

**CLEVELAND COUNTY
NORTH CAROLINA**



**ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

CLEVELAND COUNTY NORTH CAROLINA



ANNUAL FINANCIAL AND COMPLIANCE REPORT FOR THE YEAR ENDED JUNE 30, 2013

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

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Cleveland County, North Carolina
Annual and Financial Compliance Report
For the Year Ended June 30, 2013
I: PREFACE AND INTRODUCTION
A. Message from the County Manager

November 22, 2013

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

North Carolina General Statute (NCGS) 159-34(a) requires the County to contract with a certified public accountant to 1) have the financial records audited as soon as possible after the close of each year and 2) evaluate the County's performance with regard to compliance with all applicable Federal and State regulations. The statute also requires that the auditor be permitted access to all records and other information upon request. In January 2013, the County entered a contract with Martin Starnes & Associates, CPAs, P.A. to conduct the audit for the fiscal year ended June 30, 2013. The auditor was permitted access to all requested information and no significant deficiencies have been noted. As of the date of this letter, the auditor's work is virtually completed.

More importantly, as the foundation of the County's financial planning and control, the annually adopted budget gives direction to County departments. The remaining text below is excerpted from a message concerning the budget for the fiscal year ending June 30, 2014.

The County has been facing challenging economic conditions over the past several years that have negatively affected county revenues, but because of the Commissioners strong leadership and sound fiscal management, Cleveland County has been able to present a balanced budget with no tax increase and no reduction in county funded services.

General Fund Budget

The projected tax base for fiscal year 2013-2014 is \$7,470,000,000. This is a projected increase of \$520,000,000 in value over the previous year, which translates into \$2,875,080 in new revenue at a 57 cents tax rate with a 97% collection rate. Sales tax distributions are expected to increase about 2.57% or roughly \$205,000 for fiscal year 2013-2014. Overall service-related fee collections seem to have reached the bottom and are increasing slightly over last year. We have recently seen a slight increase in residential building permits. We hope this trend continues through the coming year. We must continue to recruit new businesses to our community. Growth in the tax base and sales taxes must increase to match our mandated spending requirements or our current allocated funding levels will be difficult to sustain over time.

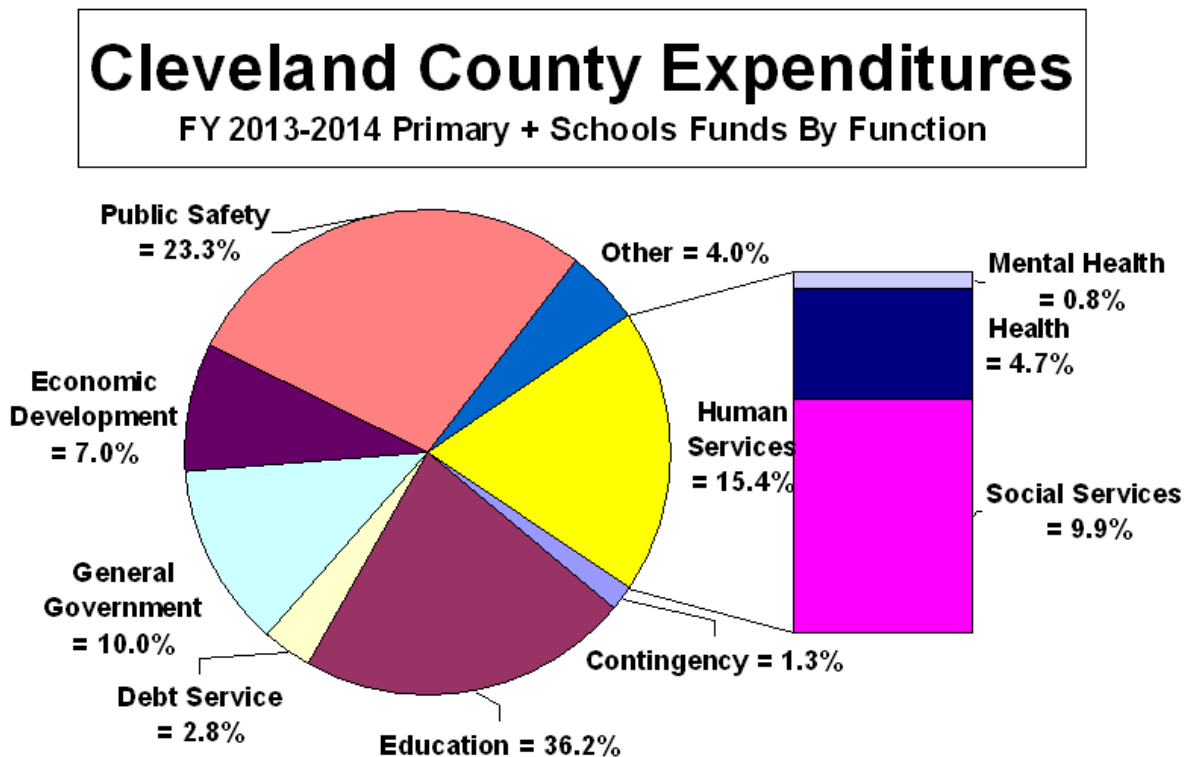
Human Services

The overall appropriation of County funding for the *Department of Social Services* is \$7,869,324 for an increase in funding of 6.14% over the previous year. This increase is primarily due to a reduction in Federal and State funding for county mandated programs and services. These programs provide essential services for families and children.

The *Health Department* budget reflects an overall decrease of 0.12% for a total County appropriation of \$3,686,324. The Health Department is adding a pharmacist technician and an administrative support assistant which will be funded by Carolina Access grant dollars.

Landfill (Enterprise Fund)

The proposed budget includes an increase in tipping fees of \$4.65 per ton and household fees by \$12 per year. Household fees have not been increased in twenty years. These increases are needed to plan for the future costs of closing cells, post-closure care, and possible corrective action needed.



FY 2013-2014 Primary Fund + Schools Budget = \$79,385,831

Public Safety

The *Sheriff's Office* budget reflects an increase of 3.97% for a total appropriation of \$10,569,361. This budget includes the addition of 11 new Sheriff's vehicles to replace current high mileage vehicles as well as the conversion of two full-time hourly positions without benefits to full-time permanent positions with benefits. Both of these positions will be administrative support positions at the Detention Center.

The *Emergency Medical Services* department budget is allocated a total of \$5,669,396. This department budget reflects an increase of 4.16%. The purchase of one new ambulance is included in the budget. The budget reflects an increase in EMS fees. This increase is due to changes in Medicare Allowable charges.

Cleveland County EMS	Current Charge	July 1, 2013 New Charge
ALS NE A0426	\$410.00	\$410.00
ALS E A0427	\$490.00	\$525.00
BLS NE A0428	\$410.00	\$410.00
BLS E A0429	\$410.00	\$445.00
ALS 2 A0433	\$700.00	\$780.00
Specialty Care A0434	\$830.00	\$900.00
Urban Mileage or Rural Mileage 18+ A0425	\$12.00	\$12.00
Rural Mileage 1 - 17	\$12.00	\$14.50

Volunteer Fire Service Districts

Number Seven Fire District is requesting an increase of 1 cent for a total tax rate of 4 cents. The proposed budget includes a 2-cents increase in the County Fire District tax. As the only source of funding, Fire District tax funds are used to support the Volunteer Fire Departments purchase of equipment and to provide required training for volunteers. Our volunteers are enthusiastic in their desire to provide outstanding service to the citizens of Cleveland County.

Tax Administration

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

Veterans Services

The Cleveland County Veterans Services office assists our almost 9,000 local veterans and their dependents in applying for pension, health care, compensation, and other benefits and services. Due to the economy and rising costs in health care, the Veterans Office has seen a 30% increase in applications for health care benefits. The County staff has been doing an outstanding job in providing exceptional service to our local veterans.

Human Resources

It has been several years since County employees have received the opportunity for a pay increase. This budget includes a 2% cost-of-living adjustment for all permanent full-time employees. Set hourly rates will also rise by 2%.

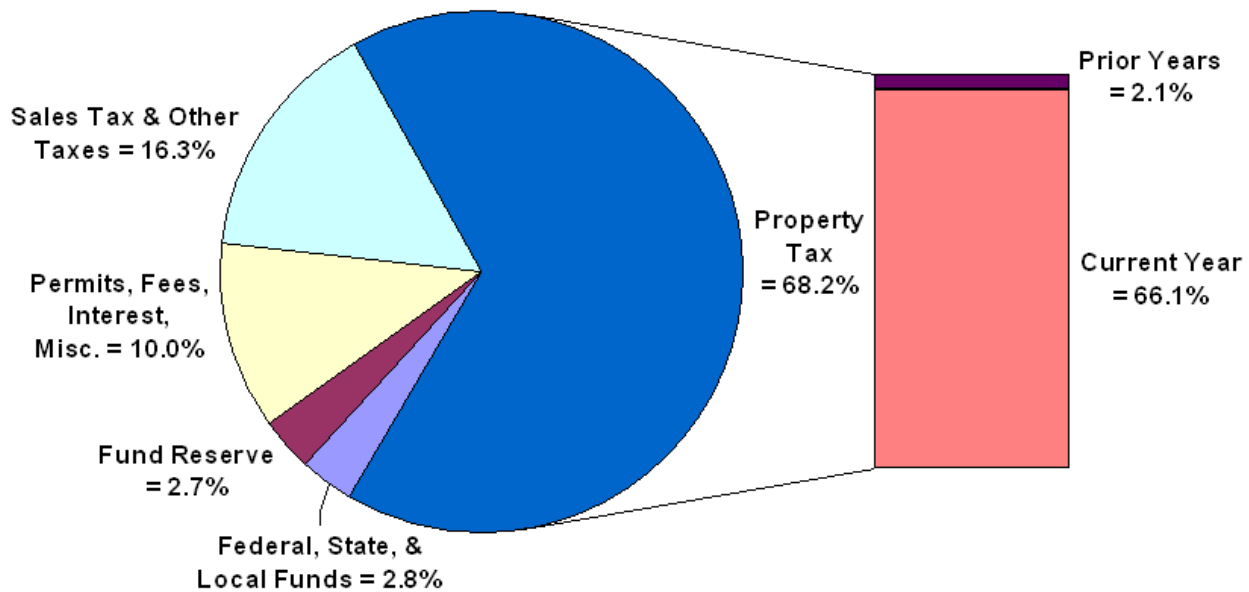
Beginning last year, the County provided employees with a Health Savings Account (HSA) as the only health insurance plan option. Our health insurance costs have been controlled over the past several years due primarily to the savings of the HSA plan. For next year, the premiums paid by the County on behalf of the employees will rise by 8%. The County will

continue to work on ways to better manage our health insurance costs. The dental program has been stable this past year so there will not be an increase in dental premiums in the budget.

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

The State Treasurer’s Office approved an increase in the employer retirement contribution rate. Effective July 1, 2013, the new County budgeted rate is 7.07% for all employees. This change reflects an increase of 0.32%.

Cleveland County Revenues
FY 2013-2014 Primary + Schools Funds By Source



FY 2013-2014 Primary Fund + Schools Budget = \$79,385,831

Cleveland County Library System

The Cleveland County Library System consists of two facilities that provide up-to-date library services to the people of Cleveland County. The main library in Shelby, located across from the Shelby City Park, is open 6 days a week. Besides the traditional library services, the main library provides free access to the Internet for the public as well as free access to the latest in ebooks and audiobooks. Over 150,000 people visit the main library every year and check out approximately 250,000 items. The Spangler Branch Library, located in Lawndale, serves the residents of upper Cleveland County. Offering all the same services of the main library but on a smaller scale, the branch is open 26 hours a week and circulates more than 30,000 items each year.

Public Schools

The per pupil funding for the Cleveland County School System will remain the same at \$1,763.38. The current expense allocation will be reduced by \$558,643 due to the projected decrease in the number of students. The County allocation in the budget totals \$27,249,570. Capital outlay will remain the same at \$1,550,000 and special capital projects will be funded at a total of \$1.2 million. The supplemental tax will increase by an estimated \$150,000 and the sales tax is expected to increase by \$59,500.

COUNTY OF CLEVELAND, NORTH CAROLINA
SCHOOL FUNDING WORKSHEET (ACCRUAL BASIS)

March 15, 2013

FISCAL YEAR	2014	2013	2012	2011	2010	2009
	<i>projected</i>	<i>estimated</i>				
Current Expense	\$ 9,849,570	\$10,408,213	\$10,408,213	\$10,408,213	\$10,408,213	\$10,408,213
Capital Outlay	1,550,000	1,550,000	1,750,000	2,000,000	2,000,000	2,000,000
Special Projects	1,200,000	1,200,000	1,200,000	1,400,000	1,400,000	1,400,000
Supplemental Tax	11,250,000	11,100,000	10,608,257	10,150,211	10,170,229	10,099,060
Fines & Forfeitures	500,000	500,000	474,075	506,623	580,292	590,056
Sales Tax	2,900,000	2,840,500	2,810,135	2,589,580	2,600,505	3,282,542
Total Funding	\$27,249,570	\$27,598,713	\$27,250,681	\$27,054,626	\$27,159,239	\$27,779,872
Projected A.D.M.(+)	15,453	15,651	15,886	16,107	16,411	16,768
Per Pupil Funding	1,763.38	1,763.38	1,715.39	1,679.68	1,654.94	1,656.72
Amount Chg	0.00	47.99	35.71	24.74	(1.78)	53.43
Percent Chg	0.00%	2.80%	2.13%	1.49%	-0.11%	3.33%

Community College

The budget includes an increase of \$109,573 to \$1,590,573 in current expenditures for Cleveland Community College. Funding for capital projects will increase \$25,000 to \$100,000 for the FY 2013-2014.

Capital Projects

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

- Farmers' Market - Working on a joint project with the City of Shelby to create a new farmers' market located in Uptown Shelby. \$50,000 is included in this budget for this purpose.
- Foothills Commerce Center - Working on a joint venture with the City of Shelby to develop an industrial park west of Shelby. A 100,000 square-foot shell building has been completed in the park and sold creating 300 new jobs for our citizens. A second 100,000 square-foot building is now under construction using the proceeds of the first building.
- Historic Courthouse Renovations - Assisting with the renovation of the historic courthouse. The Earl Scruggs Center is scheduled to be completed by the end of 2013.
- American Legion Baseball Facilities - Assisting with the renovation of the Shelby High School Baseball Stadium in preparation for another successful American Legion World Series in August.

Economic Development/Tourism

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

The County has continued to place an emphasis on local travel and tourism within our community. This budget is allocating \$110,000 for travel and tourism with a majority of funding coming from the local occupancy tax. Additional improvements continue at the Shelby High School baseball stadium to prepare for the American Legion World Series baseball tournament. As a result of the hard work of many dedicated volunteers, our community will see a tremendous economic benefit and national recognition from this event.

Conclusion

The county unemployment rate is currently 9.9%. While the overall economy is still struggling, retail sales have been stabilizing over the past couple of years and local housing starts have been improving but are not near the levels of several years ago. With economic uncertainty, this budget focuses on keeping operating costs down while maintaining the same level of public services. The County departments have been exploring all avenues to manage costs while providing quality services to our citizens. With the County Commissioners' direction and leadership, we will continue to operate with no reduction in County funded services and no increase in County general property taxes.

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

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

Respectfully submitted,




David C. Dear

David C. Dear
Interim County Manager

DESCRIPTION	FY 2014 BUDGET ORDINANCE	FY 2013 BUDGET ORDINANCE	FY 2012 BUDGET ORDINANCE
<u>GENERAL FUND CLASSIFICATION:</u>			
Primary Government Services	\$ 64,780,831	\$ 60,242,441	\$ 58,947,189
Social Services & Public Assistance	23,975,076	22,828,890	23,470,053
Public Health	12,940,889	12,917,250	13,183,322
Employee Wellness	787,493	778,579	863,200
Court Facilities	324,286	322,822	321,078
Schools Property Taxes	11,205,000	10,425,000	10,080,000
Workers' Compensation	725,000	720,000	722,000
Health Insurance	680,493	632,000	720,000
TOTAL, INCLUDING TRANSFERS:	115,419,068	108,866,982	108,306,842
LESS TRANSFERS:	(14,736,081)	(13,700,762)	(13,454,952)
TOTAL, EXCLUDING TRANSFERS:	100,682,987	95,166,220	94,851,890
<u>SPECIAL REVENUE FUND CLASSIFICATION:</u>			
Emergency Telephone (E911)	395,863	353,291	381,896
County Fire Service District	1,815,966	1,515,966	1,554,266
Community Development	66,667	-	-
TOTAL, INCLUDING TRANSFERS:	2,278,496	1,869,257	1,936,162
LESS TRANSFERS:	(66,667)	(300,000)	-
TOTAL, EXCLUDING TRANSFERS:	2,211,829	1,569,257	1,936,162
<u>DEBT SERVICE FUND CLASSIFICATION:</u>			
	5,316,869	5,531,160	5,650,061
LESS TRANSFERS:	(4,006,934)	(3,968,572)	(4,037,251)
TOTAL, EXCLUDING TRANSFERS:	1,309,935	1,562,588	1,612,810
<u>CAPITAL PROJECT FUND CLASSIFICATION:</u>			
Capital Projects	1,429,867	1,183,334	1,500,000
County Capital Reserve	1,429,867	1,183,344	1,500,000
Schools Capital Reserve	3,172,123	3,187,174	3,204,254
TOTAL, INCLUDING TRANSFERS:	6,031,857	5,553,842	6,204,254
LESS TRANSFERS:	(2,329,867)	(2,283,334)	(2,600,000)
TOTAL, EXCLUDING TRANSFERS:	3,701,990	3,270,508	3,604,254
<u>ENTERPRISE FUND CLASSIFICATION:</u>			
Solid Waste-Collection and Disposal	6,297,893	6,252,447	5,569,951
Conference Center	500,000	250,000	1,554,266
TOTAL, INCLUDING TRANSFERS:	6,797,893	6,502,447	5,569,951
LESS TRANSFERS:	(750,000)	(500,000)	(250,000)
TOTAL, EXCLUDING TRANSFERS:	6,047,893	6,002,447	5,319,951
TOTAL, INCLUDING TRANSFERS:	135,844,183	128,323,688	127,667,270
LESS TRANSFERS**	(21,889,549)	(20,752,668)	(20,342,203)
TOTAL, EXCLUDING TRANSFERS:	\$113,954,634	\$107,571,020	\$107,325,067

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013
I: PREFACE AND INTRODUCTION
B. List of Principal County Officials**

BOARD OF COUNTY COMMISSIONERS

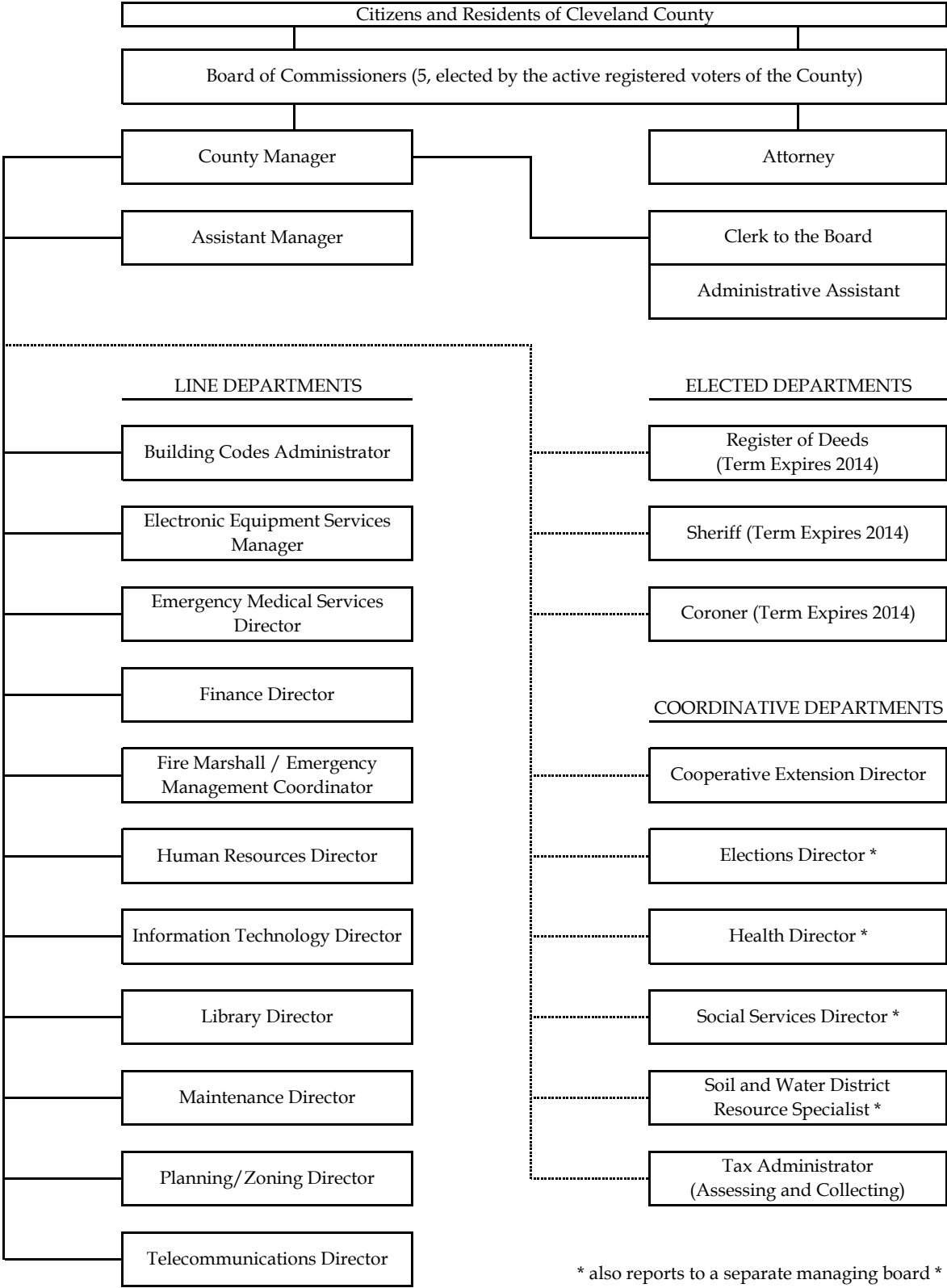
<p>SUSAN ALLEN Commissioner Term Expires 2016</p>	<p>RONNIE HAWKINS Commission Chair Term Expires 2016</p>	<p>EDDIE HOLBROOK Commissioner Term Expires 2014</p>
<p>JASON FALLS Commission Vice-Chair Term Expires 2014</p>		<p>JOHNNY HUTCHINS Commissioner Term Expires 2016</p>
		
		

COUNTY OFFICIALS

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

**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013
I: PREFACE AND INTRODUCTION
C. Organizational Chart**



* also reports to a separate managing board *

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013
I: PREFACE AND INTRODUCTION
D. Introduction from the County Finance Director

November 22, 2013

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

County management hereby respectfully submits, and is responsible for the contents of, the *Annual Financial and Compliance Report for the Year Ended June 30, 2013* to the Cleveland County Board of Commissioners, residents of Cleveland County, and other readers. With this *Annual Financial and Compliance Report* of Cleveland County, North Carolina, management portrays the basic financial condition, and recent changes thereto, of the County government.

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

County's Responsibilities

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

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

County management has established a comprehensive internal control framework that is designed both 1) to help protect the County's assets from loss, theft, or misuse and 2) to compile sufficient reliable information presented in this report as the County's official financial statements and related schedules such that the presented information complies with U. S. generally accepted accounting principles. While County management conducts its continuing assessment, the County asserts reasonable assurance, not absolute assurance, that its internal control over both 1) the effectiveness and efficiency of operations and 2) financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, as of June 30, 2013 was operating effectively.

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

Assertions

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

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

Description of Cleveland County

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

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

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

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

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

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

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

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

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

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

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

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

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

Belwood Heritage Museum 704-538-3451	Lawndale Historical Society 704-538-7212
Bessemer City/Kings Mountain Drive-In 704-739-2150	Moss Lake, Kings Mountain 704-482-7926
Brackett Cedar Park 704-538-7124	Neisler Natatorium, Kings Mountain 704-734-5654
Broad River Greenway, Boiling Springs 704-434-2357	Pine Grove Golf Course, Shelby 704-487-0455
Carmike 10, Cleveland Mall, Shelby 704-482-8333	Royster Memorial Golf Course, Shelby 704-484-6823
Challenger 3 Golf Club, Shelby 704-482-5061	Shelby City Park Aquatic Center 704-484-6826
Cleveland County Arts Council, Shelby 704-484-2787	Shelby City Park Carrousel and Rotary Train 704-484-6476
Cleveland Memorial Library, Shelby 704-487-9069	Shelby Parks and Recreation 704-484-6839
Crowders Mountain State Park, Gastonia 704-853-5375	Spangler Branch Library, Lawndale 704-538-7005
Deer Brook Golf Club, Shelby 704-482-4653	Sunset Drive-In, Mooresboro 704-434-7782
Kings Mountain Country Club 704-739-3221	Thunder Valley Speedway, Lawndale 704-538-9666
Kings Mountain Historical Fire Museum 704-74-0555	Woodbridge Golf Links, Kings Mountain 704-482-0353
Kings Mountain Historical Museum 704-739-1019	YMCA Boiling Springs 704-434-0441
Kings Mountain Mauney Memorial Library 704-739-2371	YMCA Kings Mountain 704-734-0449
Kings Mountain National Military Park 864-936-7921	YMCA Shelby 704-484-9622
Kings Mountain State Park 803-222-3209	YMCA Shelby - River Bend Golf Course 704-482-4286

Long-Term Financial Planning

To improve the County's financial position, the County annually evaluates and plans long-term operating and capital needs for all provided services and programs. The formal plan is titled the "Capital Improvement Program" (CIP). The plan addresses both 1) the projected costs of additional operating and capital needs and 2) the strategy to provide financial resources from which to pay the costs in the foreseeable future. The items included in the first

year of the plan are reflected in the County's operating budget for the year ending June 30, 2014.

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

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

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

Summary

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

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

Respectfully submitted,

C D Crepps

C. D. Crepps
County Finance Director

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**Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013**

II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

	<u>Identifier</u>	<u>Page No.</u>
A. Report from the Independent Auditor	Subsection II.A	20
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	87
E. Other Supplementary Information	Subsection II.E.	128

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Cleveland County
Shelby, North Carolina

Report On the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 the 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 any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cleveland County's basic financial statements. The introductory information, combining and individual fund financial statements, budgetary schedules, other schedules, statistical section, as well as the accompanying Schedule of Expenditures of Federal and State Awards 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, budgetary schedules, other schedules and the Schedule of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and; accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013 on our consideration of Cleveland County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cleveland County's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 22, 2013

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2013
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, 2013* 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 \$102,340,087. This amount is also referred to as total net position.
- On a government-wide basis, total net position decreased by (\$43,091,618) from last year, nearly entirely due to both 1) retirement of buildings and property not yet fully depreciated, as it was sold to a regional hospital authority, within human services governmental activities, less proceeds from this sale and 2) a large increase in the estimated future liability for landfill closure, post-closure, and possible corrective action costs within solid waste collection and disposal business-type activities, 3) partially offset by increases in property tax revenues.
- The ending fund balances of all governmental funds combined equals \$51,804,272, an increase of \$20,142,013 from prior year. This increase is primarily due to sale of buildings and property to a regional hospital authority in the General Fund and partially offset by Capital Projects Fund expenditures.
- At the end of the fiscal year, fund balance available for appropriation in the General Fund was \$36,390,732, or 39.1% of total General Fund expenditures for the fiscal year. However, only \$5,941,744 is found in unassigned fund balance as \$22,000,000 has been committed and \$7,693,089 has been assigned.
- The County subtracted \$60,298,566 (35.0%) from total capital assets during the fiscal year, resulting in an ending balance of \$112,092,885, due primarily to retirement of buildings and property not yet fully depreciated, as it was sold to a regional hospital authority.
- Total long-term liabilities increased by \$3,132,178 (5.0%) to \$65,403,894 during the fiscal year due primarily to a \$5,141,521 increase in the estimated future liability for landfill closure, post-closure, and possible corrective action costs, partially offset by regular decreases in outstanding principal due to meeting debt service obligations.

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 Schedules, and
6. Fiduciary Funds Financial Statement

Basic Financial Statements (BFS) and Required Supplementary Information (RSI)

Summary

RSI - Management's Discussion and Analysis (MD&A)

BFS - Government-Wide Financial Statements (GWFS)

BFS - Fund Financial Statements (FFS)

Governmental Fund Financial Statements

Budgetary Comparison Statements-Major Governmental Funds

Proprietary Fund Financial Statements- Enterprise Funds

Fiduciary Fund Financial Statements

BFS - Notes to Financial Statements (Notes)

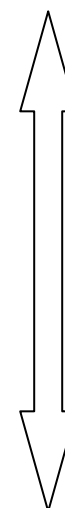
RSI - Other Supplementary Schedules

Actuarial Supplementary Information

Budgetary Comparison Schedules

Other Supplementary Information

Figure 1. Level of Detail



Detail

Basic Financial Statements

Through the Government-Wide Financial Statements and the Fund Financial Statements, these 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.

