

**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

This page left blank intentionally.

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

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

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Cleveland County, North Carolina

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

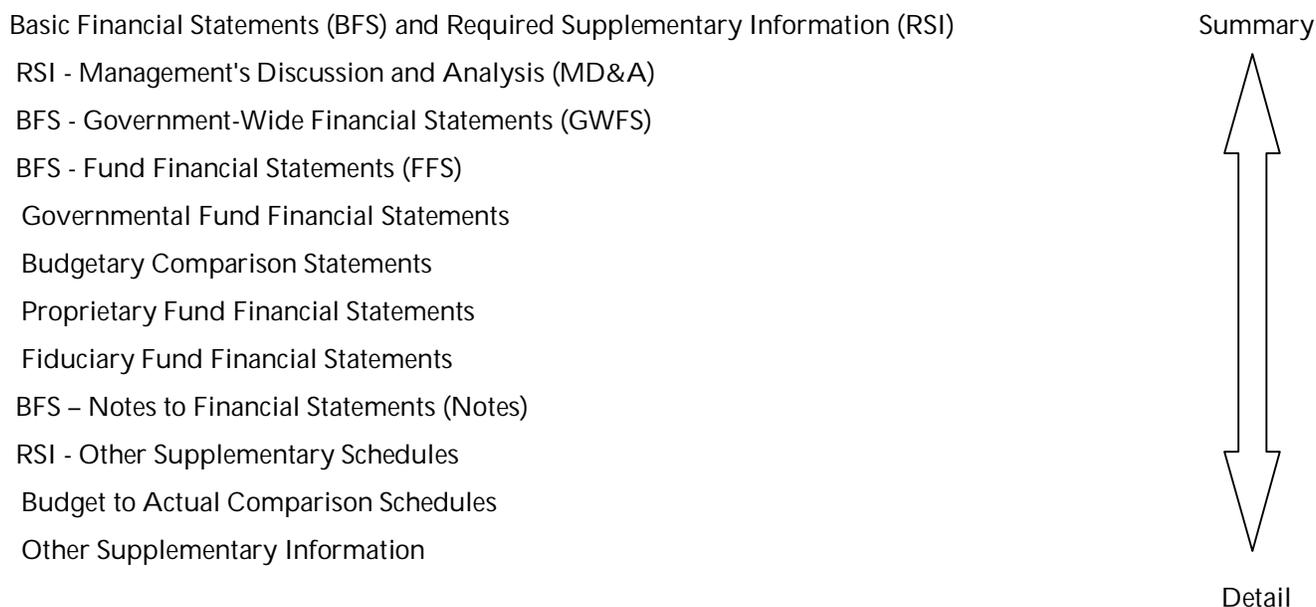


Figure 1. Level of Detail

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
Total assets	197,298	195,470	173,615	18,707	20,994	19,987
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
Total liabilities	63,733	69,672	46,708	6,840	8,344	5,656
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
Total net assets	\$ 133,565	\$ 125,798	\$ 126,907	\$ 11,867	\$ 12,650	\$ 14,331

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
Total revenues	106,399	98,675	94,422	7,787	7,296	4,704
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	-	-	-
Total expenses	101,196	100,120	94,222	6,006	8,641	3,614
Excess (deficiency) before transfers	5,203	(1,445)	200	1,781	(1,345)	1,090
Transfers	2,564	336	335	(2,564)	(336)	(335)
Change in net assets	7,767	(1,109)	535	(783)	(1,681)	755
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%
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
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%
Total expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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

Of total revenues, about 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

Indicator Name / Result	2011	2010	2009	2008	2007	2006	2005
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
Total capital assets, net	\$ 156,222	\$ 134,350	\$ 107,003	\$ 16,169	\$ 15,040	\$ 13,200

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

Fund	Original Adopted Budget	Amendments to Budget	Final Amended Budget
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
Totals	\$ 114,287,638	\$ 58,393,183	\$ 172,680,821

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

This page left blank intentionally.

**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)**

	Identifier	Page No.
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

	<u>Identifier</u>	<u>Page No.</u>
a. Government-Wide Statement of Net Assets	Exhibit II.C.1.a	39
b. Government-Wide Statement of Activities	Exhibit II.C.1.b	40

The Government-Wide Financial Statements provide both long-term and short-term information about the County's overall financial status and provide a broad overview of the County's finances that is similar in format to a financial statement of a private-sector business.

Cleveland County, North Carolina
a. Government-Wide Statement of Net Assets

June 30, 2012

With Comparative Totals as of June 30, 2011

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
ASSETS				
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
Total Assets	\$ 197,297,624	\$ 18,706,969	\$ 216,004,593	\$ 216,463,965
LIABILITIES				
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
Total Liabilities	\$ 63,733,110	\$ 6,839,778	\$ 70,572,888	\$ 78,016,116
NET ASSETS				
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)
Total Net Assets	\$ 133,564,514	\$ 11,867,191	\$ 145,431,705	\$ 138,447,849

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	
EXPENSES, PROGRAM REVENUES, AND NET RESULTS					
Governmental activities:					
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)
Subtotal governmental activities	(101,195,808)	26,090,207	24,542,118	6,445,396	(44,118,087)
Business-type activities					
Conference center operations	(216,822)	-	-	-	(216,822)
Solid waste collection and disposal	(5,789,166)	5,545,109	2,239,632	-	1,995,575
Total business-type activities	(6,005,988)	5,545,109	2,239,632	-	1,778,753
Total primary government	\$ (107,201,796)	\$ 31,635,316	\$ 26,781,750	\$ 6,445,396	\$ (42,339,334)

