

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

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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

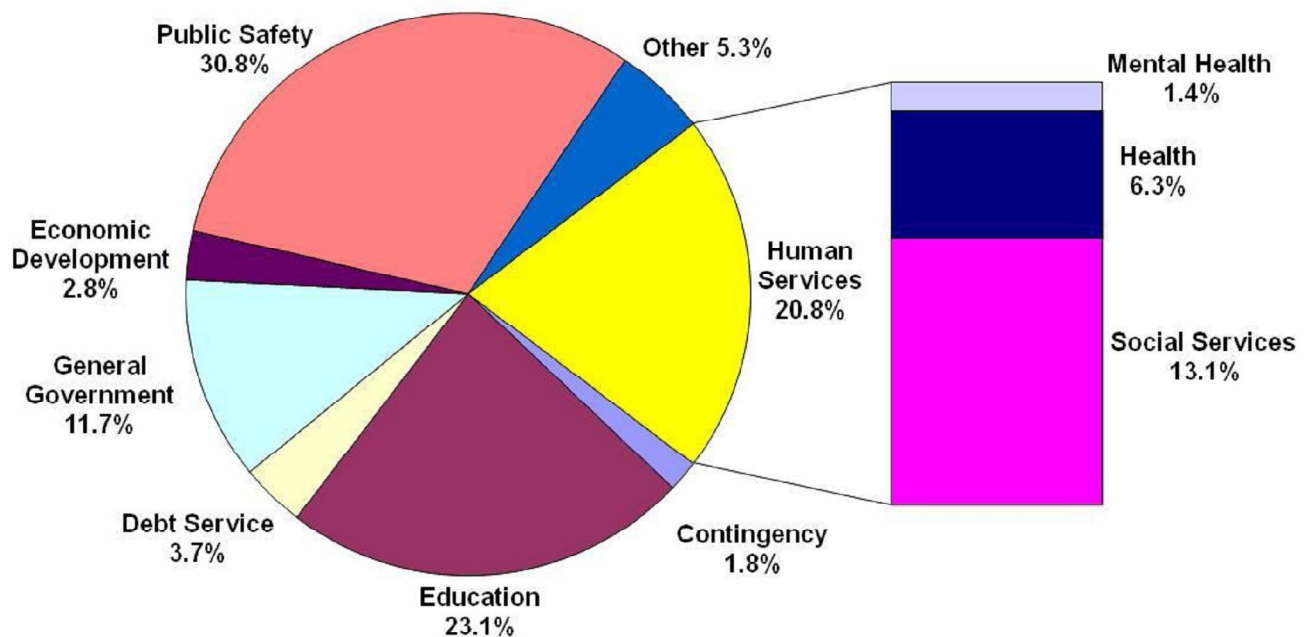
The overall appropriation of county funding for the *Department of Social Services* is \$7,624,984 for an increase in funding of 7.31% over the previous year. This increase is primarily due to a reduction in Federal and State funding for county mandated programs and services. These programs provide essential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