In both the Government-Wide Statement of Net Position (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. Government-Wide Financial Statements report the amount of net position of the County at the end of the fiscal year and how the net position has changed over the fiscal year. 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 position, computed similar to net worth, is the difference between the County's total assets (or possessions) and total liabilities (or debts). Measuring net position is one way to assess the County's financial condition. Through the for-profit perspective, changes in the net position 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 possessions and related obligations 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 Position 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. Similar schedules for other funds are shown as required supplementary information. 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 for governments 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 Position. 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. In addition, schedules of uncollected property taxes for all taxing districts in the County are individually shown.

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 position and the changes in net position. As noted earlier, net position 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 Position and Changes in Net Position

In the fiscal year ended June 30, 2013, net position decreased by \$43,091,618 to \$102,340,087. This decrease is nearly entirely due to both 1) retirement of buildings and property not yet fully depreciated, as it was sold to a regional hospital authority, within human services governmental activities, less proceeds of \$23,000,000 from this sale and 2) a \$5,141,521 increase in the estimated future liability for landfill closure, post-closure, and possible corrective action costs within solid waste collection and disposal business-type activities, 3) partially offset by an increase of \$2,659,160 in property tax revenues as compared to the prior year.

Table 1. Condensed Statement of Net Position

Category	Governmental Activities			Business-Type Activities		
	2013	2012	2011	2013	2012	2011
(amounts depicted in thousands of dollars)						
Current and other assets	\$ 58,344	\$ 41,076	\$ 61,120	\$ 2,771	\$ 2,538	\$ 5,954
Capital assets	95,703	156,222	134,350	16,390	16,169	15,040
Total assets	154,047	197,298	195,470	19,161	18,707	20,994
Current and other liabilities	5,109	7,999	11,778	355	302	704
Long-term liabilities	53,647	55,734	57,894	11,757	6,538	7,640
Total liabilities	58,756	63,733	69,672	12,112	6,840	8,344
Net investment in capital assets	53,301	112,384	85,694	16,390	16,169	15,040
Restricted	23,947	20,948	39,629	-	-	-
Unrestricted	18,043	233	475	(9,341)	(4,302)	(2,390)
Total net position	\$ 95,291	\$ 133,565	\$ 125,798	\$ 7,049	\$ 11,867	\$ 12,650

Table 2. Condensed Statement of Activities

Category	Governmental Activities			Business-Type Activities		
	2013	2012	2011	2013	2012	2011
(amounts depicted in thousands of dollars)						
Revenues:						
Program revenues						
Charges for services	\$ 25,435	\$ 26,090	\$ 23,496	\$ 5,058	\$ 5,545	\$ 4,990
Program grants & contributions	32,037	30,988	28,309	402	2,240	2,262
General revenues						
Property and other taxes	51,627	48,840	46,478	-	-	-
General grants & contributions	380	380	190	-	-	-
Investment earnings	89	101	202	1	2	44
Total revenues	109,568	106,399	98,675	5,461	7,787	7,296
Program expenses:						
General government	9,360	8,692	6,759	-	-	-
Transportation	39	39	39	-	-	-
Public safety	23,608	24,750	23,198	-	-	-
Human services	36,534	35,481	36,593	-	-	-
Education	26,507	26,032	26,348	-	-	-
Economic and phys. development	6,394	2,780	3,882	-	-	-
Cultural	1,475	1,213	1,017	593	217	-
Solid waste/environmental	-	-	-	10,252	5,789	8,641
Interest on long-term liabilities	2,110	2,209	2,284	-	-	-
Total expenses	106,027	101,196	100,120	10,845	6,006	8,641
Excess (deficiency) before special sale and transfers	3,541	5,203	(1,445)	(5,384)	1,781	(1,345)
Special item - loss	(41,249)	-	-	-	-	-
Transfers	(566)	2,564	336	566	(2,564)	(336)
Change in net position	(38,274)	7,767	(1,109)	(4,818)	(783)	(1,681)
Net position, beginning (July 1)	133,565	125,798	126,907	11,867	12,650	14,331
Net position, ending (June 30)	\$ 95,291	\$ 133,565	\$ 125,798	\$ 7,049	\$ 11,867	\$ 12,650

As seen in Table 1, net position has three components, namely 1) unrestricted net position, 2) restricted net position, and 3) net investment in capital assets. The figure given as the amount “net investment in capital assets” 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 less any related debt still outstanding that was issued to acquire those items. Although “net 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 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 position represents the portion of Cleveland County’s resources that are subject to external restrictions on how they may be used. The remaining balance of net position is unrestricted and may be used to meet the government’s ongoing obligations to citizens, merchants, and creditors.

Each year-end balance of unrestricted net position 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 “net investment in capital assets”. As the principal of such debt increases or decreases, unrestricted net position 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, both the school buildings built with this debt and future debts and the outstanding principal on this debt and future debts used to finance construction of school buildings will be included in the calculation of “net investment in capital assets”. From the period before 2010, only \$850,000 in outstanding debt related to school buildings remains.

Of total revenues from both governmental and business-type activities for the year ended June 30, 2013, 44.88% stems from property and other taxes, 28.20% from program grants and contributions, and 26.51% from charges for services. For the year ended June 30, 2012, 42.77% stems from property and other taxes, 29.10% from program grants and contributions, and 27.71% from charges for services, fairly consistent numbers from the prior year.

Table 3. Condensed Statement of Activities (Percentages)

Category	Governmental Activities			Business-Type Activities		
	2013	2012	2011	2013	2012	2011
Revenues:						
Program revenues						
Charges for services	23.21%	24.52%	23.81%	92.62%	71.21%	68.39%
Program grants and contributions	29.24%	29.12%	28.69%	7.36%	28.76%	31.00%
General revenues						
Property and other taxes	47.12%	45.90%	47.10%	0.00%	0.00%	0.00%
General grants and contributions	0.35%	0.36%	0.19%	0.00%	0.00%	0.00%
Investment earnings	0.08%	0.10%	0.21%	0.02%	0.03%	0.61%
Total revenues	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Program expenses:						
General government	8.83%	8.59%	6.75%	0.00%	0.00%	0.00%
Transportation	0.04%	0.04%	0.04%	0.00%	0.00%	0.00%
Public safety	22.26%	24.46%	23.17%	0.00%	0.00%	0.00%
Human services	34.46%	35.06%	36.55%	0.00%	0.00%	0.00%
Education	25.00%	25.72%	26.31%	0.00%	0.00%	0.00%
Economic and phys. development	6.03%	2.75%	3.88%	0.00%	0.00%	0.00%
Cultural	1.39%	1.20%	1.02%	5.47%	3.61%	0.00%
Solid waste/environmental	0.00%	0.00%	0.00%	94.53%	96.39%	100.00%
Interest on long-term liabilities	1.99%	2.18%	2.28%	0.00%	0.00%	0.00%
Total expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Of total expenses from both governmental activities and business-type activities for the year ended June 30, 2013, about 31.26% is spent toward human service programs, 22.68% toward education programs, and 20.20% on public safety programs. For the year ended June 30, 2012, about 33.10% is spent toward human service programs, 24.28% toward education programs, and 23.09% on public safety programs. Expenses in these main programs are decreasing due to increases in other programs, such as economic and physical development and environmental.

To summarize, the County's total revenues are \$115.0 million, and total expenses are \$116.9 for the year ended June 30, 2013, less a special item of \$41.2 (due to retirement of buildings and property not yet fully depreciated, as it was sold to a regional hospital authority, within human services governmental activities, less proceeds from this sale of capital assets), subtracting about \$43.1 million from the total net position of the County for the year ended June 30, 2013. For the year ended June 30, 2012, the County's total revenues are \$114.2 million and total expenses are \$107.2, adding about \$7.0 million to the total net position of the County. See Table 2 and Table 3 above.

Other indicators of the County's financial condition include the net position ratio, debt-to-assets ratio, capital assets condition ratio, total margin ratio, percentage change in net position, 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 = \$115,021,818, which is total general revenues and transfers (\$52,097,615), plus program revenues (\$30,493,563 + \$23,751,480 + \$8,679,160) of the County (from Exhibit II.C.1.b)
- total resource outflow = \$116,864,253, which is total expenses of the County (from Exhibit II.C.1.b)
- total margin ratio = \$115,021,818 / \$116,864,253 = 0.984

2) percentage (%) change in net position = (change in net position) divided by (beginning net position)

- change in net position = - \$43,091,618 (from Exhibit II.C.1.b)
- beginning net position = \$145,431,705 (from Exhibit II.C.1.b)
- percentage (%) change in net position = - \$43,091,618 / \$145,431,705 = - 29.6%

3) debt service ratio = (principal payments plus interest and fees payments) divided by (total resource outflow plus principal payments)

- principal payments = \$40,971 + \$3,371,169 = \$3,412,140 (from Exhibits II.C.2.b)
- interest and fees payments = \$2,499 + \$2,155,725 = \$2,158,224 (from Exhibits II.C.2.b)
- debt service ratio = (\$3,412,140 + \$2,158,224) / (\$116,864,253 + \$3,412,140) = 0.046

4) quick ratio =(cash and cash equivalents) divided by (current liabilities)

- cash and cash equivalents = \$49,582,938 (from Exhibit II.C.1.a)
- current liabilities = \$3,222,498 + \$1,374,478 + \$703,950 + \$163,173 = \$5,464,099 (from Exhibit II.C.1.a)
- quick ratio = \$49,582,938 / \$5,464,099 = 9.074

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

Indicator Name / Result	2013	2012	2011	2010	2009	2008	2007
total margin ratio	0.984	1.065	0.974	1.013	0.985	1.243	1.110
% change in net position	(0.296)	0.050	(0.020)	0.009	(0.011)	0.214	0.102
debt service ratio	0.046	0.051	0.041	0.039	0.030	0.049	0.053
quick ratio	9.074	3.553	2.730	6.291	7.657	8.916	10.663
net position ratio	0.123	(0.058)	(0.025)	0.795	0.864	1.279	1.419
debt-to-assets ratio	0.378	0.288	0.303	0.245	0.167	0.122	0.132
capital assets condition ratio	0.674	0.607	0.615	0.642	0.651	0.676	0.637

5) net position ratio = (unrestricted net position) divided by (total liabilities)

- unrestricted net position = \$8,701,668 (from Exhibit II.C.1.a)
- total liabilities = \$70,867,993 (from Exhibit II.C.1.a)
- net position ratio = $\$8,701,668 / \$70,867,993 = 0.123$

6) debt-to-assets ratio = (outstanding long-term liabilities) divided by (total assets)

- outstanding long-term liabilities = \$65,403,894 (from Exhibit II.C.1.a)
- total assets = \$173,208,080 (from Exhibit II.C.1.a)
- debt-to-assets ratio = $\$65,403,894 / \$173,208,080 = 0.378$

7) capital assets condition ratio = (1.000) less ((accumulated depreciation) divided by (capital assets being depreciated))

- accumulated depreciation = $\$25,888,011 + \$8,095,615 = \$33,983,626$ (from Note b.A.5 on Capital Assets)
- capital assets being depreciated = $\$93,199,659 + \$11,014,714 = \$104,214,373$ (from Note b.A.5 on Capital Assets)
- capital assets condition ratio = $1.000 - (\$33,983,626 / \$104,214,373) = 0.674$

Governmental Activities

Governmental activities decreased the County's net position by \$38,273,545, thereby, responsible for 88.8% of the overall decrease in total government-wide net position. See both Table 2 and Table 3 above. This decrease in net position is primarily due to retirement of buildings and property not yet fully depreciated, as it was sold to a regional hospital authority, within human services governmental activities, less \$23,000,000 proceeds from this sale, partially offset by increases in property tax revenues. Many other governmental activities, both revenues and expenses, remain consistent from the prior year.

Business-Type Activities

Business-type activities decreased the County's net position by another \$4,818,073, accounting for the remaining 11.2% of the overall decrease in total government-wide net position. See both Table 2 and Table 3 above. A large increase in the estimated future liability for landfill closure, post-closure, and possible corrective action costs within solid waste collection and disposal business-type activities leads to this decrease in net position. Not only did the State require a minimum of \$2,000,000 in new estimated costs for possible corrective action, the County's engineer also increased estimated costs by over \$3,000,000 for future closure and post-closure costs of the landfill program. The County's general government governmental activities continues to transfer funds back to the solid waste collection and disposal activities to return monies used for economic development governmental activities.

Due to the nature of the landfill business and the large expense of opening and closing landfill sites, the County intends 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 position. 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 business-type activity at the County is the cultural activities of operating a Conference Center. During the prior year, these activities were started to account for the purchase of equipment and other assets needed for establishing and furnishing this new facility. Beginning with this year, these activities 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, 2013*.

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 \$39.5 million, up from \$18.4 a year ago. 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 35.51%, and total fund balance amounts to 46.57% of total expenditures. Last year, for all governmental funds, fund balance available for appropriation amounts to 18.51% and total fund balance amounts to 26.57% of total expenditures. More financial indicators are shown in Table 5 below, preceded by a description of each indicator.

Further, except for the amount of fund balance classified as “Restricted for Stabilization of State Statute”, all other 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 confined 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, 2013, the County reports \$51,804,272 as the combined fund balance of all governmental funds. The total increase in the combined fund balance of all governmental funds of \$20,142,013 may be primarily attributed to \$23,000,000 of proceeds from the special sale of Health Department building and nearby buildings to a regional hospital authority. Offsetting this increase is spending the remaining \$1,652,151 of debt proceeds from 2010; these proceeds impact fund balance positively when received and negatively when spent.

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 \$36,390,732, while total fund balance reached \$47,266,926. The total increase in the fund balance of the General Fund of \$22,203,212 is nearly entirely attributed to the \$23,000,000 proceeds from the special sale of Health Department building and nearby buildings to a regional hospital authority. Fund balance available for appropriation represents 39.1% of total General Fund expenditures, while total fund balance represents 50.8% of that same amount. This large increase in fund balance of the General Fund will be offset over the next few years as a replacement facility is constructed to house the County’s Health Department and related programs.

At June 30, 2012, 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.

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. As a replacement facility is constructed to house the County’s Health Department and related programs, the County will continue to monitor programs to achieve a calculated percentage near 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, 2013. The County plans to accumulate cash to help 1) finance current and future projects and 2) purchase planned assets.

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 = \$116,918,241, which is total revenues (\$108,370,595) plus transfers in (\$8,547,646) of the County's governmental funds (from Exhibit II.C.2.b)
- transfers in to capital project-type funds = \$2,512,503, which is total transfers in to Capital Projects Fund (from Exhibit II.E.02)
- total expenditures plus transfers out = \$120,178,599, which is total expenditures (\$111,065,009) plus transfers out (\$9,113,590) of the County's governmental funds (from Exhibit II.C.2.b)
- proceeds from capital leases and installment financing = \$52,633 (from Exhibit II.C.2.b)
- transfers out from capital projects-type funds = \$3,220,422, which is total transfers out from Capital Projects Fund (from Exhibit II.E.02)
- operations ratio = $(\$116,918,241 - \$2,512,503) / (\$120,178,599 - \$52,633 - \$3,220,422) = 0.979$

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

- change in fund balance = \$20,142,013 (from Exhibit II.C.2.b)
- beginning fund balance = \$31,662,259 (from Exhibit II.C.2.b)
- percentage change in fund balance = $\$20,142,013 / \$31,662,259 = 63.6\%$

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 = \$3,412,140 (from Exhibit II.C.2.b)
- interest payments = \$2,158,224 (from Exhibit II.C.2.b)
- debt service ratio = $(\$3,412,140 + \$2,158,224) / (\$120,172,526 - \$52,633 - \$3,220,422) = 0.048$

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

- cash and cash equivalents = \$47,594,877 (from Exhibit II.C.2.a)
- current liabilities--not including deferred revenues = $\$2,844,816 + \$25,480 + \$1,371,548 + \$3,869,687 + \$163,713 = \$8,274,704$ (from Exhibit II.C.2.a)
- quick ratio = $\$47,594,877 / \$8,274,704 = 5.752$

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 = \$39,500,514 (from Exhibit II.C.2.a)
- available fund balance-to-expenditures ratio = $\$39,500,514 / (\$120,178,599 - \$52,633 - \$3,220,422) = 0.338$

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

- long-term debt = \$43,738,829 (from detail notes in Exhibit II.C.3.b.B.7.e)
- total assessed value used for property tax purposes = \$7,437,493,464 (from Exhibit II.E.03)
- debt-to-assessed value ratio = $\$43,738,829 / \$7,437,493,464 = 0.0059$

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

- intergovernmental revenues = \$28,047,476 (from Exhibit II.C.2.b)
- intergovernmental ratio = $\$28,047,476 / (\$116,912,168 - \$2,512,503) = 0.245$

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

Indicator Name / Result	2013	2012	2011	2010	2009	2008	2007
operations ratio	0.979	0.875	0.910	1.140	0.955	1.034	1.007
% change in fund balance	0.636	(0.321)	(0.211)	0.317	(0.000005)	0.164	0.038
debt service ratio	0.048	0.044	0.040	0.045	0.030	0.052	0.055
quick ratio	5.752	2.560	2.172	5.590	6.817	8.290	7.614
available fund balance-to-expenditures	0.338	0.144	0.139	0.330	0.318	0.356	0.292
debt-to-assessed value ratio	0.0059	0.0067	0.0076	0.0054	0.0025	0.0021	0.0020
intergovernmental ratio	0.245	0.246	0.235	0.213	0.214	0.222	0.224

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 position of the Solid Waste Fund and Conference Center Fund at the end of the fiscal year amounted to - \$9,341,301 and total net position of the funds are \$7,049,118. 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

Capital Assets. Cleveland County's capital assets for its governmental and business-type activities as of June 30, 2013 totals \$112,092,885 (net of accumulated depreciation), which represents a decrease of \$60,298,566 from prior year, whereas total capital assets as of June 30, 2012 were \$172,391,451 (net of accumulated depreciation), which represented 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. See Table 6 below. Major capital asset transactions during the year include:

- Acquisition of capital assets other than equipment and vehicles through the purchase, major renovation, construction, or received donation of land and buildings (\$9,547,220 increase)
- Increase in accumulated depreciation, including depreciation expense on equipment and vehicles of \$1,525,955 and on capital assets other than equipment and vehicles of \$2,866,454 (\$4,392,409 decrease to reported capital assets).
- Retirement of properties sold to a regional hospital authority and other properties of \$95,682,977 and retirement of related depreciation of \$29,932,663.

The County's investments in capital assets decreased over 34.98% from the previous year. Find additional information on the County's capital assets in the Notes to Financial Statements, see Note 1.E. and Note 3.A.

Table 6. Capital Assets, net of Accumulated Depreciation

Category	Governmental Activities			Business-Type Activities		
	2013	2012	2011	2013	2012	2011
(amounts depicted in thousands of dollars)						
Land and land improvements	\$ 15,907	\$ 20,322	\$ 15,621	\$ 13,471	\$ 13,478	\$ 10,324
Construction in progress	12,484	47,045	35,425	-	-	1,444
Buildings and improvements	58,846	79,568	73,110	877	868	859
Equipment (including vehicles)	3,390	3,748	4,190	1,955	1,462	1,776
Leasehold improvements	207	221	235	8	9	9
Infrastructure	4,869	5,318	5,769	79	352	628
Total capital assets, net	\$ 95,703	\$ 156,222	\$ 134,350	\$ 16,390	\$ 16,169	\$ 15,040

Long-Term Liabilities. As of June 30, 2013, Cleveland County had total long-term liabilities outstanding of \$65,403,894, of which total indebtedness (debt backed by the full faith and credit of the County) amounted to

\$43,738,829. During the year ended June 30, 2013, the change in total long-term liabilities was \$3,132,178 (or 5.03%) and the change in outstanding indebtedness was -\$3,359,506. During the year, the County met all normal debt service requirements (both principal and interest payments) of \$5,536,282.

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 \$499,244,422. See Subsection III.C within Section III for more information on the calculation of the legal debt margin and other information concerning long-term debt. Additional information regarding the County's long-term obligations can be found in the Notes to Financial Statements, see Note a.D.8 and Note b.B.7.

BUDGETARY HIGHLIGHTS

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

General Fund: Total amendments to the General Fund increased budgeted revenues by \$31,377,819, appropriations of fund balance by \$4,059,349, and incoming transfers from other funds by \$372,168 for a total budgetary increase of \$35,809,336. The primary reasons for these increases were: (1) to carryforward budget related to a) unspent grant awards and other restricted resources (such as donations), b) unpaid obligations (i.e. year-end outstanding encumbrances), c) uncollected and undistributed property taxes for public schools, and d) other incomplete projects, (2) to accept new grants and other new resources for the purchase of various supplies, equipment, and services, (3) to accept new grants for recruiting new and expanding facilities at AT&T, Baldor, Clearwater Paper, Schletter, FAS Controls, PPG, Greenheck, Curtiss-Wright, and other industries to locate and expand facilities within Cleveland County, (4) to accept new public assistance grants that helped with residential heating costs and temporary employment, (5) to budget insurance reimbursements for large claims, and (6) to accept new revenues for school projects and receipt of \$23,000,000 for construction of a new health department building and related facilities.

Capital Projects Fund. Budget amendments to the Capital Projects Fund increased revenues and expenditures by \$28,938,604 for various purposes: (1) to appropriate proceeds from the State lottery for renovations to convert part of an old school facility to use as a school for disadvantaged students, (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), (3) to acknowledge the planned use of \$22,000,000 of sale proceeds for the construction of a new health department building and related facilities, (4) to budget additional

funds for the continued interior renovations of the historic courthouse in Shelby, and (5) to remit \$1,000,000 to the local organizing committee of the American Legion World Series for improvements at the baseball field and nearby parking at Shelby High School.

Solid Waste Fund. In the County's oldest Enterprise Fund, total amendments to the Solid Waste Fund increased revenues and expenditures by \$107,542 primarily to account for the continued closing and capping of an old landfill cell closed for use in 2010.

Conference Center Fund. In the County's newest Enterprise Fund, total amendments to the Conference Center Fund increased revenues and expenditures by \$393,178 primarily to provide support for the management company enlisted to oversee the pre-opening activities and operations of the new conference center.

Non-major Funds. Total amendments to non-major funds of \$859,404 include the carryforward budget of incomplete special projects and budget for new special projects (including grants), budget for a new project to use a portion of E911 Fund balance for switch to VOIP system, budget for new federal community development block grant (CDBG) proceeds of \$250,000 for equipment purchase for a local company, and budget for use of other proceeds to cover the shortfall from the federal government for interest subsidy payments due to sequestration.

The Community Development Fund is budgeted by project ordinance instead of the annual budget ordinance. The County budgeted \$620,953 in the Community Development Fund, which is reported as a non-major 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	\$ 96,966,474	\$ 35,809,336	\$ 132,775,810
Capital Projects Fund	4,370,508	28,938,604	33,309,112
Solid Waste Fund	6,252,447	107,542	6,359,989
Conference Center Fund	250,000	393,178	643,178
Non-major Funds	7,400,417	859,404	8,259,821
Totals	\$ 115,239,846	\$ 66,108,064	\$ 181,347,910

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, 2016.

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 continued improvement. The County budgets for normal increases in employee compensation, including funding compensation and benefits adjustments, and other planned expenditures.

Business-Type Activities: Solid waste collection and disposal activities in fiscal year 2014 should see increases in collections of departmental fees when compared to prior year. 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 fees for services and adjust the fee structure as needed.

All Funds: Total County budget for fiscal year 2014 increases estimated revenues and appropriations by \$6,383,614 (or 5.93%) from the prior year, driven in large part by increases in the General Fund due to 1) an increase of \$3,764,165 for first year payments of nearly 20 incentive grants to new or expanding industries, 2) an increase of \$691,140 to serve those seeking assistance from the County's Department of Social Services, and 3) an increase of \$780,000 to distribute property taxes collected specifically for public schools. Plus, many other funds also showed budget increases. For a look at the County's adopted budget for fiscal year 2014, review Subsection I.A, Message from the County Manager, found at the beginning of Section I.

Governmental Fund: The fiscal year 2014 budget for the General Fund increases estimated revenues and appropriations by \$5,516,767, or 5.80%. The fiscal year 2014 budget for the Capital Projects Fund increases estimated revenues and appropriations by \$431,482, or 13.19%. All other governmental funds combined for a net increase of \$389,919.

The total County budget for fiscal year 2013 decreased estimated revenues and appropriations by \$436,543 (or 0.36%, 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.

Enterprise Fund: The fiscal year 2014 budget for the Solid Waste Fund increases estimated revenues and appropriations by \$45,446, or 0.73%. The fiscal year 2014 budget for the Conference Center Fund increases estimated revenues and appropriations by \$250,000, or 100.00%.