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

(continued on next page)

(continued from previous page)

PRIMARY GOVERNMENT FUNCTIONS / PROGRAMS	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
NET PROGRAM REVENUES (EXPENSES)--FROM PRIOR PAGE				
Governmental activities:				
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)
Subtotal governmental activities	(44,118,087)	-	(44,118,087)	(48,315,792)
Business-type activities				
Conference center operations	-	(216,822)	(216,822)	-
Solid waste collection and disposal	-	1,995,575	1,995,575	(1,388,846)
Total business-type activities	-	1,778,753	1,778,753	(1,388,846)
Total primary government	(44,118,087)	1,778,753	(42,339,334)	(49,704,638)
GENERAL REVENUES AND TRANSFERS:				
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
Total general revenues	49,321,011	2,179	49,323,190	46,914,199
Transfers:	2,563,743	(2,563,743)	-	-
Total general revenues and transfers	51,884,754	(2,561,564)	49,323,190	46,914,199
CHANGE IN NET ASSETS	7,766,667	(782,811)	6,983,856	(2,790,439)
Net assets -- beginning (July 1)	125,797,847	12,650,002	138,447,849	141,238,288
Net assets -- ending (June 30)	\$ 133,564,514	\$ 11,867,191	\$ 145,431,705	\$ 138,447,849

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
ASSETS					
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
Total assets	\$ 30,755,329	\$ 11,793,497	\$ 1,734,073	\$ 44,282,899	\$ 63,015,477
LIABILITIES AND FUND BALANCES					
Liabilities					
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
Total liabilities	5,691,615	6,640,164	288,861	12,620,640	16,374,707
Fund balances					
Non-spendable					
Inventories	91,497	-	-	91,497	133,331
Prepaid items	173,487	1,207	6,848	181,542	154,282
Restricted					
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
Assigned					
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
Total fund balances	25,063,714	5,153,333	1,445,212	31,662,259	46,640,770
Total liabilities and fund balances	\$ 30,755,329	\$ 11,793,497	\$ 1,734,073	\$ 44,282,899	\$ 63,015,477

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 foci 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
REVENUES					
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
Total revenues	96,416,715	5,277,209	4,558,642	106,252,566	97,348,255
EXPENDITURES					
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
Total expenditures	91,172,652	23,664,110	8,958,058	123,794,820	127,726,273
Excess (deficiency) of revenues over expenditures	5,244,063	(18,386,901)	(4,399,416)	(17,542,254)	(30,378,018)
OTHER FINANCING SOURCES (USES)					
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
Total other financing sources (uses)	(2,461,988)	1,081,137	3,944,594	2,563,743	17,918,875
Net change in fund balances	2,782,075	(17,305,764)	(454,822)	(14,978,511)	(12,459,143)
FUND BALANCES					
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'

For the Year Ended June 30, 2012

With Comparative Totals For the Year Ended June 30, 2011

(continued from previous page)

	2012	2011
Net change in fund balances of governmental funds	\$ (14,978,511)	\$ (12,459,143)
The amount reported as net change in net assets of governmental activities in the Government-Wide Statement of Activities (Exhibit II.C.1.b) differs from the amount reported as net change in fund balances of governmental funds on the Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit II.C.2.b) due to the use of different measurement foci and bases of accounting, specifically relating to the following reasons:		
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			
	Original Budget	Final Budget	Actual	Variance - Over (Under)
REVENUES				
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
Total revenues	90,364,529	98,369,892	96,416,715	(1,953,177)
EXPENDITURES				
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)
Total expenditures	92,954,213	102,775,336	91,172,652	(11,602,684)
Excess of revenues over (under) expenditures	(2,589,684)	(4,405,444)	5,244,063	9,649,507
OTHER FINANCING SOURCES (USES)				
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)
Total other financing sources (uses)	2,589,684	4,405,444	(2,461,988)	(6,867,432)
Net change in fund balance	\$ -	\$ -	2,782,075	\$ 2,782,075
FUND BALANCES				
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
ASSETS				
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>
Total assets	\$ 18,704,674	\$ 2,295	\$ 18,706,969	\$ 20,994,329
LIABILITIES				
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>
Total liabilities	6,839,778	-	6,839,778	8,344,327
NET ASSETS				
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)
Total net assets	\$ 11,864,896	\$ 2,295	\$ 11,867,191	\$ 12,650,002

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
OPERATING REVENUES				
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
Total operating revenues	5,575,171	-	5,575,171	5,190,199
OPERATING EXPENSES				
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
Total operating expenses	5,789,166	216,822	6,005,988	8,640,661
Operating income (loss)	(213,995)	(216,822)	(430,817)	(3,450,462)
NONOPERATING REVENUES AND EXPENSES				
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)
Total nonoperating revenues and expenses	2,211,749	-	2,211,749	2,105,669
Income before contributions and transfers	1,997,754	(216,822)	1,780,932	(1,344,793)
Transfer from (to) governmental funds	(2,782,860)	219,117	(2,563,743)	(335,925)
Change in net assets	(785,106)	2,295	(782,811)	(1,680,718)
Net assets, beginning	12,650,002	-	12,650,002	14,330,720
Net assets, ending	\$ 11,864,896	\$ 2,295	\$ 11,867,191	\$ 12,650,002

