtotal</u>			<u>61,372</u>	<u>2,161</u>	<u>20,355</u>
AFDC Payments and Penalties - direct benefit payments (reimbursements)	93.560	-	(1,271)	(348)	(348)
<u>Child Support Enforcement Funds:</u>					
AFDC Share / Return	93.563	-	1,914	-	-
Incentive Regular	93.563	-	105,541	-	-
Intercept Fees / Federal Offset / Blood Test	93.563	-	13,412	-	-
IV-E Share / Return	-	-	-	6,096	-
SFHF Share / Return	-	-	-	15,399	-
<u>Total Child Support Enforcement Funds:</u>			<u>120,867</u>	<u>21,495</u>	<u>-</u>

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**Cleveland County, North Carolina**  
**Annual Financial and Compliance Report**  
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**IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS**  
**D. Schedule of Expenditures of Federal and State Awards**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
<b>Federal Awards: (continued from previous page)</b>					
IV-D Offset Fees Federal - direct benefit payments	93.563	-	5,468	-	2,817
IV-D Offset Fees ESC - direct benefit payments	93.563	-	357	-	184
AFDC Withhold	93.563	266	(304)	-	-
IV-D AFDC / Non-AFDC	93.563	202, 430	962,979	-	496,080
IV-D Blood Test	93.563	432	3,108	-	-
IV-D Cooperative Agreement	93.563	450	19,073	-	9,826
IV-D Cost Recovery	93.563	436	(2,478)	-	(1,276)
IV-D Government Service Contract	93.563	423, 449	200,809	-	103,450
IV-D Non-AFDC	93.563	435	(1,323)	-	(682)
IV-D Offset Fees Federal - non-direct benefits	93.563	443	(2,776)	-	-
IV-D Offset Fees ESC - non-direct benefits	93.563	437	(198)	-	-
AFDC Incentives / Program Integrity	-	267	-	167	-
Crisis Intervention Planning Services	93.568	372	989,774	-	-
LIHEAP	93.568	372	227,800	-	-
Energy Assistance Services	93.568	406	113,308	-	-
Energy Assistance - Non-Refundable	-	442	-	-	-
Permanency Planning - Regular	93.645	283, 392	-	-	-
Permanency Planning - Special	93.645	368, 464, 465	29,220	-	9,740
Social Services Block Grant	93.667	394, 395	318,458	-	106,156
SSBG Special ADC	93.667	035, 036, 038	11,947	9,095	3,006
SSBG State Services Support	93.667	482	-	31,554	10,518
Social Services Block Grant - TANF	93.667	050	70,026	-	22,643
LINKS	93.674	290, 291	16,440	4,110	-
Independent Living - direct benefit payments	93.674	-	6,954	-	-
TOP Incentives	93.674	270, 271	3,001	-	-
DOR Incentives	93.674	269	2,787	-	-
N. C. Health Choice	93.767	440, 441, 483	65,786	4,793	16,393
<u>Office of Population Affairs</u>					
Family Planning	93.217	592C	21,695	-	-
<u>Passed-Through Carolina Healthcare Systems:</u>					
Bioterrorism Hospital Preparedness Program	93.889	EMS ASPR Project 3	14,999	-	-
Bioterrorism Hospital Preparedness Program	93.889	EMS ASPR Project 7	10,525	-	-
Bioterrorism Hospital Preparedness Program	93.889	EMS ASPR Project 10	4,998	-	-
<u>Total U.S. Department of Health and Human Services</u>			120,825,486	67,105,359	4,856,431
<u>U.S. Dept. of Homeland Security</u>					
<u>Passed-through N.C. Dept of Crime Control and Public Safety</u>					
AHIMT Trailer	97.067	-	83,906	-	-
Generators	97.067	2011-SS-00119 / -1008	229,502	-	-
Generator Transfer Switch	97.067	-	29,925	-	-
NIMS Compliancy	97.067	2007-GE-T7-0048-6049	3,128	-	-
Training and Exercise Program	97.073	2007-GE-T7-0048-7046	850	-	-
<u>Total U.S. Dept. of Homeland Security</u>			347,312	-	-