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

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013
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, 2013
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
C. Basic Financial Statements (includes Notes to Financial Statements)
1. Government-Wide Financial Statements

	Identifier	Page No.
a. Government-Wide Statement of Net Position	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 Position

June 30, 2013

With Comparative Totals as of June 30, 2012

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2013	2012
ASSETS				
Cash and cash equivalents	\$ 47,594,877	\$ 1,985,131	\$ 49,580,008	\$ 29,491,878
Taxes receivable, net	2,004,847	-	2,004,847	2,034,585
Accounts receivable, net	8,284,646	595,322	8,879,968	10,088,819
Inventories	111,774	-	111,774	91,497
Prepaid items	278,107	187,561	465,668	184,212
Restricted cash	-	2,930	2,930	1,652,151
Loan receivable	70,000	-	70,000	70,000
Capital assets				
Land and construction in progress	28,391,232	13,470,906	41,862,138	80,845,306
Other capital assets, net of accumulated depreciation	67,311,648	2,919,099	70,230,747	91,546,145
Total capital assets	95,702,880	16,390,005	112,092,885	172,391,451
Total Assets	154,047,131	19,160,949	173,208,080	216,004,593
LIABILITIES				
Accounts payable and accrued expenses	2,870,296	352,202	3,222,498	6,073,804
Unearned revenues	1,371,548	-	1,371,548	1,284,204
Accrued interest payable	703,950	-	703,950	752,042
Payable from restricted assets	-	2,930	2,930	2,905
Due to other taxing units	163,173	-	163,173	188,217
Long-term liabilities				
Current portion of long-term liabilities	5,192,060	34,540	5,226,600	5,007,148
Non-current portion of long-term liabilities	48,455,135	11,722,159	60,177,294	57,264,568
Total Long-term liabilities	53,647,195	11,756,699	65,403,894	62,271,716
Total Liabilities	58,756,162	12,111,831	70,867,993	70,572,888
NET POSITION				
Net investment in capital assets	53,300,808	16,390,005	69,690,813	128,552,997
Restricted net position:				
Economic development	50,780	-	50,780	225,948
Education	5,685,619	-	5,685,619	6,175,604
Human services	4,260,002	-	4,260,002	-
Public Safety	1,859,527	-	1,859,527	1,374,764
Stabilization of State Statute	11,913,877	-	11,913,877	12,975,323
Other purposes	177,387	414	177,801	196,376
Total restricted net position	23,947,192	414	23,947,606	20,948,015
Unrestricted net position	18,042,969	(9,341,301)	8,701,668	(4,069,307)
Total Net Position	\$ 95,290,969	\$ 7,049,118	\$ 102,340,087	\$ 145,431,705

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, 2013

With Comparative Totals For the Year Ended June 30, 2012

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	\$ (9,360,189)	\$ 2,303,786	\$ 1,728,852	\$ 47,223	\$ (5,280,328)
Transportation	(39,465)	-	-	-	(39,465)
Public safety	(23,608,034)	5,355,364	1,484,910	252,730	(16,515,030)
Human services	(36,533,683)	6,441,109	16,980,332	3,492	(13,108,750)
Education	(26,506,854)	11,226,358	-	8,269,925	(7,010,571)
Economic and physical development	(6,394,017)	28,732	1,850,639	76,272	(4,438,374)
Cultural and recreational	(1,474,692)	79,738	171,141	29,518	(1,194,295)
Interest on long-term liabilities	(2,110,131)	-	1,142,162	-	(967,969)
Subtotal governmental activities	(106,027,065)	25,435,087	23,358,036	8,679,160	(48,554,782)
Business-type activities					
Conference center operations	(593,350)	-	-	-	(593,350)
Solid waste collection and disposal	(10,243,838)	5,058,476	393,444	-	(4,791,918)
Total business-type activities	(10,837,188)	5,058,476	393,444	-	(5,385,268)
Total primary government	\$ (116,864,253)	\$ 30,493,563	\$ 23,751,480	\$ 8,679,160	\$ (53,940,050)

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

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PRIMARY GOVERNMENT FUNCTIONS / PROGRAMS	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2013	2012
NET PROGRAM REVENUES (EXPENSES)--FROM PRIOR PAGE				
Governmental activities:				
General government	\$ (5,280,328)	\$ -	\$ (5,280,328)	\$ (5,281,186)
Transportation	(39,465)	-	(39,465)	(39,465)
Public safety	(16,515,030)	-	(16,515,030)	(16,565,315)
Human services	(13,108,750)	-	(13,108,750)	(10,066,695)
Education	(7,010,571)	-	(7,010,571)	(11,475,903)
Economic and physical development	(4,438,374)	-	(4,438,374)	366,952
Cultural and recreational	(1,194,295)	-	(1,194,295)	(80,026)
Interest on long-term liabilities	(967,969)	-	(967,969)	(976,449)
Subtotal governmental activities	(48,554,782)	-	(48,554,782)	(44,118,087)
Business-type activities				
Conference center operations	-	(593,350)	(593,350)	(216,822)
Solid waste collection and disposal	-	(4,791,918)	(4,791,918)	1,995,575
Total business-type activities	-	(5,385,268)	(5,385,268)	1,778,753
Total primary government	(48,554,782)	(5,385,268)	(53,940,050)	(42,339,334)
GENERAL REVENUES, SPECIAL ITEMS, AND TRANSFERS:				
Property taxes	42,960,964	-	42,960,964	40,301,804
Local option sales taxes	8,211,061	-	8,211,061	8,077,072
Other taxes and licenses	455,306	-	455,306	461,395
Grants and contributions, general	380,000	-	380,000	380,000
Investment earnings, general	89,033	1,251	90,284	102,919
Total general revenues	52,096,364	1,251	52,097,615	49,323,190
Special item-loss from sale of capital assets	(41,249,183)	-	(41,249,183)	-
Transfers:	(565,944)	565,944	-	-
Total general revenues, special items, and transfers	10,281,237	567,195	10,848,432	49,323,190
CHANGE IN NET POSITION	(38,273,545)	(4,818,073)	(43,091,618)	6,983,856
Net position -- beginning (July 1)	133,564,514	11,867,191	145,431,705	138,447,849
Net position -- ending (June 30)	\$ 95,290,969	\$ 7,049,118	\$ 102,340,087	\$ 145,431,705

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, 2013
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 Position	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 Position	Exhibit II.C.2.d	48
e. Enterprise Funds: Statement of Revenues, Expenses, and Changes in Fund Net Position	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 Position	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, 2013

With Comparative Totals as of June 30, 2012

	Governmental Funds				
	General	Capital Projects	Other Non-major Funds	Totals	
				2013	2012
ASSETS					
Cash and cash equivalents	\$ 40,057,476	\$ 6,185,935	\$ 1,351,466	\$ 47,594,877	\$ 27,505,204
Taxes receivable, net	1,775,562	-	31,991	1,807,553	1,815,695
Accounts receivable, net	6,683,838	1,303,584	297,224	8,284,646	9,540,534
Due from other governmental funds	3,859,976	-	9,711	3,869,687	3,496,276
Inventories	111,774	-	-	111,774	91,497
Prepaid items	272,721	-	5,386	278,107	181,542
Restricted cash	-	-	-	-	1,652,151
Total assets	\$ 52,761,347	\$ 7,489,519	\$ 1,695,778	\$ 61,946,644	\$ 44,282,899
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenses	\$ 2,249,241	\$ 419,340	\$ 176,235	\$ 2,844,816	\$ 5,138,759
Contract retainage	-	20,000	5,480	25,480	635,876
Unearned revenues	1,244,619	118,704	8,225	1,371,548	1,284,204
Unavailable revenues	1,827,677	8,000	31,991	1,867,668	1,877,308
Due to other governmental funds	9,711	3,756,860	103,116	3,869,687	3,496,276
Due to other taxing units	163,173	-	-	163,173	188,217
Total liabilities	5,494,421	4,322,904	325,047	10,142,372	12,620,640
Fund balances					
Non-spendable					
Inventories	111,774	-	-	111,774	91,497
Prepaid items	272,721	-	5,386	278,107	181,542
Restricted					
Stabilization of State Statute	10,491,699	1,295,584	126,594	11,913,877	12,975,323
School Capital Projects	-	3,850,092	-	3,850,092	3,718,958
Emergency Telephone	-	-	1,192,771	1,192,771	1,308,538
County Fire Service District	-	-	45,980	45,980	42,975
Library	177,386	-	-	177,386	196,375
Economic and Physical Development	50,780	-	-	50,780	44,420
Public Safety	508,069	-	-	508,069	16,727
Human Services	19,664	-	-	19,664	-
Committed					
Construction	22,000,000	-	-	22,000,000	-
Assigned					
Subsequent year's expenditures	5,869,570	-	-	5,869,570	5,596,601
Public health - not budgeted	1,533,164	-	-	1,533,164	2,003,965
Incomplete projects	290,355	-	-	290,355	266,565
Unassigned	5,941,744	(1,979,061)	-	3,962,683	5,218,773
Total fund balances	47,266,926	3,166,615	1,370,731	51,804,272	31,662,259
Total liabilities and fund balances	\$ 52,761,347	\$ 7,489,519	\$ 1,695,778	\$ 61,946,644	\$ 44,282,899

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.

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

(continued on next page)

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

(continued from previous page)

June 30, 2013

With Comparative Totals as of June 30, 2012

	2013	2012
Total fund balances of governmental funds	\$ 51,804,272	\$ 31,662,259
<p>The amount reported as total net position of governmental activities in the Government-Wide Statement of Net Assets (Exhibit II.C.1.a) differs from the amount reported as total fund balances of governmental funds on the Governmental Funds: Balance Sheet (Exhibit II.C.2.a) due to the use of different measurement focii and bases of accounting, specifically relating to the following</p>		
1. Interest and penalties on overdue receivables are recognized as revenues when payment is received in the governmental funds, whereas an accrued receivable (asset), net of an allowance for uncollectible interest and penalties, is recognized on the Statement of Net Position. The accrued receivable (asset) balance is:	197,294	218,890
2. Governmental funds report expenditures for items that are treated as additions to long-term assets on the Statement of Net Position. Total long-term assets is:	70,000	70,000
3. Governmental funds report expenditures for items that are treated as additions to capital assets on the Statement of Net Position. Total capital assets before accumulated depreciation is:	121,590,891	207,650,376
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:	(25,888,011)	(51,428,265)
5. Whereas governmental funds record an unavailable 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 unavailable revenue balance is:	1,867,668	1,877,308
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 Position. The accrued interest payable balance is:	(703,950)	(752,042)
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 Position.	(53,647,195)	(55,734,012)
Total net position of governmental activities	<u>\$ 95,290,969</u>	<u>\$ 133,564,514</u>

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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, 2013

With Comparative Totals For the Year Ended June 30, 2012

	Governmental Funds				
	General	Capital Projects	Other Non-major Funds	Totals	
				2013	2012
REVENUES					
Ad valorem property taxes	\$ 54,207,121	\$ -	\$ 971,625	\$ 55,178,746	\$ 52,089,876
Other taxes	8,666,540	2,650,202	539,115	11,855,857	11,765,833
Unrestricted intergovernmental revenues	433,409	-	-	433,409	420,067
Restricted intergovernmental revenues	19,732,659	5,573,758	2,307,650	27,614,067	27,067,213
Licenses, fees, and permits	968,754	-	-	968,754	943,235
Sales and services	10,996,680	-	-	10,996,680	11,919,725
Investment earnings	89,047	71,117	12,741	172,905	167,909
Miscellaneous	969,805	180,372	-	1,150,177	1,878,708
Total revenues	96,064,015	8,475,449	3,831,131	108,370,595	106,252,566
EXPENDITURES					
General government	9,269,169	43,837	66,667	9,379,673	9,003,658
Transportation	39,465	-	-	39,465	39,465
Public safety	18,963,799	29,427	1,876,267	20,869,493	21,823,324
Human services	34,236,952	-	-	34,236,952	33,936,655
Education	23,197,513	7,728,188	-	30,925,701	40,244,921
Economic and physical development	3,144,467	1,952,534	578,289	5,675,290	7,333,100
Cultural and recreational	1,178,071	350,000	-	1,528,071	2,681,883
Schools capital outlay	2,840,000	-	-	2,840,000	3,040,000
Debt service, principal reduction	40,971	-	3,371,169	3,412,140	3,435,998
Debt service, interest and fees	2,499	-	2,155,725	2,158,224	2,255,816
Total expenditures	92,912,906	10,103,986	8,048,117	111,065,009	123,794,820
Excess (deficiency) of revenues over expenditures	3,151,109	(1,628,537)	(4,216,986)	(2,694,414)	(17,542,254)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,638,785	2,512,503	4,396,358	8,547,646	9,941,038
Transfers out	(5,639,315)	(3,220,422)	(253,853)	(9,113,590)	(7,377,295)
Capital lease financing issued	52,633	-	-	52,633	-
Proceeds from sales of capital assets	23,000,000	349,738	-	23,349,738	-
Total other financing sources (uses)	19,052,103	(358,181)	4,142,505	22,836,427	2,563,743
Net change in fund balances	22,203,212	(1,986,718)	(74,481)	20,142,013	(14,978,511)
FUND BALANCES					
Beginning fund balances	25,063,714	5,153,333	1,445,212	31,662,259	46,640,770
Ending fund balances	\$ 47,266,926	\$ 3,166,615	\$ 1,370,731	\$ 51,804,272	\$ 31,662,259

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.

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

(continued on next page)

Cleveland County, North Carolina

b.i. Reconciliation of the 'Governmental Funds: Statement of Revenues,
Expenditures, and Changes in Fund Balances' to the 'Government-Wide
Statement of Activities'

(continued from previous page)

For the Year Ended June 30, 2013

With Comparative Totals For the Year Ended June 30, 2012

	2013	2012
Net change in fund balances of governmental funds	\$ 20,142,013	\$ (14,978,511)
<p>The amount reported as change in net position of governmental activities in the Government-Wide Statement of Activities (Exhibit II.C.1.b) differs from the amount reported as net change in fund balances of governmental funds on the Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances (Exhibit II.C.2.b) due to the use of different measurement focii and bases of accounting, specifically relating to the following reasons:</p>		
1. Whereas all cash proceeds from the disposal of capital assets are recognized as revenues in governmental funds, both cash and non-cash gains and losses from the disposal of a capital asset are recorded on the Statement of Net Position. Net gains (losses) are:	(65,661,538)	(73,878)
2. Governmental funds report expenditures for items that are treated as additions to capital and other long-term assets on the Statement of Net Position. The current year's expenditures are:	9,461,371	26,835,521
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:	(4,392,409)	(4,966,643)
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.	(1,139,356)	(1,276,042)
5. Whereas governmental funds record an unavailable 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 unavailable revenues of governmental funds from prior fiscal year is recognized as a change in current revenues of governmental activities.	(91,226)	(1,256,336)
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 Position. The current year's principal payments made are:	3,412,140	3,435,998
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 Position. An increase (decrease) in the liability's balance is recognized as a decrease (increase) in reported interest expense on the Statement of Activities.	48,093	46,558
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 Position. In the current year, the issuance of new debt amounted to:	(52,633)	-
Total net change in net position of governmental activities	<u>\$ (38,273,545)</u>	<u>\$ 7,766,667</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, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance - Over (Under)
REVENUES				
Ad valorem property taxes	\$ 50,452,525	\$ 51,843,465	\$ 54,207,121	\$ 2,363,656
Other taxes	8,445,000	8,445,000	8,666,540	221,540
Unrestricted intergovernmental revenues	419,000	419,000	433,409	14,409
Restricted intergovernmental revenues	19,641,410	26,238,626	19,732,659	(6,505,967)
Licenses, fees, and permits	913,400	913,400	968,754	55,354
Sales and services	9,329,357	9,383,007	10,996,680	1,613,673
Investment earnings	260,000	260,000	89,047	(170,953)
Miscellaneous	280,633	870,853	969,805	98,952
Total revenues	89,741,325	98,373,351	96,064,015	(2,309,336)
EXPENDITURES				
General government	10,160,504	10,382,905	9,269,169	(1,113,736)
Transportation	39,465	39,465	39,465	-
Public safety	18,702,913	19,540,391	18,963,799	(576,592)
Human services	36,029,413	37,511,023	34,236,952	(3,274,071)
Education	22,314,213	23,712,783	23,197,513	(515,270)
Economic and physical development	1,639,048	7,651,952	3,144,467	(4,507,485)
Cultural and recreational	1,200,294	1,268,709	1,178,071	(90,638)
Schools capital outlay	2,840,000	2,840,000	2,840,000	-
Debt service, principal reduction	66,266	66,266	40,971	(25,295)
Debt service, interest and fees	2,960	2,960	2,499	(461)
Total expenditures	92,995,076	103,016,454	92,912,906	(10,103,548)
Excess of revenues over (under) expenditures	(3,253,751)	(4,643,103)	3,151,109	7,794,212
OTHER FINANCING SOURCES (USES)				
Transfers in	1,628,548	1,715,476	1,638,785	(76,691)
Transfers out	(3,971,398)	(29,759,356)	(5,639,315)	24,120,041
Capital lease financing issued	-	52,633	52,633	-
Proceeds from sales of capital assets	-	23,000,000	23,000,000	-
Fund balance appropriated	5,596,601	9,634,350	-	(9,634,350)
Total other financing sources (uses)	3,253,751	4,643,103	19,052,103	14,409,000
Net change in fund balance	\$ -	\$ -	22,203,212	\$ 22,203,212
FUND BALANCES				
Beginning fund balances			25,063,714	
Ending fund balances			<u>\$ 47,266,926</u>	

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

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

June 30, 2013

With Comparative Totals as of June 30, 2012

	Enterprise Funds			
	Solid Waste	Conference Center	Totals	
			2013	2012
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,985,131	\$ -	\$ 1,985,131	\$ 1,986,674
Accounts receivable, net	551,379	43,943	595,322	548,285
Prepaid items	442	187,119	187,561	2,670
Total current assets:	<u>2,536,952</u>	<u>231,062</u>	<u>2,768,014</u>	<u>2,537,629</u>
Non-current assets:				
Restricted cash	2,930	-	2,930	-
Capital assets				
Land, land improvements, and construction in progress	13,470,906	-	13,470,906	13,478,547
Other capital assets, net of accumulated depreciation	2,919,099	-	2,919,099	2,690,793
Total capital assets	<u>16,390,005</u>	<u>-</u>	<u>16,390,005</u>	<u>16,169,340</u>
Total non-current assets	<u>16,392,935</u>	<u>-</u>	<u>16,392,935</u>	<u>16,169,340</u>
Total assets	<u>18,929,887</u>	<u>231,062</u>	<u>19,160,949</u>	<u>18,706,969</u>
LIABILITIES				
Current liabilities:				
Accounts payable	122,489	229,713	352,202	157,040
Contract retainages	-	-	-	142,129
Payable from restricted assets	2,930	-	2,930	2,905
Compensated absences	34,540	-	34,540	33,385
Total current liabilities	<u>159,959</u>	<u>229,713</u>	<u>389,672</u>	<u>335,459</u>
Non-current liabilities:				
Accrued landfill closure and post-closure care costs	11,225,003	-	11,225,003	6,083,482
Net OPEB obligation for retirees' healthcare coverage	402,431	-	402,431	334,771
Compensated absences	94,725	-	94,725	86,066
Total non-current liabilities	<u>11,722,159</u>	<u>-</u>	<u>11,722,159</u>	<u>6,504,319</u>
Total liabilities	<u>11,882,118</u>	<u>229,713</u>	<u>12,111,831</u>	<u>6,839,778</u>
NET POSITION				
Net investment in capital assets	16,390,005	-	16,390,005	16,169,340
Restricted net position:				
Unspent donations	414	-	414	-
Total restricted net assets	<u>414</u>	<u>-</u>	<u>414</u>	<u>-</u>
Unrestricted net position	<u>(9,342,650)</u>	<u>1,349</u>	<u>(9,341,301)</u>	<u>(4,302,149)</u>
Total net position	<u>\$ 7,047,769</u>	<u>\$ 1,349</u>	<u>\$ 7,049,118</u>	<u>\$ 11,867,191</u>

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 Position

For the Year Ended June 30, 2013

With Comparative Totals For the Year Ended June 30, 2012

	Enterprise Funds			
	Solid Waste	Conference Center	Totals	
			2013	2012
OPERATING REVENUES				
Household user fees	\$ 1,422,395	\$ -	\$ 1,422,395	\$ 1,428,628
Departmental fees	3,636,081	-	3,636,081	4,116,481
Other operating revenue	191,642	-	191,642	30,062
Total operating revenues	5,250,118	-	5,250,118	5,575,171
OPERATING EXPENSES				
Salaries / benefits	1,912,040	-	1,912,040	1,897,204
Other expenses	2,533,871	593,350	3,127,221	2,941,345
Depreciation	656,406	-	656,406	672,310
Landfill closure and postclosure care	5,141,521	-	5,141,521	495,129
Total operating expenses	10,243,838	593,350	10,837,188	6,005,988
Operating income (loss)	(4,993,720)	(593,350)	(5,587,070)	(430,817)
NONOPERATING REVENUES AND EXPENSES				
Share of state's disposal, white goods, and scrap tire taxes	426,249	-	426,249	480,154
Intergovernmental revenues, restricted	77,222	-	77,222	84,168
Investment earnings	1,251	-	1,251	2,179
Capitalized expenditures from reserve liability for closure and post-closure care	-	-	-	1,671,409
Gain (loss) on disposal of capital assets	(301,669)	-	(301,669)	(26,161)
Total nonoperating revenues and expenses	203,053	-	203,053	2,211,749
Income before contributions and transfers	(4,790,667)	(593,350)	(5,384,017)	1,780,932
Transfer from (to) governmental funds	(26,460)	592,404	565,944	(2,563,743)
Change in net position	(4,817,127)	(946)	(4,818,073)	(782,811)
Net position, beginning	11,864,896	2,295	11,867,191	12,650,002
Net position, ending	\$ 7,047,769	\$ 1,349	\$ 7,049,118	\$ 11,867,191

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, 2013
With Comparative Totals For the Year Ended June 30, 2012

	Solid Waste Fund-Collection & Disposal	
	Totals	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from household user fees	\$ 1,422,395	\$ 1,428,628
Cash received from customers	3,623,774	4,122,274
Cash received from other operations	191,642	30,062
Cash paid to employees for services	(1,834,566)	(1,823,480)
Cash paid for goods and services	(2,701,380)	(3,314,878)
Net cash flows from operating activities	701,865	442,606
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Government grants	77,222	84,168
Transfer from (to) governmental funds (General Fund)	(26,460)	(2,782,860)
Net cash flows from non-capital financing activities	50,762	(2,698,692)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,178,740)	(156,655)
Capitalized expenditures from reserve liability for closure and post-closure care	-	(1,671,409)
Proceeds on disposal of capital assets	-	198,132
Share of state's white goods and scrap tire taxes	426,249	480,154
Net cash flows from capital and related financing activities	(752,491)	(1,149,778)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	1,251	2,179
Net cash flows from investing activities	1,251	2,179
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,387	(3,403,685)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: beginning balance	1,986,674	5,390,359
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH: ending balance	\$ 1,988,061	\$ 1,986,674
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ (4,993,720)	\$ (213,995)
The amount reported as operating income (see Exhibit II.C.2.e) 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	(3,094)	15,255
2. Decrease (increase) in prepayments	(67)	8
3. Increase (decrease) in accounts payable and contract retainages	(176,680)	(600,050)
4. Increase (decrease) in customer deposits	25	225
5. Increase (decrease) in accrued compensatory leave and retirement benefits	77,474	73,724
6. Increase (decrease) in accrued landfill closure and post-closure care costs	5,141,521	495,129
7. Depreciation expense (not a cash expenditure, no effect on cash flow)	656,406	672,310
Net cash flows from operating activities	\$ 701,865	\$ 442,606

The "Notes to Financial Statements" are 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, 2013

With Comparative Totals For the Year Ended June 30, 2012

	Conference Center Fund	
	Totals	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ (43,943)	\$ -
Cash paid for goods and services	(548,461)	(219,117)
Net cash flows from operating activities	(592,404)	(219,117)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfer from (to) governmental funds (General Fund)	592,404	219,117
Net cash flows from non-capital financing activities	592,404	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	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ (593,350)	(216,822)
The amount reported as operating income (see Exhibit II.C.2.e) 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	(43,943)	-
2. Decrease (increase) in prepayments	(184,824)	(2,295)
3. Increase (decrease) in accounts payable and contract retainages	229,713	-
Net cash flows from operating activities	\$ (592,404)	\$ (219,117)

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

Cleveland County, North Carolina

h. Fiduciary Funds: Agency Funds: Statement of Fiduciary Net Position

June 30, 2013

With Comparative Totals as of June 30, 2012

	Agency Funds	
	Totals	
	2013	2012
ASSETS		
Cash and cash equivalents	\$ 118,085	\$ 145,494
Taxes receivable, net	31,979	32,220
Accounts receivable, net	752,081	718,429
Intergovernmental receivable	163,173	188,147
Total assets	\$ 1,065,318	\$ 1,084,290
LIABILITIES		
Accounts payable and accrued expenses	235,015	288,332
Due to other taxing units	830,303	795,958
Total liabilities	\$ 1,065,318	\$ 1,084,290

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

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
C. Basic Financial Statements (includes Notes to Financial Statements)
3. Notes to Financial Statements

	Identifier	Page No.
a. Summary of Significant Accounting Policies	Note a	54
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The Notes to Financial Statements summarize significant accounting policies, provide essential details, and explain and add insight to the data contained in the Government-Wide Financial Statements and Fund Financial Statements.

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Fiscal Year Ended June 30, 2013
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. The following is a summary of the more significant accounting policies.

The County implements Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* in the fiscal year ended June 30, 2013. Next year, the County will implement the related provisions of Statement 65, *Items Previously Reported as Assets and Liabilities*. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position. The new classifications of "Deferred Outflows of Resources" and "Deferred Inflows of Resources" are only included where applicable.

A. Reporting Entity

Cleveland County is governed by a five-member Board of Commissioners and 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 Position 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, save the County has no enterprise funds being 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 (and no non-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 ended June 30, 2012, this fund was created to account for the purchase of equipment and other assets needed for establishing and furnishing this new facility. Beginning with the year ended June 30, 2013, this fund accounts for the operation, maintenance, and continued development of the 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.

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 position 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 unavailable 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. Further, effective September 1, 2013, the State has contracted with local DMV offices to bill and collect 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 2012 through February 2013 apply to the fiscal year ended June 30, 2013. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. The taxes for vehicles registered from March 2013 and afterward and due on or after July 1, 2013 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 position 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 to 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, drawdown lottery funds for the renovation of school facilities, sell the County's Health Department building and adjacent property and allocate

sale revenues for the construction of replacement 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, Deferred Inflows and Outflows, 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

Customer deposits held by the County before any services are provided are restricted to the service for which the deposit was collected. Thus, these deposits are classified as restricted assets in the Solid Waste Fund.

4. Ad Valorem Property Taxes Receivable

In accordance with NCGS 105-347 and NCGS 159-13(a), the County levies ad valorem taxes on property other than motor vehicles on July 1, which is the beginning of the fiscal year. These taxes are based on the assessed values as of the January 1 that immediately precedes the July 1 levy. The taxes are due on September 1, which is called the lien date; however, penalties and interest do not accrue until the following January 6. As allowed by State law, the County has established a schedule of discounts that apply to such taxes that are paid prior to the due date. In the County's General Fund 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, which is an insignificant sum when compared its total annual revenues.

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:

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position may report a separate section for the deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has no items that meet this criteria.

In addition to liabilities, the Statement of Net Position may report a separate section for the deferred inflow of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenues until then. Before implementing Statement 65, *Items Previously Reported as Assets and Liabilities*, the County has no items that meet this criteria.

9. Long-Term Obligations

In the Government-Wide Statement of Net Position and in the Enterprise Fund’s Statement of Net Position 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.

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.

10. Compensated Absences

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.

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.

11. Net Position/Fund Balances

a. Net Position

Net position in the Government-Wide Financial Statements and enterprise Fund Financial Statements are classified as "unrestricted," "restricted," or "net investment in capital assets". Restricted net position represents 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 "net investment in capital assets" reports the total amount of capital assets as reduced both by accumulated depreciation and by remaining outstanding debt used to finance the purchase or construction of any capital assets (such that outstanding debt for school-related projects are included only where the County records a capital asset). Unrestricted net position is the remainder of net position not classified as either restricted or net investment in capital assets. More information can be found in 'Note b. Detail Notes on All Funds that begin 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) Non-spendable – 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 unavailable 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.

Construction - portion of spendable fund balance that is committed for future construction costs in the following fiscal year and not classified as restricted.

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 unavailable 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 non-spendable 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 position of governmental activities shown in 'Government-Wide Statement of Net Position' and total fund balances shown in 'Governmental Funds: Balance Sheet'; and 2) between the change in net position 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 position of governmental activities as reported in the Government-Wide Statement of Net Position. 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 position 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, 2013, the County's deposits had a carrying amount of \$25,357,004 and a bank balance of \$28,261,887. Of the bank balance, \$783,652 was covered by federal depository insurance, \$22,339,824 in certificates of deposit was covered by collateral held under the dedicated method, and the remaining \$5,138,410 in interest bearing deposits was covered by collateral held under the pooling method. Also at June 30, 2013, Cleveland County had \$13,518 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 \$22,339,824 in certificates of deposit. Of this balance, \$4,300,179 was scheduled to mature within 3 months, \$16,032,944 was scheduled to mature within 3 to 12 months, and \$2,006,701 was scheduled to mature within 1 to 2 years.

In addition, the State holds proceeds accumulated from the State's Education Lottery that are available to the County and are specifically restricted for capital needs of Cleveland County Schools. As of June 30, 2013, these resources amounted to \$1,977,151. Applications to withdraw these funds shall be approved by both the Board of Commissioners for Cleveland County and the Board of Education for Cleveland County Schools.