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

	Solid Waste Fund-Collection and Disposal	
	Totals	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
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)
Net cash flows from operating activities	442,606	1,055,556
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Government grants	84,168	130,666
Transfer to governmental funds (General Fund)	(2,782,860)	(335,925)
Net cash flows from non-capital financing activities	(2,698,692)	(205,259)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
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
Net cash flows from capital and related financing activities	(1,149,778)	(1,889,542)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	2,179	44,053
Net cash flows from investing activities	2,179	44,053
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,403,685)	(995,192)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: beginning balance	5,390,359	6,385,551
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: ending balance	\$ 1,986,674	\$ 5,390,359
Schedule of Non-Cash Capital and Related Financing Activities		
Trade-in allowance on purchase of capital asset	\$ -	\$ 16,000
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ (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
Net cash flows from operating activities	\$ 442,606	\$ 1,055,556

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

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
ASSETS		
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
Total assets	\$ 1,084,290	\$ 1,168,128
LIABILITIES		
Accounts payable and accrued expenses	\$ 288,332	\$ 283,455
Due to other taxing units	795,958	884,673
Total liabilities	\$ 1,084,290	\$ 1,168,128

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:

Capital Asset Category	Estimated Useful Life
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
Total Investments	\$ 11,037,346	\$ -	\$ -	\$ -

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
Total	\$ 5,893,337	\$ 649,329	\$ 6,542,666

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
Governmental Activities:			
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
Total Receivables	3,906,300	15,271,867	19,178,167
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)
Total Allowances for Uncollectible Accounts	(1,871,715)	(5,731,333)	(7,603,048)
Total Governmental Activities	\$ 2,034,585	\$ 9,540,534	\$ 11,575,119
Business-Type Activities:			
Solid Waste Fund-Collection and Disposal	\$ 208,639	\$ 577,305	\$ 785,944
Allowances for Uncollectible Accounts	(208,639)	(29,020)	(237,659)
\$ -	\$ -	\$ 548,285	\$ 548,285

5. Capital Assets

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

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
General Government	\$ 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
Total Capital Assets	181,123,364	26,920,408	(374,135)	(19,261)	207,650,376
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)
Total Accumulated Deprec.	(46,772,943)	(4,966,643)	267,946	43,375	(51,428,265)
Total Capital Assets, Net	\$134,350,421	\$21,953,765	\$ (106,189)	\$ 24,114	\$156,222,111

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
GOVERNMENTAL ACTIVITIES					
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
Total Capital Assets	181,123,364	26,920,408	(374,135)	(19,261)	207,650,376
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)
Total Accumulated Deprec.	(46,772,943)	(4,966,643)	267,946	43,375	(51,428,265)
Total Capital Assets, Net	\$134,350,421	\$ 21,953,765	\$ (106,189)	\$ 24,114	\$156,222,111

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.

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
BUSINESS-TYPE ACTIVITIES					
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
Total Capital Assets	22,370,820	1,828,064	(221,985)	19,261	23,996,160
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)
Total Accumulated Deprec.	(7,331,073)	(672,311)	195,825	(19,261)	(7,826,820)
Total Capital Assets, Net	\$ 15,039,747	\$ 1,155,753	\$ (26,160)	\$ -	\$ 16,169,340

6. Construction Commitments

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

Project Name	Spent-To-Date	Remaining Commitments
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
Total	\$ 43,189,241	\$ 15,959,824

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
Governmental Activities:					
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
Total Governmental Activities	\$ 4,687,922	\$ 447,549	\$ 9,164	\$ 630,000	\$ 5,774,635
Business-Type Activities:					
Solid Waste Fund	\$ 299,169	\$ -	\$ -	\$ -	\$ 299,169
Fiduciary Activities:					
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:

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

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:

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

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

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

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

Funded Status and Funding Progress. As of the most recent actuarial valuation date (December 31, 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:

Reporting Fund / Revenue Item	Unearned Revenues	Deferred Revenues *
General Fund:		
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
Capital Projects Fund, grant receivables	-	8,000
County Fire Service District Fund, taxes receivable, net	4,445	34,418
Community Development Fund, grant receivables	181,528	-
Total Governmental Activities	\$ 1,284,204	\$ 1,877,308
Solid Waste Fund-Collection and Disposal:		
Prepaid fees not yet earned	\$ 2,905	\$ -
Total Business-Type Activities	\$ 2,905	\$ -

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:

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

In accordance with NCGS 159-29, County employees that have access to County funds are performance bonded through a commercial surety bond. The County Finance Director and Tax Collector are individually bonded for \$50,000 and \$25,000, respectively. Also, all employees are bonded under a blanket bond for \$250,000 per incident.

In addition, the County carries commercial coverage for other risks of loss, including limited coverage for floods and other natural disasters as set by the insurance carrier. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in, at a minimum, any of the past five fiscal years.

6. Claims, Judgments, and Contingent Liabilities

The County has received proceeds from several federal and State grant awards. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any refunds required as a result of such audits will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant revenue.

At June 30, 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*.