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Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
<b>Federal Awards: (continued from previous page)</b>					
<u>U.S. Department of Housing and Urban Development</u>					
<u>Passed-Through N.C. Department of Commerce, thru Isothermal Planning and Development</u>					
Community Development Block Grant-Housing	14.228	10-C-2187	71,263	-	-
Community Development Block Grant- Economic Development	14.228	09-E-2081 / U-407	558,354	-	17,526
<u>Direct program:</u>					
Community Development Block Grant-Loan	14.248	10-L-2161	821,928	-	-
<u>Total U.S. Department of Housing and Urban Development</u>			1,451,545	-	17,526
<u>U.S. Department of Justice</u>					
<u>Direct Program:</u>					
State Criminal Alien Assistance Program	16.606	-	744	-	-
Bulletproof Vests	16.607	-	3,268	-	-
Federal Prisoner Housing	16.710	-	105	-	-
<u>JAG Program Cluster:</u>					
2011 Edward Byrne Memorial Justice Assistance Grant	16.738	-	838	-	-
<u>Total U.S. Department of Justice</u>			4,954	-	-
<u>U.S. Department of the Treasury</u>					
<u>Direct program:</u>					
U.S. Immigration and Customs Enforcement	16.58	NC0230000	96,296	-	-
<u>Total U.S. Department of the Treasury</u>			96,296	-	-
<u>U.S. Federal Emergency Management Agency</u>					
<u>Direct program:</u>					
Emergency Response - Hurricane Irene	97.036	-	12,275	-	-
<u>Passed-Through NC Department of Crime Control and Public Safety:</u>					
Emergency Management Program	83.552	-	65,500	-	-
<u>Total U.S. Federal Emergency Management Agency</u>			77,775	-	-
<u>Total Federal Awards</u>			127,563,500	67,105,359	5,876,309
<b>State Awards:</b>					
<u>N.C. Department of Administration</u>					
Veteran Services		-	-	1,452	-
<u>N.C. Department of Commerce</u>					
Industrial Development Fund		various	-	523,407	-
<u>N.C. Department of Corrections</u>					
Criminal Justice Partnership Program		-	-	78,137	-
<u>N.C. Department of Cultural Resources</u>					
Library State Aid Grant		-	-	135,297	-
<u>U.N.C. - Chapel Hill</u>					
Public Health Quality Improvement Project		-	-	75,816	-

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Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
<b>State Awards: (continued from previous page)</b>					
<u>N.C. Department of Environment and Natural Resources:</u>					
Environmental Health		4751	-	8,000	-
Food and Lodging		4752	-	12,971	-
Funds for Soil and Water Conservation District		-	-	25,926	-
Scrap Tire Disposal		-	-	9,644	-
Electronics Management Fund		-	-	7,695	-
Illegal Dump Cleanup-Yarm Mill Road		-	-	19,650	-
<u>Total N.C. Department of Environment and Natural Resources:</u>			-	83,886	-
<u>N.C. Department of Health and Human Services</u>					
<u>Division of Child Development:</u>					
Smart Start Day Care		398	-	73,312	-
<u>Division of Public Health</u>					
Food and Lodging Fees			-	12,221	-
Environmental Health			-	3,400	-
General Aid to Counties		1410-4110-0023	-	149,650	-
Communicable Disease Control		1451-4510-0023	-	5,465	-
Risk Reduction / Health Promotion			-	8,926	-
Eat Smart Move More Community Grants			-	500	-
Minority Health - Closing the Gap		1410-4179-0023	-	78,267	-
Maternal Health (HMHC)		1410-4179-0023	-	23,692	-
WHSF		1410-4179-0023	-	8,702	-
Tuberculosis		1451-4551-0023	-	19,568	-
TB Medical Service		1451-4554-0023	-	1,529	-
General Aid to Counties		1560-5602-0023	-	23,826	-
<u>Office of Rural Health</u>					
Community Health Grant		-	-	117,176	-
<u>Total N. C. Department of Health and Human Services</u>			-	526,234	-
<u>N.C. Department of Transportation</u>					
<u>Rural Operating Assistance Program Cluster:</u>					
Elderly and Disabled Transportation Assistance Program		-	-	104,208	-
Rural General Public Program		-	-	65,000	-
Employment Transportation Assistance Program		-	-	32,163	-
<u>Total Rural Operating Assistance Program Cluster:</u>			-	201,371	-
<u>Total N.C. Department of Transportation</u>			-	201,371	-
<u>N.C. Office of Juvenile Justice</u>					
Juvenile Crime Prevention Council		-	-	275,715	-
Youth Gang Violence Prevention		-	-	9,840	-
<u>N.C. Rural Economic Development Center</u>					
Building Reuse Grant/Infrastructure Program		-	-	169	-
Building Reuse Grant/Infrastructure Program		2011-235-60501-107	-	290,825	10,821
Building Reuse Grant/Infrastructure Program		2012-098-40401-118	-	312,701	-
<u>Total N.C. Rural Economic Development Center</u>			-	603,695	10,821
<u>Total State Awards</u>			-	2,514,849	10,821
<u>Total Federal and State Awards</u>			\$ 127,563,500	\$ 69,620,207	\$ 5,887,130