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, 2013, the County's investment balances and maturities were as follows:

Investment Type	Fair Market		Due to Mature Within:			
	Value	0 to 3 months	3 to 12 months	1 to 2 years	2 to 3 years	
Federal government agencies	\$ 1,994,980	\$ -	\$ -	\$ -	\$ -	\$ 1,994,980
Commercial paper	8,986,962	-	8,986,962	-	-	-
NCCMT -- Cash Portfolio	13,348,559	n/a	n/a	n/a	n/a	n/a
Total Investments	\$ 24,330,501	\$ -	\$ 8,986,962	\$ -	\$ -	\$ 1,994,480

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, 2013, 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, 2013, 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 decrease in the fair value of investments and the unrealized loss on investments held at year-end for the year ended June 30, 2013 was (\$2,563) and (\$2,563), 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 Shelby Savings Bank (local branch of HomeTrust Bank) at 33% of the total portfolio. At June 30, 2013, the County held 44.42% of its deposits and investments in the form of certificates of deposit with this institution. 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, 2013:

Tax Year Levied	Additional Tax	Interest	Total
2013	\$ 1,491,482	\$ -	\$ 1,491,482
2012	1,489,217	85,630	1,574,847
2011	1,470,155	216,848	1,687,003
2010	1,466,902	348,389	1,815,291
Total	\$ 5,917,756	\$ 650,867	\$ 6,568,623

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, 2013 are reported net of an allowance for uncollectible accounts as follows:

	Taxes and Other Assessments	Accounts	Total
Governmental Activities:			
General Fund	\$ 3,014,159	\$ 13,386,289	\$ 16,400,448
Capital Projects Fund	-	1,303,584	1,303,584
Nonmajor Governmental Funds	54,438	297,224	351,662
Accrued Interest (Government-Wide reporting)	881,954	-	881,954
Total Receivables	3,950,551	14,987,097	18,937,648
General Fund	(1,238,597)	(6,702,451)	(7,941,048)
Nonmajor Governmental Funds	(22,447)	-	(22,447)
Accrued Interest (Government-Wide reporting)	(684,660)	-	(684,660)
Total Allowances for Uncollectible Accounts	(1,945,704)	(6,702,451)	(8,648,155)
Total Governmental Activities	\$ 2,004,847	\$ 8,284,646	\$ 10,289,493
Business-Type Activities:			
Solid Waste Fund-Collection and Disposal	\$ 197,956	\$ 580,292	\$ 778,248
Conference Center Fund	-	43,943	43,943
Total Receivables	197,956	624,235	822,191
Allowances for Uncollectible Accounts	(197,956)	(28,913)	(226,869)
Total Business-Type activities	\$ -	\$ 595,322	\$ 595,322

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	\$ 8,185,067	\$ 36,284	\$ (129,163)	\$ 6,236	\$ 8,098,424
Public Safety	36,014,021	784,245	(918,152)	(6,236)	35,873,878
Human Services	98,142,065	73,890	(93,533,787)	-	4,682,168
Education	44,629,079	7,378,245	-	-	52,007,324
Economic and Physical Dev.	10,266,273	799,370	(1,095,286)	76,272	10,046,629
Cultural and Recreational	10,413,871	475,187	(6,095)	-	10,882,468
Total Capital Assets	207,650,376	9,547,221	(95,682,978)	76,272	121,590,891
Less Accumulated Depreciation:					
General Government	(3,125,231)	(282,231)	108,095	(6,236)	(3,305,603)
Public Safety	(15,825,901)	(1,974,951)	875,860	6,236	(16,918,756)
Human Services	(30,696,039)	(1,733,807)	28,934,867	-	(3,494,979)
Education	(87)	(116,299)	-	-	(116,386)
Economic and Physical Dev.	(242,706)	(161,796)	7,252	-	(397,250)
Cultural and Recreational	(1,538,301)	(123,326)	6,590	-	(1,655,037)
Total Accumulated Deprec.	(51,428,265)	(4,392,410)	29,932,664	-	(25,888,011)
Total Capital Assets, Net	\$156,222,111	\$ 5,154,811	\$(65,750,314)	\$ 76,272	\$ 95,702,880

Capital asset activity, by asset class, for the year ended June 30, 2013 was as follows for Governmental Activities:

	Beginning				Ending
	Balance	Additions	Retirements	Transfers	Balance
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land and Land Improvements	\$ 20,322,094	\$ 525,247	\$(5,904,405)	\$ 964,169	\$15,907,105
Construction in Progress	47,044,665	7,080,911	-	(41,641,449)	12,484,127
Subtotal	67,336,759	7,606,158	(5,904,405)	(40,677,280)	28,391,232
Capital Assets Being Depreciated:					
Buildings and Improvements	117,711,866	975,574	(88,686,948)	40,487,246	70,487,738
Equipment (including Vehicles)	15,405,860	965,488	(1,091,624)	266,306	15,546,030
Leasehold Improvements	425,178	-	-	-	425,178
Infrastructure	6,740,713	-	-	-	6,740,713
Subtotal	140,283,617	1,941,062	(89,778,572)	40,753,552	93,199,659
Total Capital Assets	207,650,376	9,547,220	(95,682,977)	76,272	121,590,891
Less Accumulated Depreciation:					
Buildings and Improvements	(38,143,566)	(2,402,897)	28,905,046	-	(11,641,417)
Equipment (including Vehicles)	(11,658,285)	(1,525,955)	1,027,617	-	(12,156,623)
Leasehold Improvements	(204,131)	(14,172)	-	-	(218,303)
Infrastructure	(1,422,283)	(449,385)	-	-	(1,871,668)
Total Accumulated Deprec.	(51,428,265)	(4,392,409)	29,932,663	-	(25,888,011)
Total Capital Assets, Net	\$156,222,111	\$ 5,154,811	\$(65,750,314)	\$ 76,272	\$ 95,702,880

All business-type capital asset activities relate to the environmental protection expenditure function. Capital asset activity, by asset class, for the year ended June 30, 2013 was as follows for Business-Type Activities.

	Beginning				Ending
	Balance	Additions	Retirements	Transfers	Balance
BUSINESS-TYPE ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land and Land Improvements	\$ 13,478,547	\$ 76,762	\$ (8,131)	\$ (76,272)	\$13,470,906
Construction in Progress	-	-	-	-	-
Subtotal	13,478,547	76,762	(8,131)	-	13,470,906
Capital Assets Being Depreciated:					
Buildings and Improvements	1,077,937	37,400	-	-	1,115,337
Equipment (including Vehicles)	5,292,522	1,064,578	(604,877)	-	5,752,223
Leasehold Improvements	16,518	-	-	-	16,518
Infrastructure	4,130,636	-	-	-	4,130,636
Subtotal	10,517,613	1,101,978	(604,877)	-	11,014,714
Total Capital Assets	23,996,160	1,178,740	(613,008)	(76,272)	24,485,620
Less Accumulated Depreciation:					
Buildings and Improvements	(209,806)	(28,266)	-	-	(238,072)
Equipment (including Vehicles)	(3,860,545)	(354,054)	387,611	-	(3,796,988)
Leasehold Improvements	(7,931)	(550)	-	-	(8,481)
Infrastructure	(3,778,538)	(273,536)	-	-	(4,052,074)
Total Accumulated Deprec.	(7,826,820)	(656,406)	387,611	-	(8,095,615)
Total Capital Assets, Net	\$ 16,169,340	\$ 522,334	\$(225,397)	\$ (76,272)	\$ 16,390,005

6. Construction Commitments

The County is involved with the following incomplete construction/renovation projects as of June 30, 2013:

Project Name	Spent-To-Date	Remaining Commitments
Construction of New Middle School in Shelby, NC	\$ 16,073,395	\$ 217,959
Construction of Multi-Purpose Facility at Community College	18,704,282	20,000
Renovation of Middle School	8,643,697	335,343
Rehabilitation of Home - CDBG	69,852	6,884
Construction of New Parking at Shelby High School	272,000	315,733
Design of New Health Department Building	-	1,215,000
Total	\$ 43,763,226	\$ 2,110,919

B. Liabilities

1. Payables

Payables at the Government-Wide and Fund level at June 30, 2013 were as shown in the following table.

	Vendors	Employee Benefits	Cash Held in Trust	Insurance Claims *	Total
Governmental Activities:					
General Fund	\$ 1,422,657	\$ 142,328	\$ 4,256	\$ 680,000	\$ 2,249,241
Capital Projects Fund	439,340	-	-	-	439,340
Nonmajor Governmental Funds	181,715	-	-	-	181,715
Total Governmental Activities	\$ 2,043,712	\$ 142,328	\$ 4,256	\$ 680,000	\$ 2,870,296
Business-Type Activities:					
Solid Waste Fund	\$ 122,489	\$ -	\$ -	\$ -	\$ 122,489
Conference Center Fund	229,713	-	-	-	229,713
Total Business-Type Activities	\$ 352,202	\$ -	\$ -	\$ -	\$ 352,202
Fiduciary Activities:					
Agency Funds	\$ 116,930	\$ -	\$ 118,085	\$ -	\$ 235,015

* The estimated liability for outstanding claims from health insurance coverage, dental plan, and workers' compensation coverage includes \$680,000 for incurred but not reported claims.

2. Pension Plan Obligations

a. Local Governmental Employees' Retirement System (LGERS)

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

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the rate effective in the year ended June 30, 2013 for employees not engaged in law enforcement and for law enforcement officers is 6.74% and 6.77%, 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, 2014, the County's contribution rates have increased to 7.07% and 7.28% 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, 2013 is \$1,913,892. For **trend information**, see Exhibit III.E.5 in Subsection E of Section III of this report. The contributions made by the County equaled the required contributions for each year.

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. For the fiscal year ended June 30, 2013, the County made contributions to the State for death benefits of \$24,883. 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, 2013, the LEOSSA's membership consisted of:

<u>Member Category</u>	<u>No.</u>
Retirees currently receiving benefits	12
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members:	
Vested	71
Non-vested	19
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, as these expenditures come due, payments are made through appropriations in the General Fund operating budget that is maintained on the modified accrual basis of accounting.

Funded Status and Funding Progress. As of the most recent actuarial valuation date (December 31, 2012) and through June 30, 2013, the County had no assets to pay future liabilities. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,866,906. The annual payroll of active employees covered under this plan (covered payroll) was \$3,639,140 and the ratio of the UAAL to the covered payroll was 51.301%. 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, 2013 is \$147,140. 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, 2012 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 3.00%. 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 5.2334% of annual covered payroll. The remaining amortization period at December 31, 2012 was 18 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, 2013 are \$155,820 and \$476,576, respectively.

Net Pension Obligation, as of June 30, 2012			\$ 467,896
Annual required contribution	\$ 162,822		
Adjustment to annual required contribution	(30,397)		
Interest on Net Pension Obligation	23,395		
Annual pension cost		\$ 155,820	
Contributions		(147,140)	
Change in Net Pension Obligation			8,680
Net Pension Obligation, as of June 30, 2013			\$ <u>\$ 476,576</u>

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, 2013 were \$258,253, which consisted of \$182,744 from the County and \$75,509 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, 2013 were \$1,734,785, which consisted of \$1,235,911 from the County and \$498,874 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, 2013, the County's required and actual contributions were \$5,719. 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, seventy-four (74) 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, 2012 (which is the date of the latest actuarial valuation), the OPEB-RHC's membership consisted of:

<u>Member Category</u>	<u>LEO No.</u>	<u>Other No.</u>
Retirees currently receiving benefits	10	64
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members:		
Vested	4	102
Non-vested and eligible for LGERS benefits	58	272
Non-vested and non-eligible for LGERS benefits	22	300
Total members	94	738

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, 2012), the County had no assets to pay future liabilities. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) is \$12,573,640. The annual payroll of active employees covered under this plan (covered payroll) was \$29,006,642, and the ratio of the UAAL to the covered payroll was 43.347%. 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 that is maintained on the modified accrual basis of accounting. 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, 2013, the County made payments for claims due to post-employment healthcare coverage of \$125,390. 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, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included projected rate increases to medical costs of 5.0% to 8.5% per year, including an inflation component of 3.00%. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The current rate is 3.8950% of annual covered payroll. The remaining amortization period at December 31, 2012 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, 2013 are \$1,138,601 and \$5,934,292, 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, 2012		\$ 4,921,081
Annual required contribution	\$ 1,129,804	
Adjustment to annual required contribution	(188,046)	
Interest on net OPEB obligation	196,843	
Annual OPEB cost	\$ 1,138,601	
Contributions	(125,390)	
Change in Net OPEB Obligation		1,013,211
Net OPEB Obligation, as of June 30, 2013		\$ 5,934,292

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

Federal and State laws and regulations require the County to place a final cover on its landfill facilities 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 \$11,225,003 reported as landfill closure and post-closure care liability at June 30, 2013 represents a cumulative amount reported to-date following an increase of \$5,141,521 in the reported liability for future costs.

These reported amounts are based on what it would cost to perform all closure activities in the year ended June 30, 2013 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 and the current municipal solid waste facility in more than 30 years. Actual costs may be higher due to inflation, changes in scheduled closing dates, changes in technology, or changes in regulations. The County is required to increase its reported liability annually hereafter by an inflation factor set by the State each year. The inflation factor is adjusted each year for inflation and changes in technology.

The County has also met the requirements of a local government financial test that is one option under Federal and State 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.

4. Unavailable / Unearned Revenues

The balance in unearned and unavailable revenues on the fund statements and unearned revenues on the Government-Wide Statement of Net Position at year-end is composed of the below elements.

Reporting Fund / Revenue Item	Unearned Revenues	Unavailable Revenues *
General Fund:		
Prepaid taxes not yet earned	\$ 154,009	\$ -
Other accounts, net	792,874	52,115
Taxes receivable, net	297,736	1,775,562
Subtotal, General Fund	1,244,619	1,827,677
Capital Projects Fund, grant receivables	118,704	8,000
County Fire Service District Fund, taxes receivable, net	8,225	31,991
Total Governmental Activities	\$ 1,371,548	\$ 1,867,668

* Unavailable revenues are reported in the Fund Financial Statements, but not in the Government-Wide Financial Statements.

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 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 PPO plan or HSA 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 \$550,000 for incurred and unpaid claims as of June 30, 2013. 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, 2013. 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, 2013 is \$500,000 per occurrence. The estimated liability for outstanding losses includes \$100,000 for incurred and unpaid claims as of June 30, 2013. 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, 2013	June 30, 2012
General Fund:		
Health insurance coverage	\$ 550,000	\$ 500,000
Dental plan	30,000	30,000
Workers' compensation coverage	100,000	100,000
Total	\$ 680,000	\$ 630,000

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 due primarily to differences in interpretation. 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, 2013, 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 imaging and related computer equipment for the Register of Deeds' office was executed in November 2007 and required 60 monthly payments of \$2,864. Another agreement to lease computer equipment for the Information Technology department was executed in July 2009 and requires 60 monthly payments of \$1,494. Plus, an agreement to lease computer equipment for the Social Services department was executed in July 2012 and requires 60 monthly payments of \$935. 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 Position. At June 30, 2013, the County's leased equipment had a value of:

Governmental Activities	Recorded Value of Asset	Accumulated Depreciation	Net Present Value
Imaging equipment (Register of Deeds)	\$ 180,715	\$ (155,601)	\$ 25,114
Computer equipment (Info. Tech.)	81,095	(62,120)	18,975
Computer equipment (Social Services)	52,633	(9,996)	42,637
Total	<u>\$ 314,443</u>	<u>\$ (227,717)</u>	<u>\$ 86,726</u>

More information on the annual requirements of these leases are found under *e. Total Indebtedness*.

b. General Obligation and Limited Obligation Bonds

All general obligation serviced by the County are collateralized by the full faith credit and taxing power of the County. In 2010, 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 Position, along with any accrued interest payable at year-end. More information on these bonds is 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 Position, along with any accrued interest payable at year-end. More information on these bonds is 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 Position, along with any accrued interest payable at year-end. More information on these bonds is found under *e. Total Indebtedness*.

e. Total Indebtedness

In addition to the County's own needs, the County issues debt on behalf of both the public schools and the community college and makes the necessary and related debt service payments. Prior to 2010, the public schools and the community college, however, held title to these constructed assets. Beginning with debt that the County issued in 2010, the County will hold title until the loan is paid. The tables below 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, 2013.

General Obligation Bonds	Outstanding at June 30, 2013
\$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%	\$ 850,000
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 government; payments due to Wells Fargo Bank	18,760,000
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; effective August 2010, interest at 3.46%; effective February 2013, interest at 2.27%	4,000,000
\$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; effective February 2013, interest at 2.39%	4,928,000
\$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 government; payments due to BB&T	14,652,458
Subtotal Installment Purchase Loans	23,580,458
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	486,758
Total	\$ 43,677,216

At June 30, 2013, Cleveland County had an amount of bonds authorized, but un-issued, of \$-0- and a legal debt margin of \$499,244,422. The County intentionally has never used short-term borrowings or interest rate swaps.

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Difference (or Expense)
Vacation Leave (accrued)	\$ 2,364,533	\$1,868,786	\$ (1,826,390)	\$ 2,406,929	\$ 42,396
General Government	305,315	199,483	(258,031)	246,767	(58,548)
Public Safety	821,669	658,231	(591,378)	888,522	66,853
Human Services	1,161,838	957,287	(924,880)	1,194,245	32,407
Cultural (Library)	45,666	30,655	(29,259)	47,062	1,396
Other	30,045	23,130	(22,842)	30,333	288
Subtotal	2,364,533	1,868,786	(1,826,390)	2,406,929	42,396
Holiday Leave (accrued)	740,710	1,545,604	(1,474,805)	811,509	70,799
General Government	7,539	139,452	(138,783)	8,208	669
Public Safety	731,041	596,573	(526,437)	801,177	70,136
Human Services	2,130	770,224	(770,230)	2,124	(6)
Cultural (Library)	-	26,212	(26,212)	-	-
Other	-	13,143	(13,143)	-	-
Subtotal	740,710	1,545,604	(1,474,805)	811,509	70,799
Compensatory Leave (accrued)	476,228	526,603	(454,673)	548,158	71,930
General Government	37,243	28,540	(19,025)	46,758	9,515
Public Safety	267,489	236,177	(179,034)	324,632	57,143
Human Services	156,200	246,782	(241,072)	161,910	5,710
Cultural (Library)	14,781	13,426	(15,021)	13,186	(1,595)
Other	515	1,678	(521)	1,672	1,157
Subtotal	476,228	526,603	(454,673)	548,158	71,930
Subtotal (accrued)	3,581,471	3,940,993	(3,755,868)	3,766,596	185,125
Compensatory Leave (unaccrued)	510,002	304,583	(317,649)	496,936	(13,066)
General Government	160,892	57,240	(88,700)	129,432	(31,460)
Public Safety	141,040	52,089	(55,393)	137,736	(3,304)
Human Services	191,491	185,541	(168,391)	208,641	17,150
Cultural (Library)	15,972	6,376	(4,113)	18,235	2,263
Other	607	3,337	(1,052)	2,892	2,285
Subtotal	510,002	304,583	(317,649)	496,936	(13,066)
Sick Leave (unaccrued)	2,610,470	1,457,603	(1,455,977)	2,612,096	1,626
General Government	339,893	139,452	(204,269)	275,076	(64,817)
Public Safety	930,694	508,572	(485,802)	953,464	22,770
Human Services	1,265,646	770,224	(729,135)	1,306,735	41,089
Cultural (Library)	43,232	26,212	(23,256)	46,188	2,956
Other	31,005	13,143	(13,515)	30,633	(372)
Subtotal	2,610,470	1,457,603	(1,455,977)	2,612,096	1,626
Subtotal (unaccrued)	3,120,472	1,762,186	(1,773,626)	3,109,032	(11,440)
Grand Totals	\$ 6,701,943	\$ 5,703,179	\$ (5,529,494)	\$ 6,875,628	\$ 173,685

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, 2013 was as follows for Business-Type Activities.

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Difference (or Expense)
Vacation Leave (accrued)	\$ 101,254	\$ 69,116	\$ (58,929)	\$ 111,441	\$ 10,187
Holiday Leave (accrued)	8,770	54,686	(54,943)	8,513	(257)
Compensatory Leave (accrued)	9,427	10,251	(10,367)	9,311	(116)
Subtotal (accrued)	119,451	134,053	(124,239)	129,265	9,814
Compensatory Leave (unaccrued)	3,199	4,537	(4,122)	3,614	415
Sick Leave (unaccrued)	98,306	54,686	(50,988)	102,004	3,698
Subtotal (unaccrued)	101,505	59,223	(55,110)	105,618	4,113
Grand Totals	\$ 220,956	\$ 193,276	\$ (179,349)	\$ 234,883	\$ 13,927

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, 2013:

Governmental Activities	Next Year Interest Payable	Next Year Obligation	Future Year Obligation	Total
G.O. Bonds (non-capital related)	\$ 39,950	\$ 250,000	\$ 600,000	\$ 889,950
L.O. Bonds (capital related)	934,248	1,085,000	17,675,000	19,694,248
Bank Financed Loans	918,460	2,020,197	21,560,261	24,498,918
Contractual Obligations	22,256	21,749	465,009	509,014
Total Bonds	1,914,914	3,376,946	40,300,270	45,592,130
Capitalized Leases	1,413	27,740	33,873	63,026
Grant Payback	-	66,667	66,666	133,333
Net Pension Obligation	-	-	476,576	476,576
Net OPEB Obligation	-	-	5,531,861	5,531,861
Accrued Leave (earned, unpaid)	-	1,720,706	2,045,890	3,766,596
Totals	1,916,327	5,192,059	48,455,136	55,563,522
Business-Type Activities				
Landfill Closure/Post-Closure	\$ -	\$ -	\$ 11,225,003	\$ 11,225,003
Net OPEB Obligation	-	-	402,431	402,431
Accrued Leave (earned, unpaid)	-	34,540	94,725	129,265
Totals	\$ -	\$ 34,540	\$ 11,722,159	\$ 11,756,699

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance
G.O. Bonds (non-capital related)	\$ 1,100,000	\$ -	\$ (250,000)	\$ 850,000
L.O. Bonds (non-capital related)	19,840,000	-	(1,080,000)	18,760,000
Bank Financed Loans	25,600,655	-	(2,020,197)	23,580,458
Contractual Obligations	507,730	-	(20,972)	486,758
Capitalized Leases	49,950	52,633	(40,970)	61,613
Grant Payback	-	200,000	(66,667)	133,333
Net Pension Obligation	467,896	8,680	-	476,576
Net OPEB Obligation	4,586,310	945,551	-	5,531,861
Accrued Leave (earned, unpaid)	3,581,471	3,940,993	(3,755,868)	3,766,596
Totals	\$ 55,734,012	\$ 5,147,857	\$ (7,234,674)	\$ 53,647,195
By purpose:				
County	\$ 9,776,000	\$ 200,000	\$ (914,667)	\$ 9,061,333
Community College	16,924,655	-	(1,422,197)	15,502,458
Public Schools (K-12)	19,840,000	-	(1,080,000)	18,760,000
Waterline	507,730	-	(20,972)	486,758
Equipment--Capitalized Leases	49,950	52,633	(40,970)	61,613
Employment/Post-employment	8,635,677	4,895,224	(3,755,868)	9,775,033
Totals	\$ 55,734,012	\$ 5,147,857	\$ (7,234,674)	\$ 53,647,195
Business-type Activities				
Landfill Closure/Post-Closure	\$ 6,083,482	\$ 5,141,521	\$ -	\$ 11,225,003
Net OPEB Obligation	334,771	67,660	-	402,431
Accrued Leave (earned, unpaid)	119,451	134,053	(124,239)	129,265
Totals	\$ 6,537,704	\$ 5,343,234	\$ (124,239)	\$ 11,756,699

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, 2013 consists of the following:

<u>Activity Description</u>	<u>Amount</u>
From General Fund to County Fire Service District Fund for portion of grants to VFDs not funded by property tax levy	\$ 300,000
From General Fund to Community Development Fund for portion of expenditures not reimbursed by grant proceeds	91,626
From General Fund to Debt Service Fund for payments on outstanding long-term debt	2,074,310
From General Fund to Capital Projects Fund for current capital projects activity and accumulating resources for future capital projects	2,330,975
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 portion of expenditures that exceed sale proceeds	592,404
Subtotal from General Fund	5,639,315
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	1,930,422
Subtotal from Capital Projects Fund	3,220,422
From Emergency Telephone Fund to General Fund for portion of costs of personnel involved in supporting fund activities	72,325
From Community Development Fund to Capital Projects Fund for release of loan funds to be used for future capital projects	181,528
From Solid Waste Fund to General Fund for portion of costs of personnel involved in supporting fund activities and for workers' compensation	276,460
Total interfund activity	\$ 9,390,050

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, 2013 is as follows:

<u>Reporting Fund</u>	<u>Due from General Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds			
General Fund	\$ -	\$ 3,859,976	\$ 9,711
Capital Projects Fund	-	-	3,756,860
Emergency Telephone Fund	-	-	12,436
County Fire Service District Fund	9,711	-	-
Community Development Fund	-	-	84,407
Debt Service Fund	-	-	6,273
Total Interfund Balances	\$ 9,711	\$ 3,859,976	\$ 3,869,687

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 unavailable revenues not arising from cash receipts) and less encumbrances as calculated at the end of the fiscal year preceding the appropriation. Encumbrances are not reflected in this calculation below. This calculated amount represents fund balance available for appropriation and is reflected in the following table. 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). After accounting for non-spendable fund balance, Restricted for Stabilization of State Statute is the remaining non-appropriable portion of fund balance.

<u>Item Description</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Non-Major Funds</u>
Fund balance available for appropriation			
Cash and Investments	\$ 40,057,476	\$ 6,185,935	\$ 1,351,466
Liabilities	(5,494,421)	(4,322,904)	(325,047)
Unavailable revenues not arising from cash receipts	1,827,677	8,000	31,991
Fund balance available for appropriation	36,390,732	1,871,031	1,058,410
Restricted for Stabilization of State Statute			
Total fund balance	47,266,926	3,166,615	1,370,731
Fund balance available for appropriation	(36,390,732)	(1,871,031)	(1,058,410)
Fund balance not available for appropriation	10,876,194	1,295,584	312,321
Non-spendable fund balance	(384,495)	-	(5,386)
Restricted for Stabilization of State Statute*	\$ 10,491,699	\$ 1,295,584	\$ 126,594

* In certain funds, the amount of restricted for stabilization of State statute shown in the financial statements is limited by the total amount of fund balance. In the table above, the unreportable amounts total \$180,341 for other non-major funds. In both the General Fund and the Capital Projects Fund, there are no unreportable amounts.

Fund balance available for appropriation may be categorized as 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 Position

Net position in the Fund Financial Statements of the Enterprise Funds and in the Government-Wide Financial Statements are classified as "unrestricted", "restricted", or "net investment in capital assets". Restricted net position represents 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 position at June 30, 2013 consists of the following:

Governmental activities	Beginning Balance	Activity	Ending Balance
Public safety	\$ 1,374,765	\$ 484,763	\$ 1,859,528
E911 Service Cash (FD26)	1,310,617	(13,356)	1,297,261
Fire Districts Cash (FD28)	47,420	6,785	54,205
Unspent Dare Program Donations	3,966	(759)	3,207
Unspent Sheriff Donations	11,932	(4,111)	7,821
Unspent Reading Fathers Donations	8	-	8
Unspent Emergency Management Donations	142	(28)	114
Unspent EMS Donations	680	200	880
Unspent Federal Forfeiture Monies	-	258,512	258,512
Unspent State Forfeiture Monies	-	237,520	237,520
Human services	-	4,260,002	4,260,002
Unspent grants to Social Services	-	15	15
Unspent Health Donations	-	1,194	1,194
Unspent earnings from Health Department	-	4,258,793	4,258,793
Education	6,175,604	(489,985)	5,685,619
Public Schools Capital Reserve Cash (FD42)	6,175,604	(489,985)	5,685,619
Economic and physical development	225,948	(175,168)	50,780
Community Development Cash (FD29)	181,528	(181,528)	-
Unspent Coop Exp Special Project	15,997	6,347	22,344
Unspent Soil Conservation Special Project	28,423	13	28,436
Culture and recreation	196,375	(18,989)	177,386
Unspent Library Donations	196,375	(18,989)	177,386
Total	\$ 7,972,692	\$ 4,060,623	\$ 12,033,315

The component called "net investment in capital assets" 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, 2013, consists of the following:

Governmental Activities:	Beginning Balance	Activity	Ending Balance
Capital Assets	\$ 207,650,376	\$ (86,059,485)	\$ 121,590,891
Adjustments for depreciation and related debt			
Depreciation on capital assets	(51,428,265)	25,540,254	(25,888,011)
Unspent debt proceeds	1,652,151	(1,652,151)	-
Bonds issued for capital purposes, current portion	(3,100,196)	(5,001)	(3,105,197)
Leases issued for capital equipment, current portion	(30,976)	3,235	(27,741)
Bonds issued for capital purposes, future portion	(42,340,458)	3,105,196	(39,235,262)
Leases issued for capital equipment, future portion	(18,975)	(14,897)	(33,872)
Subtotal adjustments	(96,918,871)	26,976,636	(68,290,083)
Net Investment in Capital Assets	\$ 112,383,657	\$ (59,082,849)	\$ 53,300,808

Unrestricted net position is the remainder of net position not classified as either restricted or net investment in capital assets.

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, 2013 to Cleveland Community College.

The County paid an additional \$447 to CCC for training courses and \$163 for course materials for employees. And, \$5,000 was paid to assist with expenses of a local business exposition held at CCC.

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 \$2,983 to CCC for the fiscal year ended June 30, 2013. 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. \$3,100,000 in general obligation bonds were issued in 1998 on behalf of CCC. In August 2010, the County borrowed \$17,582,950 through an installment purchase loan from BB&T for a new multi-purpose facility 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, \$850,000 in general obligation bond debt remains outstanding and \$14,652,458 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 \$16,522 to IPDC during the fiscal year ended June 30, 2013. The County paid an additional \$81,176 to IPDC to coordinate and administer the Community Development Block Grant and related grant awards and \$33 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, 2013:

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures
<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	-	\$ 121,078	\$ 7,565
 <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 (CDBG-HR2010)	14.228	11-C-2334	\$ 248,843	-
Community Development Block Grant-Housing Rehabilitation (CDBG-HR2010)	14.228	10-C-2167	310,953	
Community Development Block Grant-Section 108 Loan Guarantee (CDBG-LG2010)	14.248	10-L-2161	181,528	
Community Development Block Grant-Economic Development (CDBG-ED2009)	14.228	09-E-2081	7,087	-
Total pass-thru grants awards from IPDC			\$ 869,489	\$ 7,565

Note e: HOSPITAL LEASE AGREEMENT

The County has entered into an interlocal agreement, as amended, with Charlotte-Mecklenburg Hospital Authority (CMHA) to operate certain local hospital and medical facilities in Cleveland and Rutherford counties. Under amendments to the agreement adopted by the County in March 2013, all such hospital and medical facilities belong to CMHA. Pursuant to the amended agreement, CMHA remits a single payment of \$23,000,000 in March 2014 and will remit a lump-sum payment of \$3,000,000 each year from July 2013 until July 2037, then a payment of \$2,275,000 in July 2038.