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

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

	General and Limited Obligation Bonds:		Other Long-Term Debt:		Capitalized Leases:		Total Debt Service:	
	Principal	Interest	Principal	Interest	Prncpl.	Intrst.	Principal	Interest
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
							(49,950)	(1,717)
							<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.

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Difference (or Expense)
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)
Subtotal (accrued)	131,659	125,031	(137,239)	119,451	(12,208)
Compensatory Leave (unaccrued)	3,733	6,943	(7,477)	3,199	(534)
Sick Leave (unaccrued)	97,928	46,959	(46,581)	98,306	378
Subtotal (unaccrued)	101,661	53,902	(54,058)	101,505	(156)
Grand Totals	\$ 233,320	\$ 178,933	\$ (191,297)	\$ 220,956	\$ (12,364)

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Difference (or Expense)
Vacation Leave (accrued)	\$ 2,355,439	\$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
Subtotal (accrued)	3,500,556	3,895,221	(3,814,306)	3,581,471	80,915
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
Subtotal (unaccrued)	3,119,792	1,632,735	(1,632,055)	3,120,472	680
Grand Totals	\$ 6,620,348	\$ 5,527,956	\$ (5,446,361)	\$ 6,701,943	\$ 81,596

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:

Governmental Activities	Next Year Interest Payable	Next Year Obligation	Future Year Obligation	Total
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
Total Bonds	2,134,983	3,371,169	43,677,216	49,183,368
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
Totals	\$ 2,136,254	\$ 4,973,762	\$ 50,760,250	\$ 57,870,266

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
Totals	\$ -	\$ 33,385	\$ 6,504,319	\$ 6,537,704

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance
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
Totals	\$ 57,893,970	\$ 5,090,347	\$ (7,250,305)	\$ 55,734,012

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
Totals	\$ 57,893,970	\$ 5,090,347	\$ (7,250,305)	\$ 55,734,012

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
Totals	\$ 7,639,901	\$ 211,322	\$ (1,313,519)	\$ 6,537,704

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:

Activity description	Amount
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
Total interfund activity	\$ 10,410,155

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:

Reporting Fund	Due from General Fund	Due from Other Funds	Due to Other Funds
Governmental Funds			
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	-	-
Total Interfund Balances	22,663	3,473,613	3,496,276

D. Fund Balance

Restrictions of fund balance represent amounts that either are legally segregated for a specific purpose or are not appropriable. NCGS 159-13(b)(16) restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments less liabilities (not including deferred revenues not arising from cash receipts) and less encumbrances as calculated at the end of the fiscal year preceding the appropriation. This calculated amount represents fund balance available for appropriation and is reflected in the following table:

Item Description	General Fund	Capital Projects Fund	Other Non-Major Funds
Fund balance available for appropriation			
Cash and Investments	\$ 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
Fund balance available for appropriation	13,409,943	3,718,958	1,284,996
Restricted for Stabilization of State Statute			
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)
Restricted for Stabilization of State Statute	\$ 11,388,787	\$ 1,433,168	\$ 153,368

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:

Governmental activities	Beginning Balance	Activity	Ending Balance
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
Total	8,542,484.97	-569,793.19	7,972,691.78

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:

Governmental Activities:	Beginning Balance	Activity	Ending Balance
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)
Invested in Capital Assets, Net of Related Debt	\$ 85,694,014	\$ 26,689,643	\$ 112,383,657

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 & 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.

**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:**

	<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.

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

	<u>Identifier</u>	<u>Page No.</u>
a. LEOSSA Schedule of Funding Progress	Exhibit II.D.1.a	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
--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2005.						
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
--- County cannot report certain information prior to first actuarial study completed for the period ended December 31, 2005.						
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
Annual Financial and Compliance Report
For the Year Ended June 30, 2012

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	(135,023)	
Change in net pension obligation		<u>26,237</u>
Net Pension Obligation, as of June 30, 2012		<u>\$ 467,896</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:
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.

**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

	<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.