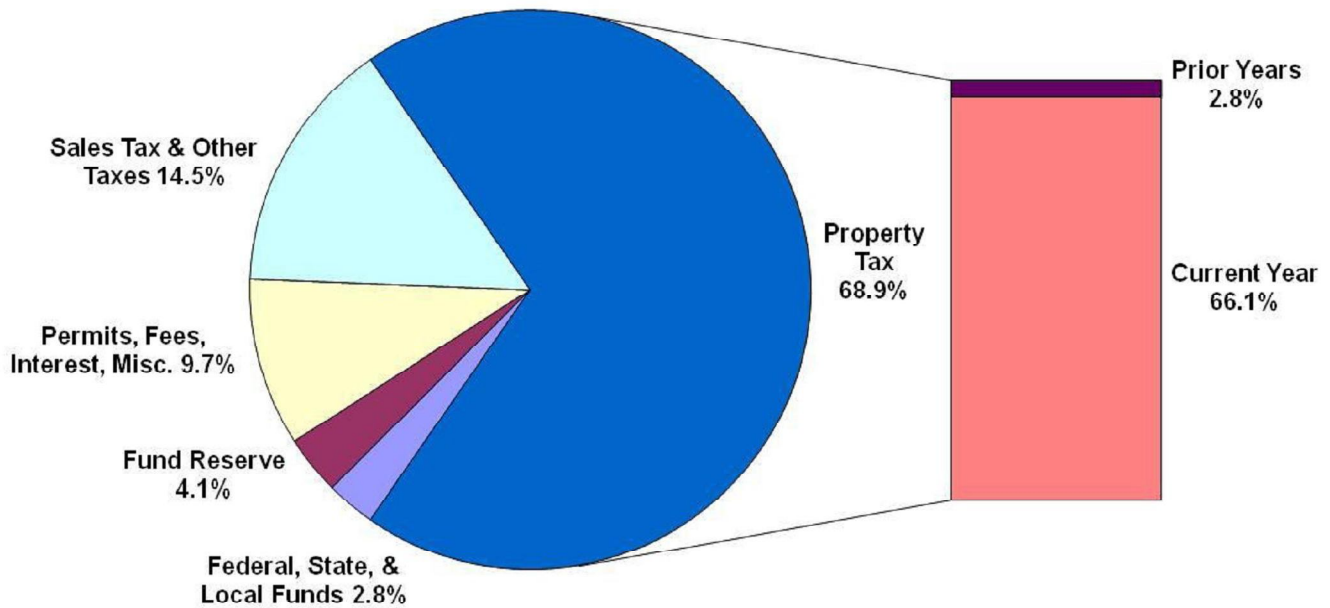
The *Sheriff's Office* budget reflects an increase of 0.79% for a total appropriation of \$5,791,137. This budget includes the addition of 11 new Sheriff's vehicles to replace current high mileage vehicles.

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.

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

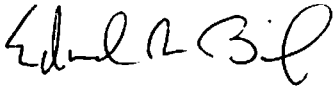
The county unemployment rate is currently 10.8%. While the overall economy is still struggling, retail sales have been stabilizing over the past couple of years and local housing starts have been improving but are not near the levels of several years ago. With economic uncertainty, this budget focuses 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
<u>GENERAL FUND CLASSIFICATION:</u>			
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
<u>SPECIAL REVENUE FUND CLASSIFICATION:</u>			
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
<u>DEBT SERVICE FUND CLASSIFICATION:</u>			
	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
<u>CAPITAL PROJECT FUND CLASSIFICATION:</u>			
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
<u>ENTERPRISE FUND CLASSIFICATION:</u>			
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
TOTAL, INCLUDING TRANSFERS:	128,323,688	127,667,270	127,522,950
LESS TRANSFERS**	(20,752,668)	(20,342,203)	(19,795,912)
TOTAL, EXCLUDING TRANSFERS:	\$107,571,020	\$107,325,067	\$107,727,038

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, flowing style.