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	-	\$ 2,096,921	\$ -
Medical Assistance	93.778	-	108,014,511	59,975,317
Participation in Budgeted County Expenditures				
IV-D Offset Fees-ESC	93.563	-	362	-
IV-D Offset Fees-Federal	93.563	-	4,454	(15)
AFDC Incentives/Program Integrity	n/a	-	-	2,430
Links/Independent Living Transitional Funds	93.674	-	4,952	-
IV-E Adoption Subsidy	93.659	-	731,613	195,959
AFDC Payments and Penalties	93.560	-	(609)	(167)
TANF Payments and Penalties	93.558	-	989,143	(51)
Child Welfare Services Adoption Subsidy		-	-	411,950
State-County / Special Assistance Domiciliary Care Payments		-	-	1,157,379
Total participation in budgeted County expenditures			1,729,914	1,767,483
Total direct benefit payments			\$ 111,841,346	\$ 61,742,800

Note g: STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY, AND SIGNIFICANT EVENTS

With regard to matters of stewardship, compliance, accountability, and significant events, the County discloses the following as the only such matters that require disclosure.

A. Change in Accounting Principle

The County implements Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* in the fiscal year ended June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position. The new classifications of "Deferred Outflows of Resources" and "Deferred Inflows of Resources" are only included where applicable.

B. Special Item

During the year ended June 30, 2013, the County sold land and related buildings to a regional hospital authority for \$23,000,000. These capital assets and the associated accumulated depreciation are shown as retirements for the year ended June 30, 2013. Also, in conjunction with the City of Shelby as to joint property, the City and the County sold land and a building to a company locating some of its business in the area. These items are reflected in the government-wide financial statements and governmental funds financial statements as special items because the sales are unusual in nature and are under the control of management.

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Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013
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	88
2. Other Post-Employment Benefits-Retirees Healthcare Coverage Financial Schedules	Part II.D.2	93
3. Major Governmental Funds Financial Statements	Part II.D.3	98
4. Non-major Governmental Funds Financial Statements	Part II.D.4	111
5. Major Enterprise Funds Financial Schedule	Part II.D.5	121
6. Fiduciary Funds Financial Statement	Part II.D.6	125

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

	Identifier	Page No.
a. LEOSSA Schedule of Funding Progress	Exhibit II.D.1.a	89
b. LEOSSA Schedule of Employer Contributions	Exhibit II.D.1.b	89
c. Notes to LEOSSA Financial Schedules	Exhibit II.D.1.c	90

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, 2013

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						
2012	\$ -	\$ 1,866,906	\$ 1,866,906	0.000%	\$ 3,639,140	51.301%
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	??

* 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, 2013

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						
2013	\$ 147,140	\$ 162,822	90.369%	\$ 155,820	94.429%	\$ 476,576
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	??	??	??	??	??

?? = information not available

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013

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, 2013

The actuarial valuation for the fiscal year ended June 30, 2013 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

	Number	Amount
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, 2013

The annual required contribution for the year ended June 30, 2013 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.

	Rate *	Amount
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, 2013

Net Pension Obligation, as of June 30, 2012		\$ 467,896
annual required contribution	\$ 162,822	
adjustment to annual required contribution	(30,397)	
interest on net pension obligation	23,395	
annual pension cost	<u>\$ 155,820</u>	
contributions	(147,140)	
Change in net pension obligation		8,680
Net Pension Obligation, as of June 30, 2013		<u>\$ 476,576</u>

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013

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

INFORMATION PERTAINING TO THE FISCAL YEAR ENDING JUNE 30, 2014

The actuarial valuation for the fiscal year ending June 30, 2014 is based on the annual payroll for law enforcement officers in the calendar year ended December 31, 2012. The actuary's corresponding calculations are shown next, except that the calculation for the Net Pension Obligation (NPO) is based on other information not yet available. Therefore, NPO will be shown with the County's subsequent annual financial and compliance report.

ANNUAL PAYROLL FOR THE PERIOD ENDED DECEMBER 31, 2012

	Number	Amount
1) active members - current annual compensation	90	\$ 3,639,140
2) retired members - current annual benefits	12	141,832
total annual payroll		<u>\$ 3,780,972</u>

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2012

Present and Prospective Assets	
present assets	\$ -
present value of future (unfunded) accrued liability contributions	1,866,906
total assets, as of December 31, 2012	<u>\$ 1,866,906</u>
Accrued Actuarial Liabilities = present value of benefits payable in respect of:	
present retired members and beneficiaries	\$ 618,894
present active members	1,248,012
total liabilities, as of December 31, 2012	<u>\$ 1,866,906</u>

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2014

The annual required contribution for the year ending June 30, 2014 is calculated as of December 31, 2012. The annual required contribution is comprised of 1) the value of benefits expected to be earned during the fiscal year by active employees and 2) a portion of the value of benefits earned during previous fiscal years by employees that were active in previous years. Below, both values are expressed as a percentage of the annual payroll as calculated in the section above.

	Rate *	Amount
1) value of benefits earned during the current year	2.0978%	\$ 76,342
2) portion of value earned and not contributed in previous years	3.3395%	121,530
total annual required contribution	5.2334%	<u>\$ 197,872</u>

NET PENSION OBLIGATION (& ANNUAL PENSION COST) FOR THE YEAR ENDED JUNE 30, 2014

Net Pension Obligation, as of June 30, 2013		\$ 476,576
annual required contribution	\$ 197,872	
adjustment to annual required contribution	??	
interest on net pension obligation	23,829	
annual pension cost contributions	<u>??</u>	
Change in net pension obligation		\$??
Net Pension Obligation, as of June 30, 2014		<u>\$??</u>

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013

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

ADDITIONAL INFORMATION USED BY THE ACTUARY

The primary purpose of the actuarial valuation is to determine the annual required contribution for each fiscal year. In preparing the valuation, the actuary relied on data provided by Cleveland County and the NC-LGERS. To verify the data, the actuary performed tests for reasonableness and consistency. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information used to actuarially determine the annual required contribution for the reported fiscal year 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, 2014
Valuation Date	Dec 31, 2012
Remaining Amortization Period	18 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 3.00% annually.

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

Fiscal Year Ended June 30	Retirees Receiving Benefits	Other * Plan Members	Vested Plan Members	Non-Vested Plan Members	Total Plan Members
2013	12	-	71	19	102
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

* 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, 2013
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	94
b. OPEB-RHC Schedule of Employer Contributions	Exhibit II.D.2.b	94
c. Notes to OPEB-RHC Financial Schedules	Exhibit II.D.2.c	95

The displays here comply with the applicable provision of accounting requirements under Governmental Accounting Standards Board Statements Number 43 and 45.

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

For the Year Ended June 30, 2013

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>						
2012	\$ -	\$ 12,573,640	\$ 12,573,640	0.000%	\$ 29,006,642	43.347%
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%
2007	-	??	??	0.000%	??	??
2006	-	??	??	0.000%	??	??
2005	-	??	??	0.000%	??	??
2004	-	??	??	0.000%	??	??
2003	-	??	??	0.000%	??	??
2002	-	??	??	0.000%	??	??
2001	-	??	??	0.000%	??	??

* 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, 2013

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>						
2013	\$ 125,390	\$ 1,129,804	11.098%	\$ 1,138,601	11.013%	\$ 5,934,292
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
2008	??	??	??	??	??	??
2007	??	??	??	??	??	??
2006	??	??	??	??	??	??
2005	??	??	??	??	??	??
2004	??	??	??	??	??	??
2003	??	??	??	??	??	??
2002	??	??	??	??	??	??

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013

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, 2013

The actuarial valuation for the fiscal year ended June 30, 2013 is based on the annual payroll for all employees in the calendar year ended December 31, 2012. The actuary's corresponding calculations are shown below.

ANNUAL PAYROLL FOR THE PERIOD ENDED DECEMBER 31, 2012

	Number	Amount
1) active members - current annual compensation	758	\$ 29,006,642
2) retired members - current annual benefits	74	-
total annual payroll		<u>\$ 29,006,642</u>

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2012

Present and Prospective Assets	
present assets	\$ -
present value of future (unfunded) accrued liability contributions	12,573,640
total assets, as of December 31, 2010	<u>\$ 12,573,640</u>
Accrued Actuarial Liabilities = present value of benefits payable in respect of:	
present retired members and beneficiaries	\$ 3,334,268
present active members	9,239,372
total liabilities, as of December 31, 2010	<u>\$ 12,573,640</u>

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2013

The annual required contribution for the year ended June 30, 2013 is calculated as of December 31, 2012. The annual required contribution is comprised of 1) the value of benefits expected to be earned during the fiscal year by active employees and 2) a portion of the value of benefits earned during previous fiscal years by employees that were active in previous years. Below, both values are expressed as a percentage of the total annual payroll as calculated in the section above.

	Rate *	Amount
1) value of benefits earned during the current year	2.2386%	\$ 649,334
2) portion of value earned and not contributed in previous years	1.6564%	480,470
total annual required contribution	3.8950%	<u>\$ 1,129,804</u>

NET OPEB OBLIGATION (& ANNUAL OPEB COST) FOR THE YEAR ENDED JUNE 30, 2013

Net OPEB Obligation, as of June 30, 2012		\$ 4,921,081
annual required contribution	\$ 1,129,804	
adjustment to annual required contribution	(188,046)	
interest on net OPEB obligation	196,843	
annual OPEB cost	<u>\$ 1,138,601</u>	
contributions	(125,390)	
Change in net OPEB obligation		1,013,211
Net OPEB Obligation, as of June 30, 2013		<u>\$ 5,934,292</u>

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013

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 ENDING JUNE 30, 2014

The actuarial valuation for the fiscal year ending June 30, 2014 is based on the annual payroll for all employees in the calendar year ended December 31, 2012. The actuary's corresponding calculations are shown next, except that the calculation for the Net OPEB Obligation (NOO) is based on other information not yet available. Therefore, NOO will be shown with the County's subsequent annual financial and compliance report.

ANNUAL PAYROLL FOR THE PERIOD ENDED DECEMBER 31, 2012

	Number	Amount
1) active members - current annual compensation	758	\$ 29,006,642
2) retired members - current annual benefits	74	-
total annual payroll		<u>\$ 29,006,642</u>

VALUATION BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 2012

Present and Prospective Assets	
present assets	\$ -
present value of future (unfunded) accrued liability contributions	12,573,640
total assets, as of December 31, 2010	<u>\$ 12,573,640</u>
Accrued Actuarial Liabilities = present value of benefits payable in respect of:	
present retired members and beneficiaries	\$ 3,334,268
present active members	9,239,372
total liabilities, as of December 31, 2010	<u>\$ 12,573,640</u>

ANNUAL REQUIRED CONTRIBUTION FOR THE YEAR ENDING JUNE 30, 2014

The annual required contribution for the year ending June 30, 2014 is calculated as of December 31, 2012. The annual required contribution is comprised of 1) the value of benefits expected to be earned during the fiscal year by active employees and 2) a portion of the value of benefits earned during previous fiscal years by employees that were active in previous years. Below, both values are expressed as a percentage of the annual payroll as calculated in the section above.

	Rate *	Amount
1) value of benefits earned during the current year	2.2386%	\$ 649,334
2) portion of value earned and not contributed in previous years	1.6564%	480,470
total annual required contribution	3.8950%	<u>\$ 1,129,804</u>

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For the Year Ended June 30, 2013

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, 2013
Valuation Date	Dec 31, 2012
Remaining Amortization Period	30 years
Amortization Factor	26.1695
Actuarial Assumptions (projected rates):	
Projected Rate of Increases to Medical Costs	5.0% to 8.5%
* Year of Ultimate Trend Rate	2018
Projected Rate of Return on Investments *	4.00%
* 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 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
2013	74	-	98	660	832
2012	59	-	91	671	821
2011	59	-	91	671	821
2010	59	-	91	671	821
2009	55	-	114	633	802
2008		-			-
2007		-			-
2006		-			-
2005		-			-
2004		-			-
2003		-			-
2002		-			-

* 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, 2013
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
3. Major Governmental Funds Financial Statements

	Identifier	Page No.
a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)	Exhibit II.D.3.a	99
b. Capital Projects Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.D.3.b	108

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, 2013

With Comparative Totals For the Year Ended June 30, 2012

	2013		Variance - Over (Under)	2012
	Budget	Actual		Actual
REVENUES				
Ad Valorem Taxes				
Current year - General Fund	\$ 38,426,550	\$ 41,106,897	\$ 2,680,347	\$ 38,507,996
Current year - Public Schools	11,425,000	10,817,777	(607,223)	10,133,663
Prior years	1,538,815	1,571,291	32,476	1,828,455
Penalties, interest, and advertising, net	453,100	711,156	258,056	738,103
Subtotal Ad Valorem Taxes	51,843,465	54,207,121	2,363,656	51,208,217
Other Taxes				
Local option sales tax	7,975,000	8,211,061	236,061	8,077,072
Occupancy tax	216,000	231,492	15,492	235,913
Heavy equipment tax	24,000	20,547	(3,453)	24,371
Rental tax	30,000	31,657	1,657	32,816
Privilege license	-	5,490	5,490	5,110
Register of Deeds excise stamp	200,000	166,293	(33,707)	162,897
Subtotal Other Taxes	8,445,000	8,666,540	221,540	8,538,179
Intergovernmental Revenues, unrestricted				
Video programming services	310,000	312,209	2,209	309,135
Payments in lieu of taxes	11,000	13,651	2,651	-
Sheriff court fees	40,000	36,251	(3,749)	38,194
Jail fees	50,000	61,882	11,882	63,134
Safe road taxes	8,000	9,416	1,416	9,604
Subtotal Intergovernmental Revenues, unrestricted	419,000	433,409	14,409	420,067
Intergovernmental Revenues, restricted				
County program grants	2,397,254	1,458,898	(938,356)	2,108,664
Social services program grants	15,802,019	14,959,054	(842,965)	16,065,371
Health program grants	2,258,560	2,036,768	(221,792)	2,378,638
Court facilities fees	175,322	146,839	(28,483)	153,912
Other grants	5,605,471	1,131,100	(4,474,371)	869,989
Subtotal Intergovernmental Revenues, restricted	26,238,626	19,732,659	(6,505,967)	21,576,574
Subtotal Intergovernmental Revenues	26,657,626	20,166,068	(6,491,558)	21,996,641
Licenses, Fees, and Permits				
Elections fees	-	10	10	4,044
Register of Deeds fees and permits	415,000	411,112	(3,888)	386,517
Marriage Licenses	10,000	14,275	4,275	15,125
Street sign fees	-	395	395	1,580
Civil, pistol, and concealed weapons permits	175,000	273,739	98,739	239,037
Inmate fees	-	8,711	8,711	2,831
Emergency Management fees	-	790	790	770
Building permit and inspection fees	200,000	166,715	(33,285)	174,802
Zoning permits and fees	20,800	16,427	(4,373)	24,924
Environmental Health permits	92,600	76,580	(16,020)	93,605
Subtotal Licenses, Fees, and Permits	913,400	968,754	55,354	943,235

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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, 2013

With Comparative Totals For the Year Ended June 30, 2012

	2013		Variance - Over (Under)	2012
	Budget	Actual		Actual
REVENUES (continued from previous page)				
Sales and Services				
Rents, concessions, and parking	\$ 1,474,000	\$ 1,485,304	\$ 11,304	\$ 1,482,061
Contracted revenues	825,944	906,530	80,586	953,185
County program fees	1,169,829	826,361	(343,468)	1,037,369
Social Services Department fees	36,460	23,661	(12,799)	27,146
Health Department fees	397,918	512,443	114,525	468,088
Medicaid / Medicare service fees	5,478,856	7,242,381	1,763,525	7,951,876
Subtotal Sales and Services	<u>9,383,007</u>	<u>10,996,680</u>	<u>1,613,673</u>	<u>11,919,725</u>
Investment Earnings	260,000	89,047	(170,953)	100,756
Miscellaneous				
Insurance proceeds	598,455	582,631	(15,824)	77,498
ABC net revenues	54,133	124,466	70,333	105,859
Vending & phone commissions	77,500	98,623	21,123	98,219
Contributions / donations	84,417	69,816	(14,601)	75,506
Sale of used surplus equipment and vehicles	25,000	42,549	17,549	31,958
Miscellaneous State refunds to County	-	29,041	29,041	20,216
Paving assessments	-	4,726	4,726	3,933
Incentive paybacks	-	-	-	1,268,978
Miscellaneous others	31,348	17,953	(13,395)	27,795
Subtotal Miscellaneous	<u>870,853</u>	<u>969,805</u>	<u>98,952</u>	<u>1,709,962</u>
Total Revenues	<u>98,373,351</u>	<u>96,064,015</u>	<u>(2,309,336)</u>	<u>96,416,715</u>
EXPENDITURES				
General Government				
Commissioners (including grants received and awarded)				
Salaries and benefits	425,050	411,863	(13,187)	426,950
Other operating expenditures	3,475,876	2,732,277	(743,599)	2,144,732
Subtotal Commissioners	<u>3,900,926</u>	<u>3,144,140</u>	<u>(756,786)</u>	<u>2,571,682</u>
County Manager / Administration				
Salaries and benefits	350,259	347,707	(2,552)	495,215
Other operating expenditures	21,195	19,917	(1,278)	23,798
Subtotal County Manager / Administration	<u>371,454</u>	<u>367,624</u>	<u>(3,830)</u>	<u>519,013</u>
Finance & Purchasing				
Salaries and benefits	542,270	539,601	(2,669)	538,297
Other operating expenditures	73,665	63,646	(10,019)	56,412
Subtotal Finance & Purchasing	<u>615,935</u>	<u>603,247</u>	<u>(12,688)</u>	<u>594,709</u>
Tax Administration (assessing, listing, and collection)				
Salaries and benefits	1,125,703	1,118,337	(7,366)	1,115,930
Other operating expenditures	299,866	256,281	(43,585)	268,386
Subtotal Tax Administration	<u>1,425,569</u>	<u>1,374,618</u>	<u>(50,951)</u>	<u>1,384,316</u>

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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, 2013

With Comparative Totals For the Year Ended June 30, 2012

	2013		Variance - Over (Under)	2012
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Legal / County Attorney				
Other operating expenditures	\$ 130,438	\$ 125,051	\$ (5,387)	\$ 151,049
Capital outlay	40,122	40,122	-	2,045
Subtotal Legal / County Attorney	<u>170,560</u>	<u>165,173</u>	<u>(5,387)</u>	<u>153,094</u>
Elections				
Salaries and benefits	282,542	279,223	(3,319)	299,232
Other operating expenditures	168,087	147,600	(20,487)	177,910
Subtotal Elections	<u>450,629</u>	<u>426,823</u>	<u>(23,806)</u>	<u>477,142</u>
Register of Deeds (including Automation)				
Salaries and benefits	329,746	328,076	(1,670)	328,380
Other operating expenditures	53,930	46,915	(7,015)	48,525
Subtotal Register of Deeds	<u>383,676</u>	<u>374,991</u>	<u>(8,685)</u>	<u>376,905</u>
Information Technology				
Salaries and benefits	467,366	466,306	(1,060)	453,192
Other operating expenditures	106,298	104,458	(1,840)	87,920
Capital outlay	-	-	-	42,487
Subtotal Information Technology	<u>573,664</u>	<u>570,764</u>	<u>(2,900)</u>	<u>583,599</u>
Human Resources				
Salaries and benefits	311,437	309,772	(1,665)	304,631
Other operating expenditures	19,535	18,154	(1,381)	17,513
Subtotal Human Resources	<u>330,972</u>	<u>327,926</u>	<u>(3,046)</u>	<u>322,144</u>
Facilities Maintenance				
Salaries and benefits	360,449	356,787	(3,662)	387,643
Other operating expenditures	1,093,564	1,072,355	(21,209)	1,013,632
Capital outlay	9,498	9,498	-	15,534
Subtotal Facilities Maintenance	<u>1,463,511</u>	<u>1,438,640</u>	<u>(24,871)</u>	<u>1,416,809</u>
Juvenile Crime Prev. Council Admin., other expenditures	3,205	1,621	(1,584)	2,165
Communities in Schools, other expenditures	58,500	58,500	-	58,500
Property & Liability Insurance, other expenditures	311,482	89,403	(222,079)	89,825
Court Facilities				
Salaries and benefits	100,172	101,249	1,077	95,841
Other operating expenditures	222,650	224,450	1,800	234,590
Subtotal Court Facilities	<u>322,822</u>	<u>325,699</u>	<u>2,877</u>	<u>330,431</u>
Total General Government	<u>10,382,905</u>	<u>9,269,169</u>	<u>(1,113,736)</u>	<u>8,880,334</u>
Transportation				
TACC, other expenditures	39,465	39,465	-	39,465
Total Transportation	<u>39,465</u>	<u>39,465</u>	<u>-</u>	<u>39,465</u>
Public Safety				
Sheriff (including Schools Resource Officers)				
Salaries and benefits	5,256,687	5,238,065	(18,622)	5,135,354
Other operating expenditures	900,526	883,106	(17,420)	920,130
Capital outlay	344,645	308,479	(36,166)	292,268
Subtotal Sheriff	<u>6,501,858</u>	<u>6,429,650</u>	<u>(72,208)</u>	<u>6,347,752</u>

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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, 2013

With Comparative Totals For the Year Ended June 30, 2012

	2013		Variance - Over (Under)	2012
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Law Enforcement and Other Public Safety Grants				
Other operating expenditures	\$ 124,090	\$ 55,273	\$ (68,817)	\$ 34,249
Capital outlay	16,315	12,928	(3,387)	90,744
Subtotal Public Safety Grants	140,405	68,201	(72,204)	124,993
Criminal Justice Partnership (Day Reporting Center)				
Salaries and benefits	-	-	-	24,451
Other operating expenditures	-	-	-	53,683
Subtotal Criminal Justice Partnership	-	-	-	78,134
Federal and State Forfeited Property				
Other operating expenditures	136,252	101,113	(35,139)	138,254
Capital outlay	111,013	110,032	(981)	-
Subtotal Federal and State Forfeited Property	247,265	211,145	(36,120)	138,254
Detention Centers				
Salaries and benefits	2,767,592	2,748,797	(18,795)	2,331,372
Other operating expenditures	1,192,059	1,152,218	(39,841)	1,600,416
Capital outlay	39,494	-	(39,494)	-
Subtotal Detention Centers	3,999,145	3,901,015	(98,130)	3,931,788
Emergency Management				
Salaries and benefits	212,719	211,352	(1,367)	214,690
Other operating expenditures	124,267	110,405	(13,862)	208,969
Capital outlay	51,410	51,263	(147)	124,828
Subtotal Emergency Management	388,396	373,020	(15,376)	548,487
Emergency Medical Services				
Salaries and benefits	4,357,196	4,360,057	2,861	4,259,017
Other operating expenditures	971,771	859,588	(112,183)	873,759
Capital outlay	101,286	99,809	(1,477)	374,481
Subtotal Emergency Medical Services	5,430,253	5,319,454	(110,799)	5,507,257
Rescue Squads, other expenditures	143,175	107,736	(35,439)	123,945
E911 Communications				
Salaries and benefits	958,860	953,766	(5,094)	927,559
Other operating expenditures	74,869	57,770	(17,099)	27,352
Subtotal E911 Communications	1,033,729	1,011,536	(22,193)	954,911
Electronic Maintenance				
Salaries and benefits	254,959	253,825	(1,134)	228,315
Other operating expenditures	128,160	114,594	(13,566)	94,409
Capital outlay	-	-	-	26,466
Subtotal Electronic Maintenance	383,119	368,419	(14,700)	349,190
Inspections				
Salaries and benefits	374,314	372,320	(1,994)	356,412
Other operating expenditures	32,537	29,550	(2,987)	31,813
Subtotal Inspections	406,851	401,870	(4,981)	388,225
Coroner				
Salaries and benefits	32,457	32,159	(298)	31,635
Other operating expenditures	66,282	68,175	1,893	63,716
Subtotal Coroner	98,739	100,334	1,595	95,351

(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, 2013

With Comparative Totals For the Year Ended June 30, 2012

	2013		Variance - Over (Under)	2012
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Hazardous Materials, other expenditures	\$ 95,080	\$ 16,188	\$ (78,892)	\$ 19,355
Animal/Rabies Control				
Salaries and benefits	442,445	431,922	(10,523)	424,297
Other operating expenditures	207,017	200,395	(6,622)	167,187
Capital outlay	22,914	22,914	-	2,600
Subtotal Animal/Rabies Control	672,376	655,231	(17,145)	594,084
Total Public Safety	19,540,391	18,963,799	(576,592)	19,201,726
Human Services				
Social Services:				
Social Services Administration				
Salaries and benefits	1,012,321	1,000,962	(11,359)	975,233
Other operating expenditures	897,534	715,963	(181,571)	576,435
Capital outlay	52,633	52,633	-	-
Subtotal Social Services Administration	1,962,488	1,769,558	(192,930)	1,551,668
Title XX				
Salaries and benefits	4,330,225	4,259,668	(70,557)	4,185,487
Other operating expenditures	683,771	481,427	(202,344)	471,529
Subtotal Title XX	5,013,996	4,741,095	(272,901)	4,657,016
Outside Poor, other expenditures	5,612,184	5,333,679	(278,505)	5,288,348
Income Maintenance				
Salaries and benefits	4,260,851	4,030,092	(230,759)	3,939,131
Other operating expenditures	442,063	258,102	(183,961)	309,468
Subtotal Income Maintenance	4,702,914	4,288,194	(414,720)	4,248,599
Special Assistance, salaries and benefits	41,491	41,147	(344)	40,197
Aid to Blind, other expenditures	8,021	8,021	-	7,729
IVD Child Support				
Salaries and benefits	1,153,080	1,076,768	(76,312)	1,087,978
Other operating expenditures	8,945	4,567	(4,378)	8,574
Subtotal IVD Child Support	1,162,025	1,081,335	(80,690)	1,096,552
Smart Start, salaries and benefits	116,486	86,637	(29,849)	79,331
Public Assistance, Other expenses	4,865,403	4,554,144	(311,259)	4,410,260
Total Social Services	23,485,008	21,903,810	(1,581,198)	21,379,700
Health services				
Health Administration				
Salaries and benefits	874,596	845,755	(28,841)	785,899
Other operating expenditures	600,617	540,204	(60,413)	583,979
Capital outlay	10,327	10,317	(10)	-
Subtotal Health Administration	1,485,540	1,396,276	(89,264)	1,369,878
AIDS				
Salaries and benefits	64,061	55,667	(8,394)	65,264
Other operating expenditures	1,000	767	(233)	678
Subtotal AIDS	65,061	56,434	(8,627)	65,942

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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, 2013

With Comparative Totals For the Year Ended June 30, 2012

	2013		Variance - Over (Under)	2012
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Tuberculosis/Communicable Diseases				
Salaries and benefits	\$ 144,755	\$ 144,156	\$ (599)	\$ 142,340
Other operating expenditures	30,394	25,700	(4,694)	24,253
Subtotal Tuberculosis/Communicable Diseases	175,149	169,856	(5,293)	166,593
Adult Health				
Salaries and benefits	536,268	504,269	(31,999)	421,156
Other operating expenditures	372,992	284,981	(88,011)	289,771
Subtotal Adult Health	909,260	789,250	(120,010)	710,927
School Health				
Salaries and benefits	1,068,628	1,063,660	(4,968)	1,051,469
Other operating expenditures	98,030	92,698	(5,332)	82,194
Subtotal School Health	1,166,658	1,156,358	(10,300)	1,133,663
Health Promotions				
Salaries and benefits	61,740	61,432	(308)	101,883
Other operating expenditures	94,051	85,361	(8,690)	33,158
Subtotal Health Promotions	155,791	146,793	(8,998)	135,041
Child Health				
Salaries and benefits	534,033	469,734	(64,299)	539,021
Other operating expenditures	127,585	108,624	(18,961)	83,278
Subtotal Child Health	661,618	578,358	(83,260)	622,299
Maternal Health				
Salaries and benefits	1,503,862	1,420,364	(83,498)	1,735,918
Other operating expenditures	90,470	72,402	(18,068)	102,037
Subtotal Maternal Health	1,594,332	1,492,766	(101,566)	1,837,955
Family Planning				
Salaries and benefits	653,056	642,063	(10,993)	455,305
Other operating expenditures	235,017	220,379	(14,638)	258,708
Subtotal Family Planning	888,073	862,442	(25,631)	714,013
Women - Infants - Children				
Salaries and benefits	455,178	408,129	(47,049)	413,573
Other operating expenditures	120,139	107,953	(12,186)	101,740
Subtotal Women - Infants - Children	575,317	516,082	(59,235)	515,313
Environmental Health				
Salaries and benefits	651,218	644,244	(6,974)	639,197
Other operating expenditures	45,016	42,855	(2,161)	44,005
Subtotal Environmental Health	696,234	687,099	(9,135)	683,202
Other Public Health Grants				
Salaries and benefits	89,257	81,580	(7,677)	95,161
Other operating expenditures	227,862	144,068	(83,794)	225,235
Subtotal Other Public Health Grants	317,119	225,648	(91,471)	320,396
Dental Clinic				
Salaries and benefits	210,072	140,001	(70,071)	51,123
Other operating expenditures	184,075	156,932	(27,143)	253,178
Capital outlay	35,063	-	(35,063)	-
Subtotal Dental Clinic	429,210	296,933	(132,277)	304,301