Fiscal Year Ended June 30	Retirees Receiving Benefits	Other * Plan Members	Vested Plan Members	Nonvested Plan Members	Total Plan Members
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
REVENUES				
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
REVENUES (continued from previous page)				
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	<u>9,995,155</u>	<u>11,919,725</u>	<u>1,924,570</u>	<u>10,479,805</u>
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	<u>329,236</u>	<u>1,709,962</u>	<u>1,380,726</u>	<u>386,721</u>
Total Revenues	98,369,892	96,416,715	(1,953,177)	90,113,143
EXPENDITURES				
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	<u>3,413,976</u>	<u>2,571,682</u>	<u>(842,294)</u>	<u>2,282,429</u>
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	<u>521,156</u>	<u>519,013</u>	<u>(2,143)</u>	<u>543,069</u>
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	<u>619,812</u>	<u>594,709</u>	<u>(25,103)</u>	<u>612,283</u>
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	<u>1,437,907</u>	<u>1,384,316</u>	<u>(53,591)</u>	<u>1,412,533</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
EXPENDITURES (continued from previous page)				
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
EXPENDITURES (continued from previous page)				
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
EXPENDITURES (continued from previous page)				
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	<u>393,748</u>	<u>388,225</u>	<u>(5,523)</u>	400,062
Coroner				
Salaries / benefits	32,115	31,635	(480)	31,579
Other expenses	66,282	63,716	(2,566)	69,081
Subtotal Coroner	<u>98,397</u>	<u>95,351</u>	<u>(3,046)</u>	100,660
Hazardous Materials, Other expenses	<u>20,705</u>	<u>19,355</u>	<u>(1,350)</u>	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	<u>612,581</u>	<u>594,084</u>	<u>(18,497)</u>	611,502
Total Public Safety	<u>20,014,030</u>	<u>19,201,726</u>	<u>(812,304)</u>	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	<u>1,840,832</u>	<u>1,551,668</u>	<u>(289,164)</u>	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	<u>5,059,708</u>	<u>4,657,016</u>	<u>(402,692)</u>	4,623,656
Outside Poor, Other expenses	<u>7,195,072</u>	<u>5,288,348</u>	<u>(1,906,724)</u>	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	<u>4,849,470</u>	<u>4,248,599</u>	<u>(600,871)</u>	4,677,426
Special Assistance, Salaries / benefits	<u>40,726</u>	<u>40,197</u>	<u>(529)</u>	39,108
Aid to Blind, Other expenses	<u>10,060</u>	<u>7,729</u>	<u>(2,331)</u>	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	<u>1,171,520</u>	<u>1,096,552</u>	<u>(74,968)</u>	1,113,391
Smart Start, Salaries / benefits	<u>85,194</u>	<u>79,331</u>	<u>(5,863)</u>	83,935
Public Assistance, Other expenses	<u>4,727,588</u>	<u>4,410,260</u>	<u>(317,328)</u>	3,853,661
Total Social Services	<u>24,980,170</u>	<u>21,379,700</u>	<u>(3,600,470)</u>	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
EXPENDITURES (continued from previous page)				
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
EXPENDITURES (continued from previous page)				
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
EXPENDITURES (continued from previous page)				
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
Total Expenditures	\$ 102,775,336	\$ 91,172,652	\$ (11,602,684)	\$ 90,466,008

(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
(continued from previous page)				
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)
OTHER FINANCING SOURCES (USES)				
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)	-
Total Other Financing Sources (Uses)	4,405,444	(2,461,988)	(6,867,432)	(947,624)
Net Change in Fund Balance	\$ -	2,782,075	\$ 2,782,075	(1,300,489)
FUND BALANCES				
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
REVENUES				
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	<u>3,588,000</u>	<u>942,800</u>	<u>1,056,979</u>	<u>1,999,779</u>
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	<u>11,952</u>	<u>6,951</u>	<u>168,746</u>	<u>175,697</u>
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	<u>1,626,121</u>	<u>-</u>	<u>2,611,193</u>	<u>2,611,193</u>
State Corporate Income Taxes				
Investment earnings	-	-	336	336
Subtotal	<u>-</u>	<u>-</u>	<u>336</u>	<u>336</u>
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	<u>10,405,319</u>	<u>-</u>	<u>1,426,309</u>	<u>1,426,309</u>
Total Revenues	<u>15,631,392</u>	<u>949,751</u>	<u>5,277,209</u>	<u>6,226,960</u>
EXPENDITURES				
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	<u>816,587</u>	<u>423,150</u>	<u>123,324</u>	<u>546,474</u>
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	<u>8,544,250</u>	<u>7,394,590</u>	<u>554,673</u>	<u>7,949,263</u>
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	<u>58,609,035</u>	<u>27,701,890</u>	<u>17,813,371</u>	<u>45,515,261</u>

(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
EXPENDITURES (continued from previous page)				
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	<u>9,062,276</u>	<u>4,849,917</u>	<u>3,618,933</u>	<u>8,468,850</u>
Cultural and recreational				
Historic Courthouse Renovation	3,742,126	1,576,109	1,553,809	3,129,918
Subtotal	<u>3,742,126</u>	<u>1,576,109</u>	<u>1,553,809</u>	<u>3,129,918</u>
Total Expenditures	<u>80,774,274</u>	<u>41,945,656</u>	<u>23,664,110</u>	<u>65,609,766</u>
Excess of Revenues over (under)				
Expenditures	<u>(65,142,882)</u>	<u>(40,995,905)</u>	<u>(18,386,901)</u>	<u>(59,382,806)</u>
OTHER FINANCING SOURCES (USES)				
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	<u>30,370,988</u>	<u>17,152,052</u>	<u>4,285,390</u>	<u>21,437,442</u>
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	<u>46,720,000</u>	<u>46,302,950</u>	<u>-</u>	<u>46,302,950</u>
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	<u>(1,626,121)</u>	<u>-</u>	<u>(1,777,974)</u>	<u>(1,777,974)</u>
State Education Lottery Proceeds				
Transfers out:				
to Debt Service Fund	(10,405,319)	-	(1,426,279)	(1,426,279)
Total Other Financing Sources (Uses)	<u>65,142,882</u>	<u>63,455,002</u>	<u>1,081,137</u>	<u>64,536,139</u>
Net Change in Fund Balance	<u>-</u>	<u>22,459,097</u>	<u>(17,305,764)</u>	<u>5,153,333</u>

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

(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
ASSETS			
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	-	-
Total assets	\$ 1,352,704	\$ 151,433	\$ 229,936
LIABILITIES AND FUND BALANCES			
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	-	-	-
Total liabilities	2,079	38,737	248,045
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)
Total fund balances	1,350,625	112,696	(18,109)
Total liabilities and fund balances	\$ 1,352,704	\$ 151,433	\$ 229,936