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**IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS**

**D. Schedule of Expenditures of Federal and State Awards**

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

1. Basis of Presentation

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

The following topics are clustered by the NC Department of Health and Human Services and are treated separately for State audit requirement purposes: Subsidized Child Care, Foster Care and Adoption Assistance, and Child Support Enforcement.

2. Subrecipients

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

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>State or Pass-Thru Grantor Number</b>	<b>Federal (Direct and Pass-Thru) Expenditures</b>	<b>State (Direct and Pass-Thru) Expenditures</b>	<b>County Expenditures</b>
Emergency Food Program (Commodities)					
Shelby Lions Club	10.569	-	\$ 210,410	\$ -	\$ -
Juvenile Crime Prevention Council					
Cleveland County Schools - Early Interventions		-	\$ -	\$ 75,526	\$ -
Communities in Schools - Teen Court/Restitution		-	-	33,611	-
Alexander Youth Network - Multisystemic Therapy		-	-	12,000	-
Phoenix Counseling - Drug / Alcohol Therapy		-	-	6,489	-
Mediation Center - Juvenile Mediation		-	-	20,543	-
Total Juvenile Crime Prevention Council			<u>\$ -</u>	<u>\$ 148,169</u>	<u>\$ -</u>
Rural Operating Assistance Program					
Transportation Assistance of Cleveland County		-	\$ -	\$ 169,208	\$ 39,465

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

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

<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>County Expenditures</u>
<u>U.S. Department of Health and Human Services</u>					
<u>Passed-Through the N.C. Department of Health and Human Services:</u>					
<u>Divisions of Aging (thru Isothermal Planning and Development) and Social Services</u>					
Special Programs for the Aging - III-B Grants for Supportive Services and Senior Centers - In Home Services	93.044	-	\$ 132,076	\$ 8,252	\$ -
<u>U.S. Department of Housing and Urban Development</u>					
<u>Passed-Through N.C. Department of Commerce, thru Isothermal Planning and Development</u>					
Community Development Block Grant-Housing	14.228	10-C-2187	71,263	-	-
Community Development Block Grant-Economic Development	14.228	09-E-2081 / U-407	558,354	-	17,526
Total pass-thru grants awards from IPDC			<u>\$ 761,693</u>	<u>\$ 8,252</u>	<u>\$ 17,526</u>

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

<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>County Expenditures</u>
Women, Infants, Children	10.557	-	\$ 2,116,666	\$ -	\$ -
Medical Assistance	93.778	-	105,788,387	62,002,458	9,444
Participation in Budgeted County Expenditures					
IV-D Offset Fees-ESC	93.563	-	357	-	184
IV-D Offset Fees-Federal	93.563	-	5,468	-	2,817
Independent Living Transitional/Links	93.674	-	6,954	-	-
IV-E Adoption Subsidy	93.659	-	653,418	176,683	176,683
AFDC Payments and Penalties	93.560	-	(1,271)	(348)	(348)
AFDC/TANF Unemployed Parents Assistanc	93.558	-	(100)	(43)	(13)
TANF Payments and Penalties	93.558	-	1,167,018	(126)	272
Child Welfare Services Adoption Subsidy	-	-	-	421,966	126,641
State-County / Special Assistance Domicillary Care Pay	-	-	-	1,237,547	1,237,547
Total participation in budgeted county expenditures			<u>1,831,844</u>	<u>1,835,677</u>	<u>1,543,782</u>
Total direct benefit payments			<u>\$ 109,736,896</u>	<u>\$ 63,838,135</u>	<u>\$ 1,553,226</u>