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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, 2013

With Comparative Totals For the Year Ended June 30, 2012

	2013		Variance - Over (Under)	2012
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Nurse Family Partnership				
Salaries and benefits	\$ 347,428	\$ 313,142	\$ (34,286)	\$ 288,630
Other operating expenditures	406,321	64,228	(342,093)	61,157
Subtotal Nurse Family Partnership	753,749	377,370	(376,379)	349,787
Carolina Access				
Salaries and benefits	1,909,463	1,625,424	(284,039)	1,124,306
Other operating expenditures	1,015,215	780,914	(234,301)	1,379,872
Subtotal Carolina Access	2,924,678	2,406,338	(518,340)	2,504,178
CODAP				
Salaries and benefits	154,057	125,081	(28,976)	85,528
Other operating expenditures	33,268	15,966	(17,302)	16,932
Subtotal CODAP	187,325	141,047	(46,278)	102,460
Total Health Services	12,985,114	11,299,050	(1,686,064)	11,535,948
Miscellaneous				
Mental health (Pathways)				
Salaries and benefits	48,462	45,209	(3,253)	27,793
Other operating expenditures	743,477	742,625	(852)	762,638
Subtotal Mental health (Pathways)	791,939	787,834	(4,105)	790,431
Veteran Services				
Salaries and benefits	89,899	89,601	(298)	86,463
Other operating expenditures	5,028	2,622	(2,406)	4,076
Subtotal Veteran Services	94,927	92,223	(2,704)	90,539
Council on Aging, other expenditures	154,035	154,035	-	140,037
Total Human Services	37,511,023	34,236,952	(3,274,071)	33,936,655
Debt Service				
Principal reduction	66,266	40,971	(25,295)	65,605
Interest and fees	2,960	2,499	(461)	3,619
Total Debt Service	69,226	43,470	(25,756)	69,224
Education				
Public Schools				
Distribution of collected property taxes	11,813,840	11,311,140	(502,700)	10,608,207
Current expenses	10,408,213	10,408,213	-	10,408,213
Schools capital outlay	2,840,000	2,840,000	-	3,040,000
Subtotal Public Schools	25,062,053	24,559,353	(502,700)	24,056,420
Community College, other expenditures	1,490,730	1,478,160	(12,570)	1,415,130
Total Education	26,552,783	26,037,513	(515,270)	25,471,550
Economic and Physical Development				
Planning and Zoning				
Salaries and benefits	285,075	283,883	(1,192)	280,297
Other operating expenditures	49,972	46,309	(3,663)	42,121
Subtotal Planning and Zoning	335,047	330,192	(4,855)	322,418

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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, 2013

With Comparative Totals For the Year Ended June 30, 2012

	2013		Variance - Over (Under)	2012
	Budget	Actual		Actual
EXPENDITURES (continued from previous page)				
Economic Development				
Salaries and benefits	\$ 158,549	\$ 158,003	\$ (546)	\$ 155,318
Other operating expenditures	4,948,766	1,403,389	(3,545,377)	846,968
Capital outlay	252,748	252,696	(52)	305,909
Subtotal Economic Development	<u>5,360,063</u>	<u>1,814,088</u>	<u>(3,545,975)</u>	<u>1,308,195</u>
Cooperative Extension				
Salaries and benefits	232,076	232,323	247	219,019
Other operating expenditures	62,014	49,530	(12,484)	43,958
Subtotal Cooperative Extension	<u>294,090</u>	<u>281,853</u>	<u>(12,237)</u>	<u>262,977</u>
Forestry, other expenditures	<u>54,190</u>	<u>50,256</u>	<u>(3,934)</u>	<u>67,240</u>
Soil Conservation				
Salaries and benefits	71,325	70,648	(677)	75,437
Other operating expenditures	13,896	8,084	(5,812)	6,429
Subtotal Soil Conservation	<u>85,221</u>	<u>78,732</u>	<u>(6,489)</u>	<u>81,866</u>
Waterline, Sewer, and Roadway Maintenance				
Other operating expenditures	<u>1,523,341</u>	<u>589,346</u>	<u>(933,995)</u>	<u>402,928</u>
Total Economic and Physical Development	<u>7,651,952</u>	<u>3,144,467</u>	<u>(4,507,485)</u>	<u>2,445,624</u>
Cultural				
Library System				
Salaries and benefits	699,657	695,321	(4,336)	674,146
Other operating expenditures	405,234	320,707	(84,527)	296,747
Subtotal Library System	<u>1,104,891</u>	<u>1,016,028</u>	<u>(88,863)</u>	<u>970,893</u>
Recreation, Other operating expenditures	<u>79,900</u>	<u>79,336</u>	<u>(564)</u>	<u>94,046</u>
Historic Courthouse, other expenditures	<u>83,918</u>	<u>82,707</u>	<u>(1,211)</u>	<u>63,135</u>
Total Cultural	<u>1,268,709</u>	<u>1,178,071</u>	<u>(90,638)</u>	<u>1,128,074</u>
Total Expenditures	<u>103,016,454</u>	<u>92,912,906</u>	<u>(10,103,548)</u>	<u>91,172,652</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,643,103)</u>	<u>3,151,109</u>	<u>7,794,212</u>	<u>5,244,063</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, 2013

With Comparative Totals For the Year Ended June 30, 2012

	2013		Variance - Over (Under)	2012
	Budget	Actual		Actual
(continued from previous page)				
Excess of Revenues Over (Under)				
Expenditures (repeated from prior page)	\$ (4,643,103)	\$ 3,151,109	\$ 7,794,212	\$ 5,244,063
OTHER FINANCING SOURCES (USES)				
Transfers In:				
from Emergency Telephone fund	72,325	72,325	-	69,097
from Capital Projects fund	1,376,928	1,290,000	(86,928)	1,290,000
from Solid Waste fund	266,223	276,460	10,237	282,860
Transfers Out:				
to County Fire Service District fund	(300,000)	(300,000)	-	-
to Community Development fund	(1,434)	(91,626)	(90,192)	(3,910)
to Debt Service fund	(2,071,398)	(2,074,310)	(2,912)	(2,095,528)
to Capital Projects fund	(26,573,768)	(2,330,975)	24,242,793	(1,535,390)
to Solid Waste fund	(250,000)	(250,000)	-	(250,000)
to Conference Center fund	(562,756)	(592,404)	(29,648)	(219,117)
Capital Lease Financing Issued	52,633	52,633	-	-
Proceeds from Sales of Capital Assets	23,000,000	23,000,000	-	-
Fund Balance Appropriated	9,634,350	-	(9,634,350)	-
Total Other Financing Sources (Uses)	4,643,103	19,052,103	14,409,000	(2,461,988)
Net Change in Fund Balance	\$ -	22,203,212	\$ 22,203,212	2,782,075
FUND BALANCES				
Beginning Fund Balances		25,063,714		22,281,639
Ending Fund Balances		<u>\$ 47,266,926</u>		<u>\$ 25,063,714</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, 2013

With Comparative Totals from Project Inception to June 30, 2012

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, restricted				
Early College High School (5-Year Diploma/Degree)	\$ 1,000,000	\$ -	\$ -	\$ -
Kings Mountain Gateway Trails	940,550	785,000	25,000	810,000
Historic Courthouse Renovation	1,793,000	1,214,779	-	1,214,779
Subtotal	3,733,550	1,999,779	25,000	2,024,779
Investment earnings				
No assigned project	-	13,646	24,670	38,316
Miscellaneous				
Industrial Park - US Highway 74 Business	6,952	6,951	-	6,951
Farmers Market Shade Pavilion	5,000	39,197	5,000	44,197
No assigned project	-	129,549	175,372	304,921
Subtotal	11,952	175,697	180,372	356,069
Local Option Sales Taxes, restricted portions of Articles 40 and 42				
Other taxes-sales taxes	3,446,519	2,605,434	2,650,202	5,255,636
Investment earnings	-	5,759	25,638	31,397
Subtotal	3,446,519	2,611,193	2,675,840	5,287,033
State Corporate Income Taxes				
Investment earnings	-	336	-	336
Subtotal	-	336	-	336
State Education Lottery Proceeds				
Intergovernmental revenues-proceeds from state	11,776,972	1,381,187	5,548,758	6,929,945
Investment earnings	45,123	45,122	20,809	65,931
Subtotal	11,822,095	1,426,309	5,569,567	6,995,876
Total Revenues	19,014,116	6,226,960	8,475,449	14,702,409
EXPENDITURES				
General government:				
Purchase-computer replacement program	596,587	485,747	43,837	529,584
Subtotal	596,587	485,747	43,837	529,584
Public safety				
Expansion-Jail Annex	7,634,207	7,483,213	6,641	7,489,854
Purchase-E911 dispatch equipment	312,700	3,485	-	3,485
Construction-Public Firing Range	275,000	3,000	22,786	25,786
Subtotal	8,221,907	7,489,698	29,427	7,519,125
Human services				
Construction-Health Department Building	22,000,000	-	-	-
Subtotal	22,000,000	-	-	-
Education				
Construction-Early College High School	22,183,193	20,112,805	288,484	20,401,289
Construction-Shelby Middle School	26,544,512	23,089,971	833,261	23,923,232
Renovation-Central Services / Turning Point Academy	8,979,040	2,237,485	6,406,213	8,643,698
Purchase-Pinnacle Academy	125,230	-	125,230	125,230
Grant-Community College	75,000	-	75,000	75,000
Subtotal	57,906,975	45,440,261	7,728,188	53,168,449

(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, 2013

With Comparative Totals from Project Inception to June 30, 2012

	Project Authorization	Prior Years	Current Year	Total to Date
EXPENDITURES (continued from previous page)				
Economic and physical development				
Foothills Commerce Center - West Shelby	\$ 3,166,848	\$ 1,366,806	\$ 216,638	\$ 1,583,444
Large Industrial Park - Washburn Switch Road	3,100,000	2,744,159	-	2,744,159
Industrial Park - Washburn Switch Road	1,207,240	1,206,728	8,932	1,215,660
Industrial Park - US Highway 74 Business	980,344	780,424	75,883	856,307
Construction-Kings Mountain Gateway Trails	1,166,550	996,495	21,823	1,018,318
Renovation/Grant-American Legion World Series	2,147,652	372,652	1,457,412	1,830,064
Renovation-City-County Airport	352,780	344,445	4,174	348,619
Construction-Project X-CEL	104,775	-	78,475	78,475
Grant-Farmers Market Shade Pavilion	90,000	-	89,197	89,197
Construction-Waterline and sewer extensions	20,295	20,295	-	20,295
Subtotal	12,336,484	7,832,004	1,952,534	9,784,538
Cultural and recreational				
Renovation-Historic Courthouse	4,747,526	3,129,918	350,000	3,479,918
Subtotal	4,747,526	3,129,918	350,000	3,479,918
Total Expenditures	105,809,479	64,377,628	10,103,986	74,481,614
Excess of Revenues over (under) Expenditures	(86,795,363)	(58,150,668)	(1,628,537)	(59,779,205)
OTHER FINANCING SOURCES (USES)				
Transfers in				
from General fund for specific projects	26,918,350	3,819,620	1,000,000	4,819,620
from Community Development fund	-	-	181,528	181,528
from Solid Waste fund for specific project	3,000,000	2,750,000	-	2,750,000
from General fund for no specific project	16,323,253	13,635,684	1,330,975	14,966,659
Subtotal	46,241,603	20,205,304	2,512,503	22,717,807
Installment financing issued				
Jail Annex Expansion	6,720,000	6,720,000	-	6,720,000
Early College High School (5-Year Diploma/Degree)	18,000,000	17,582,950	-	17,582,950
Shelby Middle School	22,000,000	22,000,000	-	22,000,000
Subtotal	46,720,000	46,302,950	-	46,302,950
Sale of capital assets	-	-	349,738	349,738
Fund balance appropriated	123,334	-	-	-
Local Option Sales Taxes, restricted portions of Articles 40 and 42				
Transfers out:				
to General Fund	(2,580,000)	(1,290,000)	(1,290,000)	(2,580,000)
to Debt Service Fund	(1,017,545)	(487,974)	(525,981)	(1,013,955)
Fund balance appropriated	151,854	-	-	-
Subtotal	(3,445,691)	(1,777,974)	(1,815,981)	(3,593,955)
State Corporate Income Taxes				
Transfers out:				
to Debt Service Fund	(828)	-	(798)	(798)

(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, 2013

With Comparative Totals from Project Inception to June 30, 2012

	Project Authorization	Prior Years	Current Year	Total to Date
OTHER FINANCING SOURCES (USES) (continued from previous page)				
State Education Lottery Proceeds				
Transfers out:				
to Debt Service fund	\$ (2,843,055)	\$ (1,426,279)	\$ (1,403,643)	\$ (2,829,922)
Total Other Financing Sources (Uses)	86,795,363	63,304,001	(358,181)	62,945,820
Net Change in Fund Balance	\$ -	\$ 5,153,333	(1,986,718)	\$ 3,166,615

FUND BALANCES

Beginning fund balances	5,153,333
Ending fund balances	<u>\$ 3,166,615</u>

Breakdown of fund balances:

Local Option Sales Taxes, restricted portions of Articles 40 and 42	
Beginning fund balances	\$ 6,865,038
Ending fund balances	<u>5,132,482</u>
State Corporate Income Taxes	
Beginning fund balances	798
Ending fund balances	<u>-</u>
State Education Lottery Proceeds	
Beginning fund balances	30
Ending fund balances	<u>13,194</u>
All Other Capital Projects	
Beginning fund balances, as restated	<u>(1,712,533)</u>
Ending fund balances	<u>(1,979,061)</u>

Note:

As of June 30, 2013, the balance of proceeds accumulated from the State's Education Lottery that are both available to the County and specifically restricted for capital needs of Cleveland County Schools, yet held by the State, are:

\$ 1,977,151

These funds are not otherwise reflected in this report.

(continued from previous page)

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
4. Non-major Governmental Funds Financial Statements

	Identifier	Page No.
a. Non-major Governmental Funds: Combining Balance Sheet	Exhibit II.D.4.a	112
b. Non-major Governmental Funds: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.D.4.b	114
c. Emergency Telephone Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.c	116
d. County Fire Service District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.d	117
e. Community Development Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual (since projects' inception)	Exhibit II.D.4.e	118
f. Debt Service Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual	Exhibit II.D.4.f	119

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, 2013
With Comparative Totals as of June 30, 2012

	Non-major Governmental Funds		
	Emergency Telephone	County Fire Service District	Community Development
ASSETS			
Cash and cash equivalents	\$ 1,297,261	\$ 54,205	\$ -
Taxes receivable, net	-	31,991	-
Accounts receivable, net	53,415	63,074	174,462
Due from other funds	-	9,711	-
Prepaid items	5,386	-	-
Total assets	\$ 1,356,062	\$ 158,981	\$ 174,462
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 92,054	\$ -	\$ 84,181
Contract retainage	-	-	5,480
Unearned revenues	-	8,225	-
Unavailable revenues	-	31,991	-
Due to other funds	12,436	-	84,407
Total liabilities	104,490	40,216	174,068
Fund balances:			
Non-spendable			
Prepaid items	5,386	-	-
Restricted			
Stabilization of State Statute	53,415	72,785	394
Emergency Telephone	1,192,771	-	-
County Fire Service District	-	45,980	-
Unassigned	-	-	-
Total fund balances	1,251,572	118,765	394
Total liabilities and fund balances	\$ 1,356,062	\$ 158,981	\$ 174,462

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Non-major Governmental Funds			
Debt Service	Totals		
	2013	2012	
\$ -	\$ 1,351,466	\$ 1,539,565	
-	31,991	34,418	
6,273	297,224	130,579	
-	9,711	22,663	
-	5,386	6,848	
\$ 6,273	\$ 1,695,778	\$ 1,734,073	
\$ -	\$ 176,235	\$ 32,378	
-	5,480	36,092	
-	8,225	185,973	
-	31,991	34,418	
6,273	103,116	-	
6,273	325,047	288,861	
-	5,386	6,848	
-	126,594	153,368	
-	1,192,771	1,308,538	
-	45,980	42,975	
-	-	(66,517)	
-	1,370,731	1,445,212	
\$ 6,273	\$ 1,695,778	\$ 1,734,073	

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Cleveland County, North Carolina

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

(continued on next page)

For the Year Ended June 30, 2013

With Comparative Totals For the Year Ended June 30, 2012

	Non-major Governmental Funds		
	Emergency Telephone	County Fire Service District	Community Development
REVENUES			
Ad valorem taxes	\$ -	\$ 971,625	\$ -
Other taxes	300,551	238,564	-
Intergovernmental revenues, restricted	26,762	5,365	753,361
Investment earnings	12,737	4	-
Total revenues	340,050	1,215,558	753,361
EXPENDITURES			
General government	-	-	66,667
Public safety	366,778	1,509,489	-
Economic and physical development	-	-	578,289
Debt service, principal reduction	-	-	-
Debt service, interest and fees	-	-	-
Total expenditures	366,778	1,509,489	644,956
Excess of revenues over (under) expenditures	(26,728)	(293,931)	108,405
OTHER FINANCING SOURCES (USES)			
Transfers in	-	300,000	91,626
Transfers out	(72,325)	-	(181,528)
Total other financing sources (uses)	(72,325)	300,000	(89,902)
Net change in fund balance	(99,053)	6,069	18,503
FUND BALANCES			
Beginning fund balances	1,350,625	112,696	(18,109)
Ending fund balances	\$ 1,251,572	\$ 118,765	\$ 394

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Non-major Governmental Funds			
Debt Service	Totals		
	2013	2012	
\$ -	\$ 971,625	\$	881,659
-	539,115		622,220
1,522,162	2,307,650		3,052,473
-	12,741		2,290
<u>1,522,162</u>	<u>3,831,131</u>		<u>4,558,642</u>
-	66,667		-
-	1,876,267		2,066,925
-	578,289		1,268,543
3,371,169	3,371,169		3,370,393
2,155,725	2,155,725		2,252,197
<u>5,526,894</u>	<u>8,048,117</u>		<u>8,958,058</u>
(4,004,732)	(4,216,986)		(4,399,416)
4,004,732	4,396,358		4,013,691
-	(253,853)		(69,097)
<u>4,004,732</u>	<u>4,142,505</u>		<u>3,944,594</u>
-	(74,481)		(454,822)
-	1,445,212		1,900,034
<u>\$ -</u>	<u>\$ 1,370,731</u>	<u>\$</u>	<u>1,445,212</u>

(continued from previous page)

Cleveland County, North Carolina

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

For the Year Ended June 30, 2013

With Comparative Totals For the Year Ended June 30, 2012

	2013		Variance - Over (Under)	2012
	Budget	Actual		Actual
REVENUES				
System subscriber/surcharge fees	\$ 300,551	\$ 300,551	\$ -	\$ 381,896
Reimbursements from other PSAPs	27,013	26,762	(251)	26,762
Investment earnings	-	12,737	12,737	2,180
Total revenues	327,564	340,050	12,486	410,838
EXPENDITURES				
Public safety:				
Supplies and materials	5,770	5,166	(604)	389
Travel and training	1,000	159	(841)	545
Telecommunications	145,537	105,337	(40,200)	109,762
Contracted services	61,352	61,351	(1)	37,012
Professional services	600	175	(425)	30,082
Equipment lease shared with other PSAPs	50,232	48,659	(1,573)	48,659
Dues/Subscriptions/Licenses	4,475	2,830	(1,645)	635
Capital outlay, equipment	216,430	143,101	(73,329)	-
Subtotal	485,396	366,778	(118,618)	227,084
<i>Separately reported expenditures from special 50% fund:</i>				
Supplies and materials	-	-	-	12,492
Capital outlay, equipment	-	-	-	281,200
Subtotal	-	-	-	293,692
Total public safety expenditures	485,396	366,778	(118,618)	520,776
Excess of revenues over (under) expenditures	(157,832)	(26,728)	131,104	(109,938)
OTHER FINANCING SOURCES (USES)				
Implemental functions / Transfers to General Fund	(72,325)	(72,325)	-	(69,097)
Fund balance appropriated	230,157	-	(230,157)	-
Total other financing sources (uses)	157,832	(72,325)	(230,157)	(69,097)
Net change in fund balance	\$ -	(99,053)	\$ (99,053)	(179,035)
FUND BALANCES				
Beginning fund balances		1,350,625		1,529,660
Ending fund balances		<u>\$ 1,251,572</u>		<u>\$ 1,350,625</u>
RECONCILIATION TO PSAP REVENUE-EXPENDITURE REPORT				
Totals (from above)		\$ 340,050	\$ 366,778	
less Reimbursements from other PSAPs (from above)		(26,762)	(26,762)	
less Investment earnings (from above)		(12,737)		
plus Implemental functions (from above)			72,325	
Totals reported to NC 911 Board		<u>\$ 300,551</u>	<u>\$ 412,341</u>	

Cleveland County, North Carolina

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

For the Year Ended June 30, 2013

With Comparative Totals For the Year Ended June 30, 2012

	2013		Variance - Over (Under)	2012
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year	\$ 902,100	\$ 932,286	\$ 30,186	\$ 837,543
Prior years	25,650	31,150	5,500	35,020
Penalties and interest	5,000	8,189	3,189	9,096
Subtotal ad valorem taxes	<u>932,750</u>	<u>971,625</u>	<u>38,875</u>	<u>881,659</u>
Other taxes, local option sales taxes	225,000	238,564	13,564	240,324
Intergovernmental revenues, restricted	-	5,365	5,365	3,810
Investment earnings	-	4	4	110
Total revenues	<u>1,157,750</u>	<u>1,215,558</u>	<u>57,808</u>	<u>1,125,903</u>
EXPENDITURES				
Public safety:				
Supplies	2,015	855	(1,160)	913
Repairs on equipment	250	-	(250)	-
Contracted and professional services	5,497	1,478	(4,019)	2,227
Insurance	52,000	50,952	(1,048)	52,008
Awards to Volunteer Fire Departments	1,446,001	1,446,001	-	1,491,001
Industrial incentive grant	10,203	10,203	-	-
Total expenditures	<u>1,515,966</u>	<u>1,509,489</u>	<u>(6,477)</u>	<u>1,546,149</u>
Excess of revenues over (under) expenditures	<u>(358,216)</u>	<u>(293,931)</u>	<u>64,285</u>	<u>(420,246)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund	300,000	300,000	-	-
Fund balance appropriated	58,216	-	(58,216)	-
Total other financing sources (uses)	<u>358,216</u>	<u>300,000</u>	<u>(58,216)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>6,069</u>	<u>\$ 6,069</u>	<u>(420,246)</u>
FUND BALANCES				
Beginning fund balances		112,696		532,942
Ending fund balances		<u>\$ 118,765</u>		<u>\$ 112,696</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, 2013

With Comparative Totals from Project Inception to June 30, 2012

	Project Authorization	Prior Years	Current Year	Total to Date
REVENUES				
Intergovernmental revenues, federal restricted				
Project 09-E-2081	\$ 1,000,000	\$ 992,913	\$ 7,087	\$ 1,000,000
Project 10-L-2161	1,000,000	818,472	181,528	1,000,000
Project 10-C-2167	400,000	69,134	310,953	380,087
Project 11-C-2334	250,000	-	248,843	248,843
Intergovernmental revenues, state restricted (09-E-2081)	500,000	500,000	-	500,000
Miscellaneous (11-C-2334)	4,950	-	4,950	4,950
Total revenues	3,154,950	2,380,519	753,361	3,133,880
EXPENDITURES				
General government:				
Refund of prior CDBG grant	-	-	66,667	66,667
Economic and physical development:				
Community Development Block Grant-Economic Development (CDBG-ED2009), 09-E-2081:				
Administration	35,000	35,000	-	35,000
Roadway/Railway expansion	1,590,000	1,572,716	15,673	1,588,389
Community Development Block Grant-Section 108 Loan Guarantee (CDBG-LG2010), 10-L-2161:				
Shell Building	1,000,000	818,472	-	818,472
Community Development Block Grant-Housing Rehab (CDBG-HR2010), 10-C-2167:				
Administration	40,000	32,155	8,239	40,394
Housing rehabilitation	360,000	39,108	300,584	339,692
Community Development Block Grant-Economic Development (CDBG-ED2011), 11-C-2334:				
Administration	33,500	-	32,343	32,343
Equipment purchases	221,450	-	221,450	221,450
Total expenditures	3,279,950	2,497,451	644,956	3,142,407
Excess of revenues over (under) expenditures	\$ (125,000)	\$ (116,932)	108,405	\$ (8,527)
OTHER FINANCING SOURCES (USES)				
Transfers in:				
from General fund (09-E-2081)	125,000	98,823	24,959	123,782
from General fund (Refund)	-	-	66,667	66,667
Transfers out:				
to Capital Projects fund (10-L-2161)	-	-	(181,528)	(181,528)
Total other financing sources (uses)	125,000	98,823	(89,902)	8,921
Net change in fund balance	\$ -	\$ (18,109)	18,503	\$ 394
FUND BALANCES				
Beginning fund balances			(18,109)	
Ending fund balances			\$ 394	

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, 2013

With Comparative Totals For the Year Ended June 30, 2012

	2013		Variance - Over (Under)	2012
	Budget	Actual		Actual
REVENUES				
Intergovernmental revenues, restricted	\$ 1,562,588	\$ 1,522,162	\$ (40,426)	\$ 1,612,809
Total revenues	1,562,588	1,522,162	(40,426)	1,612,809
EXPENDITURES				
Debt service:				
Principal retirement	3,371,170	3,371,169	(1)	3,370,393
Interest	2,195,908	2,141,643	(54,265)	2,252,105
Fees	14,082	14,082	-	92
Total expenditures	5,581,160	5,526,894	(54,266)	5,622,590
Excess of revenues over (under) expenditures	(4,018,572)	(4,004,732)	13,840	(4,009,781)
OTHER FINANCING SOURCES (USES)				
Transfers in				
from General fund	2,071,398	2,074,310	2,912	2,095,528
from Capital Projects fund	1,947,174	1,930,422	(16,752)	1,914,253
Total other financing sources (uses)	4,018,572	4,004,732	(13,840)	4,009,781
Net change in fund balance	\$ -	-	\$ -	-
FUND BALANCES				
Beginning fund balances		-		-
Ending fund balances		<u>\$ -</u>		<u>\$ -</u>

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Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
D. Required Supplementary Information:
5. Major Enterprise Funds Financial Schedule

	Identifier	Page No.
a. Solid Waste Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis	Exhibit II.D.5.a	122
b. Conference Center Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis	Exhibit II.D.5.b	124

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, 2013

With Comparative Totals For the Year Ended June 30, 2012

	2013		Variance - Over (Under)	2012
	Budget	Actual		Actual
REVENUES				
Operating revenues:				
Household user fees	\$ 1,449,778	\$ 1,422,395	\$ (27,383)	\$ 1,428,628
Departmental fees	4,233,910	3,626,868	(607,042)	4,107,019
Miscellaneous	212	191,642	191,430	30,062
Total operating revenues	5,683,900	5,240,905	(442,995)	5,565,709
Non-operating revenues:				
Other taxes	154,984	426,249	271,265	480,154
Intergovernmental revenues	20,698	77,222	56,524	84,168
Interest earned	2,000	1,251	(749)	2,179
Total non-operating revenues	177,682	504,722	327,040	566,501
Total revenues	5,861,582	5,745,627	(115,955)	6,132,210
EXPENDITURES				
Administration and operating expenditures:				
Salaries and benefits	1,918,328	1,834,566	(83,762)	1,823,121
Supplies and materials	66,370	57,531	(8,839)	50,950
Automotive fuels and supplies	483,000	464,538	(18,462)	500,114
Uniforms	8,550	7,842	(708)	8,464
Travel and training	10,761	11,313	552	7,128
Utilities, telecommunications, and postage	108,491	77,499	(30,992)	83,701
Repairs and maintenance	270,502	247,963	(22,539)	164,450
Advertising	3,626	172	(3,454)	3,160
Laundry and dry cleaning	23,963	22,899	(1,064)	14,998
Rent	11,833	11,510	(323)	8,097
Contracted services	317,024	252,912	(64,112)	279,979
Insurance	86,900	86,900	-	86,900
Garbage	935,572	845,135	(90,437)	903,502
Professional and legal services	305,865	159,880	(145,985)	260,545
Solid waste disposal tax to State	329,340	275,895	(53,445)	328,754
Other	18,324	2,669	(15,655)	14,319
Total administration and operating expenditures	4,898,449	4,359,224	(539,225)	4,538,182
Capital outlay expenditures	1,122,212	1,178,740	56,528	156,655
Total expenditures	6,020,661	5,537,964	(482,697)	4,694,837
Excess of revenues over (under) expenditures	(159,079)	207,663	366,742	1,437,373