(continued on next page)

(continued from previous page)

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
\$	-	\$ 1,734,073	\$ 3,730,622
\$	-	\$ 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
\$	-	\$ 1,734,073	\$ 3,730,622

(continued from previous page)

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
REVENUES			
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	-	-	-
Total revenues	410,838	1,125,903	1,409,092
EXPENDITURES			
Public safety	520,776	1,546,149	-
Economic and physical development	-	-	1,268,543
Debt service, principal reduction	-	-	-
Debt service, interest and fees	-	-	-
Total expenditures	520,776	1,546,149	1,268,543
Excess of revenues over (under) expenditures	(109,938)	(420,246)	140,549
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	3,910
Transfers out	(69,097)	-	-
Total other financing sources (uses)	(69,097)	-	3,910
Net change in fund balance	(179,035)	(420,246)	144,459
FUND BALANCES			
Beginning fund balances	1,529,660	532,942	(162,568)
Ending fund balances	\$ 1,350,625	\$ 112,696	\$ (18,109)

(continued on next page)

(continued from previous page)

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)
1,612,809	4,558,642		3,707,475
-	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
5,622,590	8,958,058		7,992,817
(4,009,781)	(4,399,416)		(4,285,342)
4,009,781	4,013,691		3,594,568
-	(69,097)		(69,097)
4,009,781	3,944,594		3,525,471
-	(454,822)		(759,871)
-	1,900,034		2,659,905
\$ -	\$ 1,445,212	\$	1,900,034

(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
REVENUES				
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)
Total revenues	381,896	410,838	28,942	621,597
EXPENDITURES				
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
Total public safety expenditures	623,545	520,776	(102,769)	801,298
Excess of revenues over (under) expenditures	(241,649)	(109,938)	131,711	(179,701)
OTHER FINANCING SOURCES (USES)				
Implemental functions / Transfers to General Fund	(69,097)	(69,097)	-	(69,097)
Fund balance appropriated	310,746	-	(310,746)	-
Total other financing sources (uses)	241,649	(69,097)	(310,746)	(69,097)
Net change in fund balance	-	(179,035)	(179,035)	(248,798)
FUND BALANCES				
Beginning fund balances		1,529,660		1,778,458
Ending fund balances		\$ 1,350,625		\$ 1,529,660
RECAP OF SPECIAL 50% FUND				
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)		
Unspent funds, June 30, 2012 *	\$	2,262		

* 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
REVENUES				
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
Total revenues	<u>1,100,000</u>	<u>1,125,903</u>	<u>25,903</u>	<u>1,125,366</u>
EXPENDITURES				
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
Total expenditures	<u>1,554,266</u>	<u>1,546,149</u>	<u>(8,117)</u>	<u>1,473,871</u>
Excess of revenues over (under) expenditures	<u>(454,266)</u>	<u>(420,246)</u>	<u>34,020</u>	<u>(348,505)</u>
OTHER FINANCING SOURCES (USES)				
Fund balance appropriated	454,266	-	(454,266)	-
Total other financing sources (uses)	<u>454,266</u>	<u>-</u>	<u>(454,266)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(420,246)</u>	<u>\$ (420,246)</u>	<u>(348,505)</u>
FUND BALANCES				
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
REVENUES				
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
Total revenues	2,900,000	971,427	1,409,092	2,380,519
EXPENDITURES				
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
Total expenditures	3,025,000	1,228,908	1,268,543	2,497,451
Excess of revenues over (under) expenditures	(125,000)	(257,481)	140,549	(116,932)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
From General Fund	125,000	94,913	3,910	98,823
Total other financing sources (uses)	125,000	94,913	3,910	98,823
Net change in fund balance	\$ -	\$ (162,568)	144,459	\$ (18,109)
FUND BALANCES				
Beginning fund balances			(162,568)	
Ending fund balances			\$ (18,109)	

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
REVENUES				
Intergovernmental revenues, restricted	\$ 1,612,810	\$ 1,612,809	\$ (1)	\$ 989,085
Total revenues	1,612,810	1,612,809	(1)	989,085
EXPENDITURES				
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
Total expenditures	6,098,061	5,622,590	(475,471)	4,488,740
OTHER FINANCING SOURCES (USES)				
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
Total other financing sources (uses)	4,485,251	4,009,781	(475,470)	3,499,655
Net change in fund balance	\$ -	-	\$ -	-
FUND BALANCES				
Beginning fund balances		-		-
Ending fund balances	\$ -	-	\$ -	-

This page left blank intentionally.