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

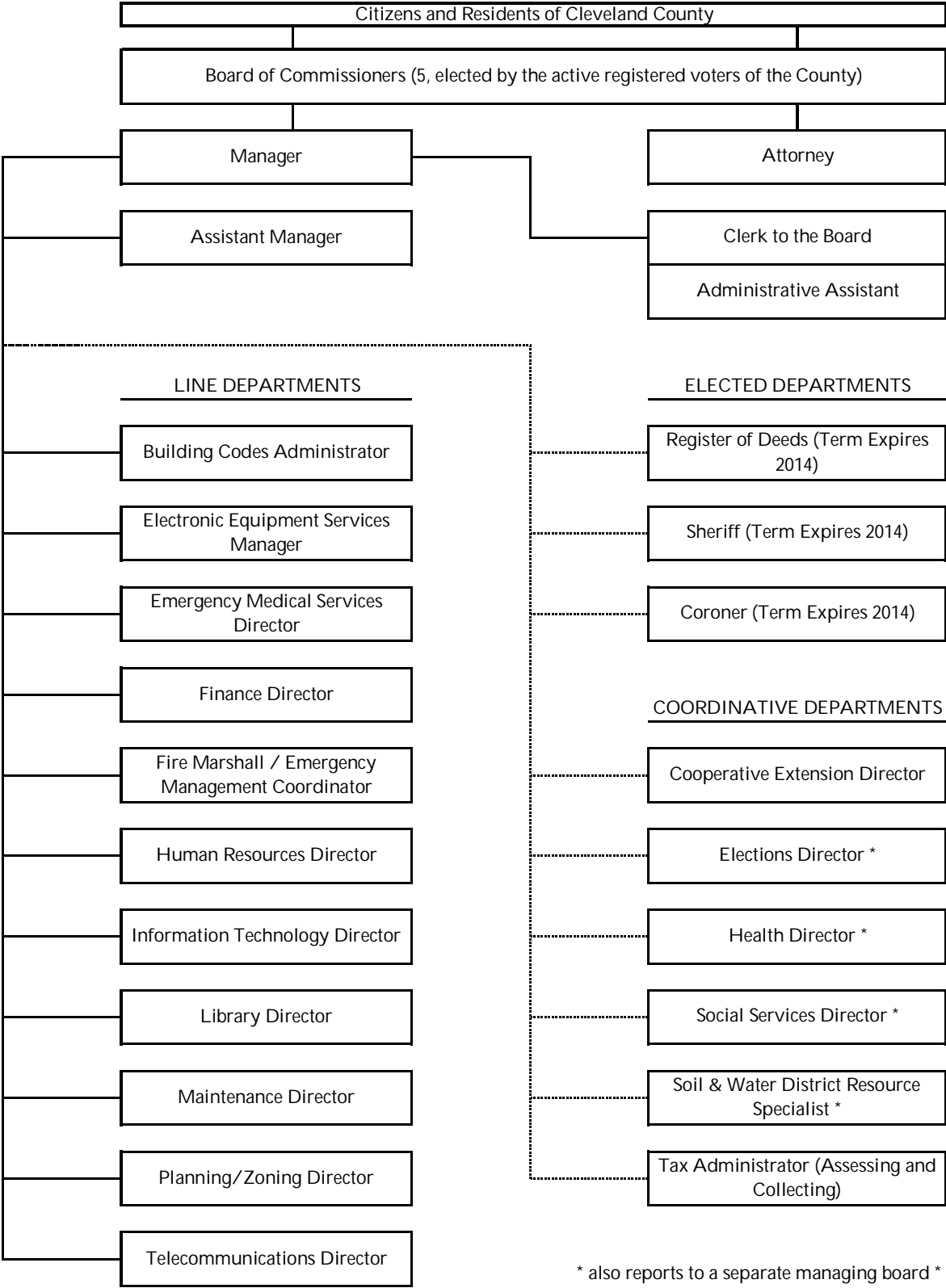
<p>MARY ACCOR Commissioner Term Expires 2012</p>		<p>JOHNNY HUTCHINS Commission Chair Term Expires 2012</p> 		<p>EDDIE HOLBROOK Commissioner Term Expires 2014</p>
<p>JASON FALLS Commissioner Term Expires 2014</p>				<p>RONNIE HAWKINS Commission Vice-Chair Term Expires 2012</p>

COUNTY OFFICIALS

<p>VACANT Assistant Manager</p> <p>PAUL EZELL Building Codes Administrator</p> <p>MARK DELLINGER Electronic Equipment Services Manager</p> <p>JOE LORD Emergency Medical Services Director</p> <p>C. D. CREPPS Finance Director</p> <p>DEWEY COOK Fire Marshall / Emergency Management Coordinator</p> <p>VACANT Human Resources Director</p> <p>MARTY GOLD Information Technology Director</p> <p>CAROL WILSON Library Director</p> <p>SCOTT BOWMAN Maintenance Director</p> <p>BILL MCCARTER Planning/Zoning Director</p> <p>MIKE BRANCH Telecommunications Director</p>	<p>EDWARD "EDDIE" BAILES Manager</p> 	<p>BOB YELTON Attorney</p> <p>KERRI MELTON Clerk to the Board</p> <p>APRIL CROTTS Administrative Assistant</p> <p>BONNIE REECE Register of Deeds (Term Expires 2014)</p> <p>ALAN NORMAN Sheriff (Term Expires 2014)</p> <p>DWIGHT TESSNEER Coroner (Term Expires 2014)</p> <p>GREG TRAYWICK Cooperative Extension Director</p> <p>DEBRA BLANTON Elections Director *</p> <p>DOROTHEA WYANT Health Director *</p> <p>KAREN ELLIS Social Services Director *</p> <p>ELTON BARBER Soil & Water District Resource Specialist *</p> <p>CHRIS GREEN Tax Administrator (Assessing and Collecting)</p>
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* also reports to a separate managing board *

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