(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, 2013

With Comparative Totals For the Year Ended June 30, 2012

	2013		Variance - Over (Under)	2012
	Budget	Actual		Actual
(continued from previous page)				
Excess of revenues over (under) expenditures (repeated from prior page)	\$ (159,079)	\$ 207,663	\$ 366,742	\$ 1,437,373
OTHER FINANCING SOURCES (USES)				
Transfers in from General fund	250,000	250,000	-	250,000
Transfers out to General fund	(266,223)	(276,460)	(10,237)	(282,860)
Transfers out to Capital Projects fund	-	-	-	(2,750,000)
Fund balance appropriated	175,302	-	(175,302)	-
Total other financing sources (uses)	159,079	(26,460)	(185,539)	(2,782,860)
Net change in fund balance (modified accrual basis)	\$ -	\$ 181,203	\$ 181,203	\$ (1,345,487)

Reconciliation of Modified Accrual Basis with Full Accrual Basis

Net change in fund balance

(modified accrual basis)	\$ 181,203	\$ (1,345,487)
Capital outlay expenditures	1,178,740	156,655
Transfer of capital assets to General Fund	(76,272)	-
Non-cash gain (loss) on disposals of capital assets	(225,397)	(26,161)
Acquisition of capital assets through landfill closure activity	-	1,671,409
Depreciation expense	(656,406)	(672,310)
Change in accrued retirement benefits	(67,660)	(86,291)
Change in accrued leave earned expense	(9,814)	12,208
Change in accrued landfill closure and post-closure care expense	(5,141,521)	(495,129)
Change in net position (full accrual basis)	\$ (4,817,127)	\$ (785,106)

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

Departmental fees (modified accrual basis)	\$ 3,626,868	\$ 4,107,019
Bad debt expense (reduces departmental fees revenue under MA basis)	9,213	9,462
Departmental fees (full accrual basis)	\$ 3,636,081	\$ 4,116,481

(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, 2013

With Comparative Totals For the Year Ended June 30, 2012

	2013		Variance - Over (Under)	2012
	Budget	Actual		Actual
EXPENDITURES				
Administration and operating expenditures:				
Supplies and materials	\$ 90,305	\$ 82,270	\$ (8,035)	\$ 53,033
Professional and legal services	552,873	511,080	(41,793)	163,789
Total administration and operating expenditures	643,178	593,350	(49,828)	216,822
Total expenditures	643,178	593,350	(49,828)	216,822
Excess of revenues over (under) expenditures	(643,178)	(593,350)	49,828	(216,822)
OTHER FINANCING SOURCES (USES)				
Transfers in from General fund	562,756	592,404	29,648	219,117
Fund balance appropriated	80,422	-	(80,422)	-
Total other financing sources (uses)	643,178	592,404	(50,774)	219,117
Net change in fund balance (modified accrual basis)	\$ -	\$ (946)	\$ (946)	\$ 2,295
Reconciliation of Modified Accrual Basis with Full Accrual Basis				
Net change in fund balance (modified accrual basis)		\$ (946)		\$ 2,295
No differences		<u>-</u>		<u>-</u>
Change in net position (full accrual basis)		<u>\$ (946)</u>		<u>\$ 2,295</u>

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013
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	126

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, 2013

	Beginning Balance 2012	Additions	Deductions	Ending Balance 2013
Fines and Forfeitures Agency Fund				
Assets				
Intergovernmental receivable *	\$ 4,506	\$ 448,192	\$ (449,479)	\$ 3,219
Liabilities				
Due to other taxing units - State of North Carolina *	\$ 4,506	\$ 448,192	\$ (449,479)	\$ 3,219
Due to other taxing units - Cleveland County Board of Education	-	444,973	(444,973)	-
Total liabilities	\$ 4,506	\$ 893,165	\$ (894,452)	\$ 3,219
Inmate Agency Fund				
Assets				
Cash and cash equivalents	\$ 20,147	\$ 319,692	\$ (332,293)	\$ 7,546
Intergovernmental receivable	8,695	186,869	(191,641)	3,923
Total assets	\$ 28,842	\$ 506,561	\$ (523,934)	\$ 11,469
Liabilities				
Accounts payable	\$ 28,842	\$ 693,540	\$ (710,913)	\$ 11,469
Property Tax Agency Fund				
Assets				
Taxes receivable	\$ 32,220	\$ 473,961	\$ (474,202)	\$ 31,979
Accounts receivable	718,429	12,882,802	(12,849,150)	752,081
Intergovernmental receivable	174,946	13,285,090	(13,304,005)	156,031
Total assets	\$ 925,595	\$ 26,641,853	\$ (26,627,357)	\$ 940,091
Liabilities				
Accounts payable	\$ 134,143	\$ 15,637,503	\$ (15,658,639)	\$ 113,007
Due to other taxing units	791,452	13,648,858	(13,613,226)	827,084
Total liabilities	\$ 925,595	\$ 29,286,361	\$ (29,271,865)	\$ 940,091
Rescue Squad Agency Fund				
Assets				
Cash and cash equivalents	\$ 4,255	\$ 3,782	-	\$ 8,037
Total assets	\$ 4,255	\$ 3,782	-	\$ 8,037
Liabilities				
Accounts payable	\$ 4,255	\$ 3,782	-	\$ 8,037
Total liabilities	\$ 4,255	\$ 3,782	-	\$ 8,037

(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, 2013

	Beginning Balance 2012	Additions	Deductions	Ending Balance 2013
(continued from previous page)				
Social Services Agency Fund				
Assets				
Cash and cash equivalents	\$ 121,092	\$ 331,662	\$ (350,252)	\$ 102,502
Liabilities				
Accounts payable	\$ 121,092	\$ 331,662	\$ (350,252)	\$ 102,502
TOTALS, All Agency Funds				
Assets				
Cash and investments	\$ 145,494	\$ 655,136	\$ (682,545)	\$ 118,085
Taxes receivable	32,220	473,961	(474,202)	31,979
Accounts receivable	718,429	12,882,802	(12,849,150)	752,081
Intergovernmental receivable	188,147	13,920,151	(13,945,125)	163,173
Total assets	\$ 1,084,290	\$ 27,932,050	\$ (27,951,022)	\$ 1,065,318
Liabilities				
Accounts payable	\$ 288,332	\$ 16,666,487	\$ (16,719,804)	\$ 235,015
Due to other taxing units	795,958	14,542,023	(14,507,678)	830,303
Total liabilities	\$ 1,084,290	\$ 31,208,510	\$ (31,227,482)	\$ 1,065,318

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, 2013
II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
E. Other Supplementary Information

	Identifier	Page No.
1. Schedule of Cash and Investment Balances	Exhibit II.E.01	129
2. Schedule of Interfund Transfers	Exhibit II.E.02	130
3. Analysis of Current Tax Levy - County Government (10)	Exhibit II.E.03	131
4. Schedule of Ad Valorem Taxes Receivable - County Government (10) and Public Schools (20)	Exhibit II.E.04	132
5. Schedule of Ad Valorem Taxes Receivable - County Fire Service District (28)	Exhibit II.E.05	133
6. Schedule of Ad Valorem Taxes Receivable - Fallston Fire District (74)	Exhibit II.E.06	134
7. Schedule of Ad Valorem Taxes Receivable - Lattimore Fire District (75)	Exhibit II.E.07	134
8. Schedule of Ad Valorem Taxes Receivable - Rippy Fire District (76)	Exhibit II.E.08	135
9. Schedule of Ad Valorem Taxes Receivable - County Sanitary District (82)	Exhibit II.E.09	135
10. Schedule of Ad Valorem Taxes Receivable - City of Shelby (77)	Exhibit II.E.10	136
11. Schedule of Ad Valorem Taxes Receivable - Town of Boiling Springs (78)	Exhibit II.E.11	136
12. Schedule of Ad Valorem Taxes Receivable - Town of Grover (79)	Exhibit II.E.12	137
13. Schedule of Ad Valorem Taxes Receivable - City of Kings Mountain (80)	Exhibit II.E.13	137
14. Schedule of Ad Valorem Taxes Receivable - Town of Lattimore (81)	Exhibit II.E.14	138
15. Schedule of Ad Valorem Taxes Receivable - Town of Kingstown (83)	Exhibit II.E.15	138
16. Schedule of Ad Valorem Taxes Receivable - Town of Fallston (84)	Exhibit II.E.16	139
17. Schedule of Ad Valorem Taxes Receivable - Town of Earl (85)	Exhibit II.E.17	139
18. Schedule of Ad Valorem Taxes Receivable - Town of Polkville (86)	Exhibit II.E.18	140
19. Schedule of Ad Valorem Taxes Receivable - Town of Lawndale (87)	Exhibit II.E.19	140
20. Schedule of Ad Valorem Taxes Receivable - Town of Casar (88)	Exhibit II.E.20	141
21. Schedule of Ad Valorem Taxes Receivable - Town of Waco (89)	Exhibit II.E.21	141

This section contains 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, 2013

		Cash Distribution by Funds	
		Amounts Presented on Statements *	
	Fund Number		Totals
Cash and cash equivalents of the Primary Government			
General Fund	10-20, 60-66	\$ 40,057,476	
Special Revenue Funds:			
Emergency Telephone Fund	26	\$ 1,297,261	
Fire District Fund	28	54,205	
Community Development Fund	29	-	1,351,466
Capital Projects Funds, unrestricted cash	40-42		6,185,935
Enterprise Fund, unrestricted cash	54		1,985,131
Total cash and cash equivalents of the Primary Government			\$ 49,582,938
(see Exhibit II.C.1.a, Government-Wide Statement of Net Position)			
Other cash and cash equivalents			
Agency Funds	70-89		118,085
Total cash and cash equivalents			\$ 49,701,023

	Purchase Value	Fair (Market) Value	Amounts Presented on Statements *
Cash			
In physical possession	\$ 13,518	\$ 13,518	\$ 13,518
In demand deposits	25,357,004	25,357,004	25,357,004
Total cash	25,370,522	25,370,522	25,370,522
Cash equivalents			
NC Capital Management Trust (money market accounts)	13,348,559	13,348,559	13,348,559
Commercial paper	8,967,234	8,973,531	8,986,962
U.S. Government agencies	2,003,280	1,994,420	1,994,980
Total cash equivalents	24,319,073	24,316,510	24,330,501
Total cash and cash equivalents	\$ 49,689,595	\$ 49,687,032	\$ 49,701,023

* Amounts Presented on Statements' include an estimated amount of accrued interest; 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, 2013

	Transfers out from:					Total
	General Fund	Capital Projects Fund	Emergency Telephone Fund	Community Development Fund	Solid Waste Fund	
Transfers in to:						
General Fund	\$ -	\$ 1,290,000	\$ 72,325	\$ -	\$ 276,460	\$ 1,638,785
Capital Projects Fund	2,330,975	-	-	181,528	-	2,512,503
County Fire Service District Fund	300,000	-	-	-	-	300,000
Community Development Fund	91,626	-	-	-	-	91,626
Debt Service Fund	2,074,310	1,930,422	-	-	-	4,004,732
Solid Waste Fund	250,000	-	-	-	-	250,000
Conference Center Fund	592,404	-	-	-	-	592,404
Total	\$ 5,639,315	\$ 3,220,422	\$ 72,325	\$ 181,528	\$ 276,460	\$ 9,390,050

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

For the Year Ended June 30, 2013

	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	\$ 6,760,321,218	0.57000	\$ 38,533,831	\$ 35,133,843	\$ 3,399,988
Penalties (late charges)			120,162	120,162	-
Subtotals	<u>6,760,321,218</u>		<u>38,653,993</u>	<u>35,254,004</u>	<u>3,399,988</u>
Discoveries, Late Listings, and Other Supplements (including Public Service Companies)					
Public Service Companies	650,972,983	0.57000	3,710,546	3,710,546	-
Property taxed at current year's rate	89,745,547	0.57000	511,550	148,533	363,017
Subtotals	<u>740,718,530</u>		<u>4,222,096</u>	<u>3,859,079</u>	<u>363,017</u>
Abatements					
Property taxed at current year's rate	(63,546,284)	0.57000	(362,214)	(302,762)	(59,452)
Subtotals	<u>(63,546,284)</u>		<u>(362,214)</u>	<u>(302,762)</u>	<u>(59,452)</u>
Totals	<u>\$ 7,437,493,464</u>		<u>\$ 42,513,875</u>	<u>\$ 38,810,322</u>	<u>\$ 3,703,553</u>
Net Levy			\$ 42,513,875	\$ 38,810,322	\$ 3,703,553
Less Uncollected Taxes, Current Year, at June 30			(1,314,375)	(799,335)	(515,040)
Current Year's Taxes Collected			<u>\$ 41,199,500</u>	<u>\$ 38,010,987</u>	<u>\$ 3,188,513</u>
Current Levy Collection Percentage (current year's taxes collected / net levy)			96.908%	97.940%	86.093%

Secondary Market Disclosures:

Assessed Valuations:

Assessment Ratio	100%				
Real Property	\$ 5,100,510,697	0.57000	\$ 29,072,911		
Personal Property (current rate)	1,686,009,784	0.57000	9,610,256		
Public Service Companies	650,972,983	0.57000	3,710,546		
Penalties	-		120,162		
Totals	<u>\$ 7,437,493,464</u>		<u>\$ 42,513,875</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)	\$ 11,147,191
County Fire Protection Service District (serves portion of County)-(28)	960,092
NCGS Chapter 69 Fire Protection District-Fallston (74)	144,872
NCGS Chapter 69 Fire Protection District-Lattimore (75)	117,264
NCGS Chapter 69 Fire Protection District-Rippy (76)	189,407
Totals	<u>\$ 55,072,700</u>

Cleveland County, North Carolina

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
County Government (10)						
2013	\$ -	\$ 38,653,993	\$ 4,222,096	\$ (41,199,500)	\$ (362,214)	\$ 1,314,375
2012	1,297,548	-	25,210	(984,239)	(32,301)	306,218
2011	313,667	-	7,368	(136,845)	(8,455)	175,735
2010	173,075	-	5,823	(52,957)	(6,168)	119,773
2009	117,392	-	2,263	(23,386)	(2,643)	93,627
2008	106,876	-	988	(17,079)	(1,112)	89,674
2007	85,320	-	297	(11,401)	(324)	73,893
2006	76,009	-	-	(7,609)	(57)	68,343
2005	72,568	-	134	(5,216)	(150)	67,337
2004	83,018	-	5	(4,485)	(19)	78,520
2003	76,220	-	-	(882)	(75,338)	-
older	3,133	-	-	-	(3,133)	-
	<u>2,404,827</u>	<u>\$ 38,653,993</u>	<u>\$ 4,264,184</u>	<u>\$ (42,443,598)</u>	<u>\$ (491,913)</u>	<u>2,387,494</u>
Public Schools (20)						
2013	\$ -	\$ 10,172,289	\$ 1,207,736	\$ (10,801,267)	\$ (232,834)	\$ 345,924
2012	341,494	-	6,634	(259,035)	(8,501)	80,592
2011	82,547	-	1,939	(36,011)	(2,225)	46,250
2010	45,551	-	1,532	(13,937)	(1,623)	31,523
2009	30,795	-	595	(6,142)	(695)	24,553
2008	27,645	-	255	(4,417)	(287)	23,196
2007	22,071	-	77	(2,949)	(84)	19,115
2006	19,661	-	-	(1,968)	(15)	17,679
2005	18,819	-	35	(1,348)	(39)	17,467
2004	21,527	-	1	(1,157)	(5)	20,367
2003	19,670	-	-	(228)	(19,442)	-
older	788	-	-	-	(788)	-
	<u>630,568</u>	<u>\$ 10,172,289</u>	<u>\$ 1,218,806</u>	<u>\$ (11,128,459)</u>	<u>\$ (266,539)</u>	<u>\$ 626,665</u>
		(994,566)				(981,835)
		(259,554)				(256,761)
	<u>\$ 1,781,275</u>		<u>Ad valorem taxes receivable, net</u>			<u>\$ 1,775,562</u>

Reconciliation with revenues:

Total reported ad valorem tax revenues	\$ 54,207,121
Discounts	76,092
Penalties, Interest, and advertising fees	(711,156)
Total collections of taxes (as above)	<u>\$ 53,572,057</u>

Cleveland County, North Carolina

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2013	\$ -	\$ 927,668	\$ 51,959	\$ (930,150)	\$ (19,535)	\$ 29,942
2012	31,457	-	927	(23,950)	(1,136)	7,298
2011	7,902	-	157	(3,682)	(187)	4,189
2010	4,490	-	150	(1,716)	(149)	2,775
2009	2,822	-	117	(646)	(117)	2,176
2008	2,396	-	49	(465)	(34)	1,947
2007	1,651	-	15	(284)	(4)	1,378
2006	1,554	-	-	(165)	-	1,389
2005	1,693	-	7	(121)	-	1,579
2004	1,865	-	-	(98)	-	1,767
2003	1,488	-	-	(22)	(1,466)	-
older	28	-	-	-	(28)	-
	<u>57,344</u>	<u>\$ 927,668</u>	<u>\$ 53,381</u>	<u>\$ (961,300)</u>	<u>\$ (22,654)</u>	<u>54,439</u>
	(22,925)	Less allowance for uncollectible ad valorem taxes receivable				(22,447)
	<u>\$ 34,419</u>	Ad valorem taxes receivable, net				<u>\$ 31,991</u>

Reconciliation with revenues:

Total reported ad valorem tax revenues	\$ 971,625
Discounts	(2,136)
Penalties, Interest, and advertising fees	(8,189)
Total collections of taxes (as above)	<u>\$ 961,300</u>

Cleveland County, North Carolina

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2013	\$ -	\$ 138,074	\$ 7,431	\$ (139,460)	\$ (634)	\$ 5,412
2012	5,869	-	14	(3,857)	(20)	2,005
2011	1,717	-	-	(672)	(3)	1,042
2010	1,137	-	-	(285)	-	851
2009	448	-	3	(152)	(3)	296
2008	437	-	3	(139)	(3)	298
2007	332	-	-	(151)	-	181
2006	302	-	-	(65)	-	237
2005	306	-	-	(19)	-	287
2004	311	-	-	(4)	-	307
2003	316	-	-	(3)	(313)	-
	<u>\$ 11,173</u>	<u>\$ 138,074</u>	<u>\$ 7,451</u>	<u>\$ (144,807)</u>	<u>\$ (975)</u>	<u>\$ 10,916</u>

Cleveland County, North Carolina

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2013	\$ -	\$ 112,250	\$ 15,871	\$ (113,843)	\$ (10,857)	\$ 3,421
2012	3,789	-	105	(2,807)	(138)	949
2011	781	-	2	(489)	(9)	286
2010	385	-	-	(186)	-	199
2009	214	-	-	(61)	-	153
2008	287	-	-	(13)	-	275
2007	322	-	-	(12)	-	310
2006	131	-	-	(5)	-	126
2005	115	-	-	(6)	-	109
2004	100	-	-	(6)	-	94
2003	113	-	-	-	(113)	-
older	19	-	-	-	(19)	-
	<u>\$ 6,258</u>	<u>\$ 112,250</u>	<u>\$ 15,978</u>	<u>\$ (117,428)</u>	<u>\$ (11,136)</u>	<u>\$ 5,921</u>

Cleveland County, North Carolina

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2013	\$ -	\$ 182,556	\$ 7,844	\$ (180,562)	\$ (994)	\$ 8,845
2012	8,894	-	199	(6,674)	(243)	2,176
2011	1,888	-	115	(870)	(115)	1,018
2010	958	-	-	(266)	(5)	688
2009	831	-	-	(159)	-	672
2008	524	-	-	(88)	-	436
2007	374	-	-	(34)	-	339
2006	386	-	-	(34)	-	351
2005	268	-	-	(13)	-	255
2004	377	-	-	(16)	-	361
2003	289	-	-	(3)	(286)	-
older	-	-	-	-	(0)	(0)
	<u>\$ 14,788</u>	<u>\$ 182,556</u>	<u>\$ 8,158</u>	<u>\$ (188,719)</u>	<u>\$ (1,642)</u>	<u>\$ 15,142</u>

Cleveland County, North Carolina

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2013	\$ -	\$ 750,178	\$ 33,831	\$ (744,444)	\$ (13,833)	\$ 25,732
2012	26,900	-	748	(20,272)	(924)	6,452
2011	6,471	-	138	(2,971)	(164)	3,473
2010	3,493	-	90	(1,054)	(101)	2,427
2009	2,375	-	67	(522)	(79)	1,841
2008	2,265	-	20	(388)	(24)	1,874
2007	1,678	-	2	(250)	(2)	1,429
2006	1,417	-	-	(158)	-	1,259
2005	1,428	-	-	(94)	-	1,335
2004	1,577	-	1	(78)	-	1,500
2003	1,302	-	-	(16)	(1,286)	-
older	28	-	-	-	(28)	-
	<u>\$ 48,936</u>	<u>\$ 750,178</u>	<u>\$ 34,896</u>	<u>\$ (770,247)</u>	<u>\$ (16,443)</u>	<u>\$ 47,321</u>

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2013	\$ -	\$ 7,560,655	\$ 222,292	\$ (7,464,985)	\$ (45,224)	\$ 272,738
2012	228,158	-	1,325	(174,458)	(2,405)	52,621
2011	51,635	-	2,072	(17,866)	(2,086)	33,754
2010	29,868	-	2,013	(4,749)	(1,992)	25,140
2009	20,606	-	-	(2,621)	(278)	17,707
2008	17,605	-	-	(1,830)	(301)	15,474
2007	17,321	-	-	(1,144)	(163)	16,013
2006	17,237	-	-	(1,727)	(12)	15,499
2005	13,982	-	-	(1,323)	(109)	12,550
2004	13,913	-	-	(930)	(9)	12,974
2003	15,478	-	-	(166)	(15,312)	-
older	1,357	-	-	-	(1,357)	-
	<u>\$ 427,160</u>	<u>\$ 7,560,655</u>	<u>\$ 227,702</u>	<u>\$ (7,671,799)</u>	<u>\$ (69,248)</u>	<u>\$ 474,471</u>

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2013	\$ -	\$ 771,380	\$ 17,177	\$ (769,829)	\$ (2,621)	\$ 16,107
2012	14,452	-	139	(12,764)	(278)	1,549
2011	3,565	-	-	(2,617)	-	948
2010	1,175	-	-	(437)	-	739
2009	1,070	-	-	(238)	-	832
2008	821	-	-	(151)	-	670
2007	759	-	-	(280)	-	479
2006	759	-	-	(179)	-	580
2005	446	-	-	(149)	-	297
2004	572	-	-	(28)	-	544
2003	499	-	-	(20)	(479)	-
	<u>\$ 24,119</u>	<u>\$ 771,380</u>	<u>\$ 17,317</u>	<u>\$ (786,692)</u>	<u>\$ (3,379)</u>	<u>\$ 22,745</u>

Cleveland County, North Carolina

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2013	\$ -	\$ 120,900	\$ 15,796	\$ (131,222)	\$ (536)	\$ 4,938
2012	5,591	-	-	(4,367)	(64)	1,160
2011	1,605	-	-	(808)	(8)	789
2010	529	-	-	(108)	(9)	411
2009	840	-	-	(227)	-	613
2008	623	-	-	(10)	-	613
2007	168	-	-	(2)	-	167
2006	233	-	-	-	-	233
2005	589	-	-	(6)	-	583
2004	223	-	-	-	-	223
2003	176	-	-	-	(176)	-
	<u>\$ 10,577</u>	<u>\$ 120,900</u>	<u>\$ 15,796</u>	<u>\$ (136,748)</u>	<u>\$ (793)</u>	<u>\$ 9,731</u>

Cleveland County, North Carolina

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2013	\$ -	\$ 2,600,975	\$ 161,019	\$ (2,521,818)	\$ (156,317)	\$ 83,859
2012	86,408	-	852	(66,990)	(1,012)	19,258
2011	20,735	-	228	(6,903)	(452)	13,607
2010	9,952	-	231	(2,302)	(460)	7,421
2009	9,130	-	-	(1,502)	(14)	7,614
2008	7,388	-	-	(1,147)	(14)	6,227
2007	6,010	-	-	(702)	(19)	5,289
2006	4,377	-	-	(226)	(18)	4,133
2005	3,860	-	-	(93)	-	3,766
2004	5,544	-	-	(312)	-	5,233
2003	5,312	-	-	(41)	(5,271)	-
	<u>\$ 158,717</u>	<u>\$ 2,600,975</u>	<u>\$ 162,330</u>	<u>\$ (2,602,037)</u>	<u>\$ (163,575)</u>	<u>\$ 156,408</u>

Cleveland County, North Carolina

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2013	\$ -	\$ 29,305	\$ 5,658	\$ (33,781)	\$ (272)	\$ 910
2012	985	-	-	(956)	-	29
2011	88	-	-	(76)	-	12
2010	79	-	-	(5)	-	74
2009	66	-	-	(7)	-	59
2008	25	-	-	-	-	25
2007	29	-	-	-	-	29
2006	250	-	-	-	-	250
2005	21	-	-	(1)	-	20
2004	34	-	-	(5)	-	30
2003	36	-	-	-	(36)	-
	<u>\$ 1,613</u>	<u>\$ 29,305</u>	<u>\$ 5,658</u>	<u>\$ (34,829)</u>	<u>\$ (308)</u>	<u>\$ 1,439</u>

Cleveland County, North Carolina

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2013	\$ -	\$ 74,254	\$ 4,756	\$ (66,353)	\$ (945)	\$ 11,712
2012	12,770	-	415	(10,140)	(537)	2,507
2011	3,003	-	26	(1,617)	(26)	1,385
2010	1,501	-	-	(459)	-	1,042
2009	1,658	-	-	(491)	-	1,167
2008	1,071	-	-	(126)	-	944
2007	621	-	-	(70)	-	551
2006	855	-	-	(2)	-	853
2005	1,117	-	-	(19)	-	1,098
2004	638	-	-	(71)	-	567
2003	277	-	-	(13)	(264)	-
	<u>\$ 23,511</u>	<u>\$ 74,254</u>	<u>\$ 5,197</u>	<u>\$ (79,360)</u>	<u>\$ (1,772)</u>	<u>\$ 21,829</u>

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2013	\$ -	\$ 20,286	\$ 469	\$ (19,950)	\$ (72)	\$ 734
2012	893	-	4	(554)	(7)	336
2011	286	-	-	(228)	-	59
2010	112	-	-	(49)	-	63
2009	28	-	-	(8)	-	19
2008	25	-	-	(8)	-	17
2007	16	-	-	(9)	-	6
2006	37	-	-	(1)	-	35
2005	60	-	-	(6)	-	55
2004	53	-	-	(3)	-	51
2003	15	-	-	-	(15)	-
	<u>\$ 1,525</u>	<u>\$ 20,286</u>	<u>\$ 473</u>	<u>\$ (20,815)</u>	<u>\$ (94)</u>	<u>\$ 1,375</u>

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2013	\$ -	\$ 15,659	\$ 856	\$ (15,725)	\$ (90)	\$ 700
2012	785	-	-	(498)	-	287
2011	197	-	-	(128)	-	69
2010	253	-	-	(23)	-	230
2009	154	-	-	(32)	-	122
2008	81	-	-	(7)	-	73
2007	28	-	-	(6)	-	23
2006	38	-	-	(25)	-	13
2005	49	-	-	(7)	-	42
2004	182	-	-	(1)	-	181
2003	285	-	-	(6)	(279)	-
	<u>\$ 2,051</u>	<u>\$ 15,659</u>	<u>\$ 856</u>	<u>\$ (16,456)</u>	<u>\$ (370)</u>	<u>\$ 1,741</u>

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2013	\$ -	\$ 13,020	\$ 310	\$ (12,886)	\$ (116)	\$ 327
2012	444	-	7	(303)	(11)	136
2011	125	-	-	(26)	-	99
2010	122	-	-	-	-	122
2009	104	-	-	-	-	104
2008	108	-	-	-	-	108
2007	96	-	-	(1)	-	95
2006	95	-	-	(0)	-	95
2005	99	-	-	(1)	-	97
2004	72	-	-	-	-	72
2003	21	-	-	-	(21)	-
	<u>\$ 1,285</u>	<u>\$ 13,020</u>	<u>\$ 316</u>	<u>\$ (13,218)</u>	<u>\$ (148)</u>	<u>\$ 1,256</u>

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2013	\$ -	\$ 48,393	\$ 3,113	\$ (47,667)	\$ (669)	\$ 3,170
2012	2,870	-	-	(1,751)	-	1,119
2011	1,056	-	-	(182)	-	874
2010	474	-	-	(33)	-	441
2009	340	-	-	(25)	-	315
2008	264	-	-	(23)	-	241
2007	167	-	-	(33)	-	135
2006	160	-	-	(10)	-	150
2005	160	-	-	(20)	-	140
2004	232	-	-	-	-	232
2003	232	-	-	-	(232)	-
	<u>\$ 5,956</u>	<u>\$ 48,393</u>	<u>\$ 3,113</u>	<u>\$ (49,745)</u>	<u>\$ (901)</u>	<u>\$ 6,816</u>

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2013	\$ -	\$ 6,117	\$ 197	\$ (6,022)	\$ (8)	\$ 284
2012	292	-	-	(260)	(1)	32
2011	74	-	-	(34)	(2)	37
2010	14	-	-	(0)	(2)	11
2009	9	-	-	(5)	-	4
2008	18	-	-	(2)	-	16
2007	3	-	-	(2)	-	1
2006	17	-	-	(0)	-	16
2005	4	-	-	-	-	4
2004	3	-	-	-	-	3
2003	3	-	-	-	(3)	-
	<u>\$ 438</u>	<u>\$ 6,117</u>	<u>\$ 197</u>	<u>\$ (6,325)</u>	<u>\$ (16)</u>	<u>\$ 410</u>

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

June 30, 2013

Fiscal Year Ended June 30	Uncollected Balance 2012	Additions		Deductions		Uncollected Balance 2013
		Original Levy	Supplements	Collections	Abatements and Other Credits	
2013	\$ -	\$ 21,163	\$ 1,015	\$ (21,485)	\$ (33)	\$ 660
2012	1,036	-	-	(765)	-	271
2011	250	-	-	(33)	-	216
2010	175	-	-	(84)	-	90
2009	118	-	-	(47)	-	71
2008	151	-	-	(103)	-	49
2007	98	-	-	(84)	-	14
2006	61	-	-	(50)	-	11
2005	48	-	-	(28)	-	20
2004	37	-	-	(22)	-	15
2003	24	-	-	(8)	(16)	-
	<u>\$ 1,996</u>	<u>\$ 21,163</u>	<u>\$ 1,015</u>	<u>\$ (22,709)</u>	<u>\$ (49)</u>	<u>\$ 1,417</u>

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Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013
III: STATISTICAL AND TREND INFORMATION

	Identifier	Page No.
A. Information Update for Publicly Sold Securities (SEC Rule 15c2-12)	Subsection III.A	145
B. Revenue Capacity Schedules:	Subsection III.B	151
C. Debt Capacity Schedules:	Subsection III.C	151
D. Demographic, Economic, and Operating Schedules:	Subsection III.D	163
E. Financial Trends Schedules:	Subsection III.E	169

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

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

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

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Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013
III: STATISTICAL AND TREND INFORMATION
A. Information Update for Publicly Sold Securities (SEC Rule 15c2-12)

This subsection of the County's *Annual Financial and Compliance Report* contains information provided to purchasers of securities in accordance with Securities and Exchange Commission (SEC) Rule 15c2-12 and pertain to the following:

Issuer: Cleveland County, North Carolina
 Contact Person: C. D. Crepps
 Six-Digit Cusips: 186036 & 18604S
 Fiscal Year Ended: June 30, 2013
 Reporting Period: July 1, 2013 to September 30, 2013

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

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

	<u>Identifier</u>	<u>Page No.</u>
1. Property Tax Information and Debt Information (including bonds issued)	Exhibit III.A.1	146
2. Budget Ordinance as of July 1, 2013 - Annually Budgeted Funds	Exhibit III.A.2	147
3. Budget Amended as of September 30, 2013 - Annually Budgeted Funds	Exhibit III.A.3	148
4. Budget Reconciliation as of September 30, 2013 - Annually Budgeted Funds	Exhibit III.A.4	149
Also, other pertinent information, such as the item listed below, can be found in this report.		
List of Principal County Officials	Subsection I.B	10

Subject: Notice of Filing of Annual Information

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

Subject: Certification of Material Events Notice

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

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

I hereby certify that there have been no occurrences of the events listed above during the "Fiscal Year Ended" or subsequent thereto through the "Reporting Period". I am duly authorized by the "Issuer", have received no information to the contrary, and have sufficient information available to make this certification.