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

	<u>Identifier</u>	<u>Page No.</u>
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
REVENUES				
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	<u>4,664,884</u>	<u>5,565,709</u>	<u>900,825</u>	<u>5,190,178</u>
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	<u>210,381</u>	<u>566,501</u>	<u>356,120</u>	<u>615,510</u>
Total revenues	<u>4,875,265</u>	<u>6,132,210</u>	<u>1,256,945</u>	<u>5,805,688</u>
EXPENDITURES				
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	<u>4,749,165</u>	<u>4,538,182</u>	<u>(210,983)</u>	<u>4,357,777</u>
Capital outlay expenditures	3,588,599	156,655	(3,431,944)	1,027,093
Total expenditures	<u>8,337,764</u>	<u>4,694,837</u>	<u>(3,642,927)</u>	<u>5,384,870</u>
Excess of revenues over (under) expenditures	<u>(3,462,499)</u>	<u>1,437,373</u>	<u>4,899,872</u>	<u>420,818</u>

(continued on next page)

Cleveland County, North Carolina

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

For the Year Ended June 30, 2012

With Comparative Totals For the Year Ended June 30, 2011

	2012		Variance - Over (Under)	2011
	Budget	Actual		Actual
(continued from previous page)				
Excess of revenues over (under) expenditures (repeated from prior page)	\$ (3,462,499)	\$ 1,437,373	\$ 4,899,872	\$ 420,818
OTHER FINANCING SOURCES (USES)				
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)	-
Total other financing sources (uses)	3,462,499	(2,782,860)	(6,245,359)	(335,925)
Net change in fund balance (modified accrual basis)	\$ -	\$ (1,345,487)	\$ (1,345,487)	\$ 84,893

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)
Change in net assets (full accrual basis)	\$ (785,106)	\$ (1,680,718)

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)	\$ 4,116,481	\$ 3,561,976

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

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:
6. Fiduciary Funds Financial Statement

	Identifier	Page No.
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
Fines and Forfeitures Agency Fund				
Assets				
Intergovernmental receivable *	\$ 5,040	\$ 505,134	\$ (505,668)	\$ 4,506
Liabilities				
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)	-
Total liabilities	\$ 5,040	\$ 996,810	\$ (997,344)	\$ 4,506
Inmate Agency Fund				
Assets				
Cash and cash equivalents	\$ 4,429	\$ 246,143	\$ (230,425)	\$ 20,147
Intergovernmental receivable	1,847	138,294	(131,446)	8,695
Total assets	\$ 6,276	\$ 384,437	\$ (361,871)	\$ 28,842
Liabilities				
Accounts payable	\$ 6,276	\$ 509,178	\$ (486,612)	\$ 28,842
Property Tax Agency Fund				
Assets				
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
Total assets	\$ 1,059,078	\$ 26,330,057	\$ (26,463,540)	\$ 925,595
Liabilities				
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
Total liabilities	\$ 1,059,078	\$ 28,981,699	\$ (29,115,182)	\$ 925,595
Rescue Squad Agency Fund				
Assets				
Cash and cash equivalents	\$ 5,122	\$ 1,233	\$ (2,100)	\$ 4,255
Total assets	\$ 5,122	\$ 1,233	\$ (2,100)	\$ 4,255
Liabilities				
Accounts payable	\$ 5,122	\$ 1,233	\$ (2,100)	\$ 4,255
Total liabilities	\$ 5,122	\$ 1,233	\$ (2,100)	\$ 4,255

(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
(continued from previous page)				
Social Services Agency Fund				
Assets				
Cash and cash equivalents	\$ 92,612	\$ 315,330	\$ (286,850)	\$ 121,092
Liabilities				
Accounts payable	\$ 92,612	\$ 315,330	\$ (286,850)	\$ 121,092
TOTALS, All Agency Funds				
Assets				
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
Total assets	\$ 1,168,128	\$ 27,536,191	\$ (27,620,029)	\$ 1,084,290
Liabilities				
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
Total liabilities	\$ 1,168,128	\$ 30,804,250	\$ (30,888,088)	\$ 1,084,290

Note:

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

(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
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
5. Schedule of Ad Valorem Taxes Receivable - County Fire Service District (28)	Exhibit II.E.05	129
6. Schedule of Ad Valorem Taxes Receivable - Fallston Fire District (74)	Exhibit II.E.06	130
7. Schedule of Ad Valorem Taxes Receivable - Lattimore Fire District (75)	Exhibit II.E.07	130
8. Schedule of Ad Valorem Taxes Receivable - Rippy Fire District (76)	Exhibit II.E.08	131
9. Schedule of Ad Valorem Taxes Receivable - County Sanitary District (82)	Exhibit II.E.09	131
10. Schedule of Ad Valorem Taxes Receivable - City of Shelby (77)	Exhibit II.E.10	132
11. Schedule of Ad Valorem Taxes Receivable - Town of Boiling Springs (78)	Exhibit II.E.11	132
12. Schedule of Ad Valorem Taxes Receivable - Town of Grover (79)	Exhibit II.E.12	133
13. Schedule of Ad Valorem Taxes Receivable - City of Kings Mountain (80)	Exhibit II.E.13	133
14. Schedule of Ad Valorem Taxes Receivable - Town of Lattimore (81)	Exhibit II.E.14	134
15. Schedule of Ad Valorem Taxes Receivable - Town of Kingstown (83)	Exhibit II.E.15	134
16. Schedule of Ad Valorem Taxes Receivable - Town of Fallston (84)	Exhibit II.E.16	135
17. Schedule of Ad Valorem Taxes Receivable - Town of Earl (85)	Exhibit II.E.17	135
18. Schedule of Ad Valorem Taxes Receivable - Town of Polkville (86)	Exhibit II.E.18	136
19. Schedule of Ad Valorem Taxes Receivable - Town of Lawndale (87)	Exhibit II.E.19	136
20. Schedule of Ad Valorem Taxes Receivable - Town of Casar (88)	Exhibit II.E.20	137
21. Schedule of Ad Valorem Taxes Receivable - Town of Waco (89)	Exhibit II.E.21	137

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

Cash Distribution By Funds			
Fund Number	Amounts Presented on Statements *	Amounts Presented on Statements *	Totals
Unrestricted cash and cash equivalents			
General Fund	10-20, 60-66	\$ 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
Total unrestricted cash and cash equivalents			\$ 29,637,372
Restricted cash and cash equivalents			
Capital Projects Funds, restricted cash	40-42		1,652,151
Total restricted cash			1,652,151
Total cash and cash equivalents			\$ 31,289,523
	Purchase Value	Fair (Market) Value	Amounts Presented on Statements *
Cash			
In physical possession	\$ 15,904	\$ 15,904	\$ 15,904
In demand deposits	20,236,273	20,236,273	20,236,273
Total cash	20,252,177	20,252,177	20,252,177
Cash equivalents			
NC Capital Management Trust (money market accounts)	11,037,346	11,037,346	11,037,346
Total cash equivalents	11,037,346	11,037,346	11,037,346
Total cash and cash equivalents	\$ 31,289,523	\$ 31,289,523	\$ 31,289,523

* '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	
Transfers in to:					
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
Total	\$ 3,884,828	\$ 3,204,253	\$ 69,097	\$ 282,860	\$ 7,441,038

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
Original Levy					
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	-
Subtotals	<u>6,282,165,518</u>		<u>35,858,033</u>	<u>32,566,038</u>	<u>3,291,994</u>
Discoveries, Late Listings, and Other Supplements (including Public Service Companies)					
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
Subtotals	<u>724,178,903</u>		<u>4,127,820</u>	<u>3,777,722</u>	<u>350,098</u>
Abatements					
Property taxed at current year's rate	(17,622,339)	0.57000	(100,447)	(58,052)	(42,395)
Subtotals	<u>(17,622,339)</u>		<u>(100,447)</u>	<u>(58,052)</u>	<u>(42,395)</u>
Totals	<u>\$ 6,988,722,082</u>		<u>39,885,405</u>	<u>36,285,708</u>	<u>3,599,697</u>
Net Levy			39,885,405	36,285,708	3,599,697
Less Uncollected Taxes, Current Year, at June 30			(1,297,548)	(798,742)	(498,806)
Current Year's Taxes Collected			<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)			<u>96.747%</u>	<u>97.799%</u>	<u>86.143%</u>

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	
Totals	<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
Totals	<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)				(994,566)
		(262,294)				(259,554)
Total	<u>\$ 2,077,174</u>	Ad valorem taxes receivable, net				<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)
Total collections of taxes (as above)	<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>
	<u>(22,976)</u>	Less allowance for uncollectible ad valorem taxes receivable				<u>(22,925)</u>
Total	<u>\$ 39,869</u>	Ad valorem taxes receivable, net				<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)
Total collections of taxes (as above)	<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	-	-	-	-	-	-
Total	\$ 12,601	\$ 137,584	\$ 7,574	\$ (145,085)	\$ (1,500)	\$ 11,173

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
Total	\$ 6,509	\$ 88,912	\$ 5,414	\$ (94,141)	\$ (436)	\$ 6,258

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	-	-	-	-	-	-
Total	\$ 16,093	\$ 184,578	\$ 15,458	\$ (191,569)	\$ (9,771)	\$ 14,788

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
Total	\$ 53,793	\$ 689,008	\$ 45,211	\$ (719,915)	\$ (19,160)	\$ 48,936

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
Total	\$ 442,875	\$ 7,464,533	\$ 251,341	\$ (7,679,482)	\$ (60,070)	\$ 419,197

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	-	-	-	-	-	-
Total	\$ 27,777	\$ 768,487	\$ 18,050	\$ (785,842)	\$ (4,352)	\$ 24,119

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	-	-	-	-	-	-
Total	\$ 12,365	\$ 120,531	\$ 15,839	\$ (133,321)	\$ (2,601)	\$ 12,813

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	-	-	-	-	-	-
Total	\$ 198,627	\$ 2,450,085	\$ 102,307	\$ (2,557,427)	\$ (34,876)	\$ 158,717

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	-	-	-	-	-	-
Total	\$ 1,560	\$ 28,330	\$ 5,092	\$ (33,234)	\$ (126)	\$ 1,622

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	-	-	-	-	-	-
Total	\$ 25,765	\$ 74,470	\$ 3,299	\$ (95,418)	\$ (905)	\$ 7,211

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	-	-	-	-	-	-
Total	\$ 1,549	\$ 19,910	\$ 432	\$ (20,270)	\$ (98)	\$ 1,525

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	-	-	-	-	-	-
Total	\$ 2,197	\$ 15,319	\$ 875	\$ (16,145)	\$ (195)	\$ 2,051

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	-	-	-	-	-	-
Total	\$ 1,343	\$ 12,936	\$ 320	\$ (13,177)	\$ (137)	\$ 1,285

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	-	-	-	-	-	-
Total	\$ 7,713	\$ 48,006	\$ 2,957	\$ (51,391)	\$ (1,330)	\$ 5,956

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	-	-	-	-	-	-
Total	\$ 415	\$ 6,212	\$ 314	\$ (6,366)	\$ (137)	\$ 438

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	-	-	-	-	-	-
Total	\$ 1,628	\$ 20,541	\$ 877	\$ (21,016)	\$ (34)	\$ 1,996