Respectfully yours,

C. D. Crepps

C. D. Crepps, County Finance Director

Cleveland County, North Carolina

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

Exhibit III.A.1

For the Year Ended June 30, 2013

Property Tax Information

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

Please refer to the schedules and page numbers in the list below from this report (Cleveland County, North Carolina's *Annual Financial and Compliance Report For the Year Ended June 30, 2013*).

<u>Description</u>	<u>Identifier</u>	<u>Page No.</u>
"Analysis of Current Tax Levy - County Government" for the most recent fiscal year	Exhibit II.E.03	131
"Schedule of Ad Valorem Taxes Receivable - County Gov't" for the most recent fiscal year	Exhibit II.E.04	132
"Property Tax Levies by Taxing District" for twelve most recent fiscal years	Exhibit III.B.1	152
"Property Tax Levies and Collections" for twelve most recent fiscal years	Exhibit III.B.2	152
"Direct and Overlapping Property Tax Rates" for twelve most recent fiscal years	Exhibit III.B.3	154
"Principal Taxpayers" for the years ended June 30, 2013, 2010, 2007, and 2004	Exhibit III.B.4	156
"Assessed Value of Taxable Property and Tax Rates" for twelve most recent fiscal years	Exhibit III.B.5	158

Note: The latest revaluation of real property became effective with the tax levy for the fiscal year that began July 1, 2008. The next scheduled revaluation of real property will become effective with the tax levy for the fiscal year beginning July 1, 2016.

Debt Information

BONDS ISSUED AND SUBJECT TO SEC RULE 15c2-12

2009-10 \$22,000,000 Public School Bonds, Series 2010A&B, 10.3 years/average maturity, 5.30% true interest cost
 1997-98 \$3,100,000 Community College Bonds, Series 1998, 11.74 years/average maturity, 4.66% true interest cost

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

None

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

Please refer to the report "Analysis of Debt of North Carolina Counties, Municipalities And Districts at June 30, 2013", filed with the Municipal Securities Rulemaking Board (MSRB) by the Division of State and Local Government Finance of the North Carolina Department of State Treasurer.

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

Please refer to the schedules and page numbers in the list below from this report (Cleveland County, North Carolina's *Annual Financial and Compliance Report For the Year Ended June 30, 2013*).

<u>Description</u>	<u>Identifier</u>	<u>Page No.</u>
"Notes to Financial Statements"		
"Pension Plan Obligations"	Note b.B.2	67
"Closure and Post-Closure Care Costs - Solid Waste Landfill Facility"	Note b.B.3	72
"Capital Leases"	Note b.B.7.a	74
"Total Indebtedness"	Note b.B.7.e	75
"Conduit Debt Obligations"	Note b.B.7.f	76
"Long-Term Obligation Activity"	Note b.B.7.h	78
"Computation of Legal Debt Margin" for twelve most recent fiscal years	Exhibit III.C.1	158
"Computation of Direct Debt - General Obligation Bonds" for the most recent fiscal year	Exhibit III.C.2	159
"Annual Requirements and Debt Limitations for General Obligation Bonds"	Exhibit III.C.3	159
"Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Government Expenditures" for twelve most recent fiscal years	Exhibit III.C.4	160
"Breakdown of Outstanding Debt" for twelve most recent fiscal years	Exhibit III.C.5	160
"Ratios of Outstanding Debt" for twelve most recent fiscal years	Exhibit III.C.6	161

Cleveland County, North Carolina
2. Budget Ordinance as of July 1, 2013 - Annually Budgeted Funds

Exhibit III.A.2

For the Year Ending June 30, 2014

Description	Governmental Funds			Proprietary Fund	Total
	General Fund	Special Revenue Funds	Debt Service Fund	Enterprise Funds	
ESTIMATED REVENUES					
Ad valorem taxes	\$ 54,185,080	\$ 1,584,900	\$ -	\$ -	\$ 55,769,980
Other taxes / Assessments	8,670,000	529,862	-	1,870,793	11,070,655
Intergovernmental, unrestricted	409,000	-	-	-	409,000
Intergovernmental, restricted	19,846,375	27,013	1,309,935	-	21,183,323
Licenses, permits, and fees	974,100	-	-	-	974,100
Sales and services (dept fees)	10,454,413	-	-	4,177,100	14,631,513
Investment earnings	260,000	-	-	-	260,000
Miscellaneous	314,449	-	-	-	314,449
Total estimated revenues	95,113,417	2,141,775	1,309,935	6,047,893	104,613,020
APPROPRIATIONS					
General government	9,738,760	-	-	-	9,738,760
Transportation	218,920	-	-	-	218,920
Public safety	19,172,362	1,838,112	-	-	21,010,474
Human services	37,397,844	-	-	-	37,397,844
Environmental	-	-	-	6,031,670	6,031,670
Education	22,645,143	-	-	-	22,645,143
Schools capital outlay	2,894,175	-	-	-	2,894,175
Economic and physical development	5,500,068	-	-	-	5,500,068
Cultural and recreational	1,211,689	-	-	500,000	1,711,689
Debt service, principal reduction	52,054	-	3,376,947	-	3,429,001
Debt service, interest	7,101	-	1,939,922	-	1,947,023
Total appropriations	98,838,116	1,838,112	5,316,869	6,531,670	112,524,767
Estimated revenues over (under) appropriations	(3,724,699)	303,663	(4,006,934)	(483,777)	(7,911,747)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds:					
General Fund	-	-	2,124,811	750,000	2,874,811
Special Revenue Funds	373,717	-	-	-	373,717
Capital Projects Fund	1,290,000	-	1,882,123	-	3,172,123
Solid Waste Fund	266,223	-	-	-	266,223
Transfers to other funds:					
General Fund	-	(373,717)	-	(266,223)	(639,940)
Special Revenue Funds	-	-	-	-	-
Debt Service Fund	(2,124,811)	-	-	-	(2,124,811)
Capital Projects Fund	(900,000)	-	-	-	(900,000)
Solid Waste Fund	(750,000)	-	-	-	(750,000)
Appropriated fund balances	5,569,570	70,054	-	-	5,639,624
Total other financing sources (uses)	3,724,699	(303,663)	4,006,934	483,777	7,911,747
Estimated revenues and other financing sources over (under) appropriations and other financing uses	\$ -	\$ -	\$ -	\$ -	\$ -

Cleveland County, North Carolina

3. Budget Amended as of September 30, 2013 - Annually Budgeted Funds

Exhibit III.A.3

For the Year Ending June 30, 2014

Description	Governmental Funds			Proprietary Fund	Total
	General Fund	Special Revenue Funds	Debt Service Fund	Enterprise Funds	
ESTIMATED REVENUES					
Ad valorem taxes	\$ 55,198,380	\$ 1,584,900	\$ -	\$ -	\$ 56,783,280
Other taxes / Assessments	8,670,000	529,862	-	1,870,793	11,070,655
Intergovernmental, unrestricted	409,000	-	-	-	409,000
Intergovernmental, restricted	20,729,906	145,345	1,256,460	-	22,131,711
Licenses, permits, and fees	974,100	-	-	490,000	1,464,100
Sales and services (dept fees)	10,846,132	-	-	4,177,100	15,023,232
Investment earnings	260,000	-	-	-	260,000
Miscellaneous	564,464	-	-	-	564,464
Total estimated revenues	97,651,982	2,260,107	1,256,460	6,537,893	107,706,442
APPROPRIATIONS					
General government	9,667,393	-	-	-	9,667,393
Transportation	218,920	-	-	-	218,920
Public safety	19,470,737	2,516,755	-	-	21,987,492
Human services	38,227,872	-	-	-	38,227,872
Environmental	-	-	-	6,086,901	6,086,901
Education	23,658,443	-	-	-	23,658,443
Schools capital outlay	2,894,175	-	-	-	2,894,175
Economic and physical development	6,350,703	-	-	-	6,350,703
Cultural and recreational	1,296,252	-	-	1,073,409	2,369,661
Debt service, principal reduction	52,054	-	3,376,947	-	3,429,001
Debt service, interest	7,101	-	1,939,922	-	1,947,023
Total appropriations	101,843,650	2,516,755	5,316,869	7,160,310	116,837,584
Estimated revenues over (under) appropriations	(4,191,668)	(256,648)	(4,060,409)	(622,417)	(9,131,142)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds:					
General Fund	-	-	2,124,811	750,000	2,874,811
Special Revenue Funds	373,717	-	-	-	373,717
Capital Projects Fund	1,290,000	200,000	1,935,598	-	3,425,598
Enterprise Funds	266,223	-	-	83,409	349,632
Transfers to other funds:					
General Fund	-	(373,717)	-	(266,223)	(639,940)
Special Revenue Funds	-	-	-	-	-
Debt Service Fund	(2,124,811)	-	-	-	(2,124,811)
Capital Projects Fund	(24,115,000)	-	-	-	(24,115,000)
Enterprise Funds	(750,000)	-	-	(83,409)	(833,409)
Capital lease financing issued	-	-	-	-	-
Appropriated fund balances	29,251,539	430,365	-	138,640	29,820,544
Total other financing sources (uses)	4,191,668	256,648	4,060,409	622,417	9,131,142
Estimated revenues and other financing sources over (under) appropriations and other financing uses	\$ -	\$ -	\$ -	\$ -	\$ -

Cleveland County, North Carolina

4. Budget Reconciliation as of September 30, 2013 - Annually Budgeted Funds

Exhibit III.A.4

For the Year Ending June 30, 2014

Description	Governmental Funds			Proprietary Fund	Total
	General Fund	Special Revenue Funds	Debt Service Fund	Enterprise Funds	
APPROPRIATIONS AND TRANSFERS OUT PER BUDGET ORDINANCE					
General Fund:					
Primary Government Services	\$ 52,760,183				\$ 52,760,183
Social Services & Public Assistance	23,870,076				23,870,076
Public Health Services	12,940,889				12,940,889
Employee Wellness	787,493				787,493
Court Facilities	324,286				324,286
Public School District	11,205,000				11,205,000
Workers' Compensation	725,000				725,000
Special Revenue Funds:					
Emergency Telephone		\$ 395,863			395,863
County Fire Service District		1,815,966			1,815,966
Community Development		66,667			66,667
Debt Service Fund:					
			\$ 5,316,869		5,316,869
Enterprise Funds:					
Solid Waste Fund				\$ 6,297,893	6,297,893
Conference Center Fund				500,000	500,000
Total appropriations and transfers out per budget ordinance	102,612,927	2,278,496	5,316,869	6,797,893	117,006,185
APPROPRIATIONS AND TRANSFERS OUT PER BUDGET AMENDMENTS					
July:	25,738,797	155,738	-	712,049	26,606,584
August:	29,000	322,905	-	-	351,905
September:	452,737	133,333	-	-	586,070
Total appropriations and transfers out per budget amendments	26,220,534	611,976	-	712,049	27,544,559
TOTAL BUDGET TO DATE	128,833,461	2,890,472	5,316,869	7,509,942	144,550,744
LESS: TRANSFERS OUT	(26,989,811)	(373,717)	-	(349,632)	(27,713,160)
TOTAL APPROPRIATIONS	\$ 101,843,650	\$ 2,516,755	\$ 5,316,869	\$ 7,160,310	\$ 116,837,584

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Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013
III: STATISTICAL AND TREND INFORMATION
B. Revenue Capacity Schedules:

	<u>Identifier</u>	<u>Page No.</u>
1. Property Tax Levies by Taxing District (twelve most recent fiscal years)	Exhibit III.B.1	152
2. Property Tax Levies and Collections (twelve most recent fiscal years)	Exhibit III.B.2	152
3. Direct and Overlapping Property Tax Rates (twelve most recent fiscal years)	Exhibit III.B.3	154
4. Principal Taxpayers - Current versus 3, 6, and 9 years ago	Exhibit III.B.4	156
5. Assessed Value of Taxable Property and Property Tax Rates - County Government (10) and Public Schools (20) (twelve most recent fiscal years)	Exhibit III.B.5	158

III: STATISTICAL AND TREND INFORMATION
C. Debt Capacity Schedules:

	<u>Identifier</u>	<u>Page No.</u>
1. Computation of Legal Debt Margin (twelve most recent fiscal years)	Exhibit III.C.1	158
2. Computation of Direct and Underlying Debt for non-Revenue Bonded Debt	Exhibit III.C.2	159
3. Annual Requirements and Debt Limitations for non-Revenue Bonded Debt	Exhibit III.C.3	159
4. Ratio of Annual Debt Service Expenditures for non-Revenue Bonded Debt to Total General Governmental Expenditures (twelve most recent fiscal years)	Exhibit III.C.4	160
5. Breakdown of Outstanding Debt (twelve most recent fiscal years)	Exhibit III.C.5	160
6. Ratios of Outstanding Debt (twelve most recent fiscal years)	Exhibit III.C.6	161

Cleveland County, North Carolina

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

Exhibit III.B.1

For the Year Ended June 30, 2013

(continued on next page)

Fiscal Year Ended June 30	County-Wide		Special County Fire
	County Government	Public Schools	
2013	\$ 42,513,874	\$ 11,147,191	\$ 960,092
2012	39,885,405	10,496,145	870,796
2011	38,150,463	10,039,541	859,529
2010	37,937,850	9,983,359	858,599
2009	38,035,443	10,001,743	865,440
2008	35,495,516	9,180,062	796,340
2007	34,992,445	9,041,235	778,464
2006	34,304,168	8,872,808	751,964
2005	33,654,906	8,702,570	731,336
2004	31,810,691	8,208,648	644,205
2003	31,082,261	8,023,050	659,290
2002	30,734,285	7,898,388	637,681

Note: Special levies for school district and fire districts are included in these computations. After existing for 10 years, when collection is not likely, any balance delinquent is then considered uncollectible.

Cleveland County, North Carolina

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

Exhibit III.B.2

For the Year Ended June 30, 2013

(continued on next page)

Fiscal Year Ended June 30	Levy	First Year		Collections and Abatements after 1st Year
		Collections in First Year	Percent Collected	
2013	\$ 55,072,700	\$ 53,364,782	96.899%	\$ -
2012	51,681,105	49,992,054	96.732%	-
2011	49,471,422	47,595,790	96.209%	1,647,112
2010	49,202,687	47,199,319	95.928%	1,847,559
2009	49,317,117	46,878,947	95.056%	2,316,693
2008	45,765,637	43,518,113	95.089%	2,131,698
2007	45,118,371	43,026,504	95.364%	1,996,651
2006	44,236,504	42,170,493	95.330%	1,977,886
2005	43,419,903	41,221,362	94.937%	2,111,507
2004	40,973,570	38,712,884	94.483%	2,159,270
2003	40,064,096	37,736,229	94.190%	2,327,867
2002	39,571,729	37,246,560	94.124%	2,325,169

Note: Special levies for school district and fire districts are included in these computations. After existing for 10 years, when collection is not likely, any balance delinquent is then considered uncollectible.

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Agency Funds			
Fallston Fire	Lattimore Fire	Rippy Fire	All Districts
\$ 144,872	\$ 117,264	\$ 189,407	\$ 55,072,700
144,129	94,001	190,629	51,681,105
135,345	93,711	192,833	49,471,422
134,943	93,175	194,761	49,202,687
131,002	91,163	192,326	49,317,117
123,261	55,272	115,186	45,765,637
118,199	74,086	113,942	45,118,371
119,269	76,048	112,247	44,236,504
139,441	79,069	112,581	43,419,903
140,364	69,961	99,701	40,973,570
126,435	68,761	104,299	40,064,096
135,081	70,737	95,557	39,571,729

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Total Collections To Date	Percent Collected	Balance Delinquent	Percent Delinquent
\$ 53,364,782	96.899%	\$ 1,707,918	3.101%
49,992,054	96.732%	399,238	0.773%
49,242,902	99.538%	228,520	0.462%
49,046,878	99.683%	155,809	0.317%
49,195,640	99.754%	121,477	0.246%
45,649,811	99.747%	115,826	0.253%
45,023,155	99.789%	95,216	0.211%
44,148,379	99.801%	88,125	0.199%
43,332,869	99.800%	87,034	0.200%
40,872,154	99.752%	101,416	0.248%
40,064,096	100.000%	-	0.000%
39,571,729	100.000%	-	0.000%

(continued from previous page)

Cleveland County, North Carolina

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

Exhibit III.B.3

(continued below and on next page)

For the Year Ended June 30, 2013

Fiscal Year Ended June 30	County-Wide		Special	Agency Funds		
	County Government	Public Schools	County Fire	Fallston Fire	Lattimore Fire	Rippy Fire
2013	\$ 0.005700	\$ 0.001500	\$ 0.000300	\$ 0.000500	\$ 0.000300	\$ 0.000500
2012	0.005700	0.001500	0.000300	0.000500	0.000300	0.000500
2011	0.005700	0.001500	0.000300	0.000500	0.000300	0.000500
2010	0.005700	0.001500	0.000300	0.000500	0.000300	0.000500
2009	0.005800	0.001500	0.000300	0.000500	0.000300	0.000500
2008	0.005800	0.001500	0.000300	0.000500	0.000200	0.000300
2007	0.005800	0.001500	0.000300	0.000500	0.000200	0.000300
2006	0.005800	0.001500	0.000300	0.000600	0.000200	0.000300
2005	0.006200	0.001600	0.000300	0.000700	0.000200	0.000300
2004	0.006200	0.001600	0.000300	0.000700	0.000200	0.000300
2003	0.006200	0.001600	0.000300	0.000700	0.000200	0.000300
2002	0.006200	0.001600	0.000300	0.000700	0.000200	0.000300

Note: The County-wide property tax rate includes only the County Government and the Public Schools. All other districts are only applicable to certain areas within the County. See Subsection II.E for a "Schedule of Ad Valorem Taxes Receivable" for each district shown.

(continued from above and on next page)

Fiscal Year Ended June 30	Agency Funds (cont.)					
	Town of Grover	City of Kings Mountain	City of Kings Mountain MSD	Town of Lattimore	Town of Kingstown	Town of Fallston
2013	\$ 0.003800	\$ 0.004000	\$ 0.002362	\$ 0.001800	\$ 0.003500	\$ 0.000500
2012	0.003800	0.004000	0.002362	0.001800	0.003500	0.000500
2011	0.003800	0.004000	0.002362	0.001800	0.003500	0.000500
2010	0.003800	0.004000	0.002362	0.001800	0.003500	0.000500
2009	0.003800	0.004000	0.002362	0.001800	0.003500	0.000500
2008	0.003800	0.004000	0.002362	0.001800	0.003500	0.000500
2007	0.003600	0.003600	0.002362	0.001800	0.003500	0.000500
2006	0.003600	0.003600	0.002362	0.001800	0.003500	0.000500
2005	0.002900	0.003600	n/a	0.002000	0.003500	0.000500
2004	0.002900	0.003600	n/a	0.002000	0.003500	0.000500
2003	0.002900	0.003600	n/a	0.002000	0.003500	0.000500
2002	0.002900	0.003600	n/a	0.002000	0.003500	0.000500

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

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Agency Funds (cont.)				
County	City of	City of Shelby	Town of	
Water	Shelby	MSD	Boiling Springs	
\$ 0.000200	\$ 0.004350	\$ 0.002200	\$ 0.002900	
0.000200	0.004350	0.002200	0.002900	
0.000200	0.004350	0.002200	0.002900	
0.000200	0.004350	0.002200	0.002900	
0.000200	0.004350	0.002200	0.003000	
0.000200	0.004200	0.002700	0.003000	
0.000200	0.004200	0.002700	0.003000	
0.000200	0.004200	0.002700	0.003000	
0.000200	0.004200	0.002700	0.003300	
0.000200	0.004200	0.002700	0.003000	
0.000200	0.004200	0.002700	0.002800	
0.000200	0.004200	0.002700	0.002800	

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

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Cleveland County, North Carolina

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

Exhibit III.B.4

For the Year Ended June 30, 2013

(continued below and on next page)

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy	Rank Last Year
1. Duke Energy	Electric Utility	\$ 533,677,833	7.176%	\$ 4,166,067	1
2. Southern Power	Electric Utility	253,832,897	3.413%	1,955,298	9
3. PPG Industries, Inc.	Fiberglass	111,174,795	1.495%	1,249,930	2
4. Wal-Mart	Warehouse/Retail Store	75,508,102	1.015%	872,119	3
5. Clearwater Paper	Mfg-Paper Products	74,715,162	1.005%	578,905	n/a
6. Baldor Electric	Electric Motors	57,580,628	0.774%	501,938	7
7. Infocrossing Inc	Information Data Center	46,036,844	0.619%	375,915	n/a
8. Ticona Polymers	Polymers	40,410,997	0.543%	306,443	6
9. Chematall Foote	Mining	27,213,978	0.366%	304,252	10
10. Eaton Corporation	Truck Transmissions	39,011,261	0.525%	300,387	4
11. Bellsouth Telephone	Telecommunications	28,430,171	0.382%	258,367	8
12. Southeastern Container	Plastic Bottles	16,427,453	0.221%	183,987	5
Totals		\$ 1,304,020,121	17.533%	\$ 11,053,607	

Cleveland County, North Carolina

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

Exhibit III.B.4

For the Year Ended June 30, 2010

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy	Rank Last Year
1. Duke Energy	Electric Utility	\$ 232,615,240	3.501%	\$ 1,771,113	1
2. PPG Industries, Inc.	Fiber Glass	84,244,564	1.268%	985,636	2
3. Wal-Mart	Warehouse/Retail Store	81,223,517	1.222%	938,132	3
4. Eaton Corporation	Truck Transmissions	45,196,953	0.680%	348,017	4
5. Ticona Polymers	Polymers	46,345,309	0.697%	345,429	5
6. Bellsouth Telephone	Communications	33,108,411	0.498%	304,881	6
7. Southeastern Container	Plastic Bottles	21,435,582	0.323%	240,078	7
8. Curtiss Wright Controls	Aircraft Parts	16,933,274	0.255%	193,447	13
9. Shelby Mall LLC	Real Estate	13,606,248	0.205%	157,152	12
10. Lowe's Home Centers	Retail Store	13,518,618	0.203%	156,140	11
11. Baldor Electric	Electric Motors	20,244,758	0.305%	155,885	10
12. Chematall Foote	Mining	13,490,709	0.203%	151,096	n/a
Totals		\$ 621,963,183	9.360%	\$ 5,747,006	

Cleveland County, North Carolina

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

Exhibit III.B.4

For the Year Ended June 30, 2007

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy	Rank Last Year
1. Wal-Mart	Warehouse/Retail Store	\$ 104,317,837	1.733%	\$ 1,200,142	1
2. Duke Energy	Electric Utility	131,785,285	2.189%	1,056,932	2
3. PPG Industries, Inc.	Fiber Glass	105,805,798	1.757%	772,378	3
4. Eaton Corporation	Truck Transmissions	52,527,834	0.872%	409,717	6
5. Copeland Corporation	Air Compressors	34,143,932	0.567%	391,086	4
6. Ticona Celanese	Polymers	47,805,503	0.794%	372,883	5
7. Bell South	Communications	37,146,166	0.617%	345,056	7
8. Southeastern Container	Plastic Bottles	26,214,345	0.435%	293,112	n/a
9. Entertainment Distribution	Laser Discs	33,521,451	0.557%	261,467	8
10. Curtiss Wright	Aircraft Parts	13,184,299	0.219%	149,232	10
11. Hull Storey/HSCM	Real Estate	12,759,211	0.212%	146,731	12
12. Sara Lee Intimate	Apparel	19,079,404	0.317%	145,980	n/a
Totals		<u>\$ 618,291,065</u>	<u>10.269%</u>	<u>\$ 5,544,716</u>	

Cleveland County, North Carolina

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

Exhibit III.B.4

For the Year Ended June 30, 2004

Taxpayer Name	Industry	Assessed Valuation	Percentage of Total Assessed Valuation	Tax Levy	Rank Last Year
1. PPG Industries, Inc.	Fiber Glass	\$ 127,216,567	2.485%	\$ 1,047,975	1
2. Wal-Mart	Warehouse/Retail Store	86,693,693	1.694%	1,040,324	12
3. Duke Energy	Electric Utility	122,482,612	2.393%	1,038,268	2
4. Copeland Corporation	Air Compressors	45,168,897	0.882%	542,027	3
5. Ticona Celanese	Polymers	61,721,304	1.206%	512,287	4
6. Bell South	Communications	41,686,637	0.814%	407,644	5
7. Eaton Corporation	Truck Transmissions	48,829,661	0.954%	405,286	6
8. UMG/PMDC CBL	Laser Discs	45,210,097	0.883%	375,294	7
9. Reliance Electric	Electric Motors	38,632,185	0.755%	320,697	10
10. Arteva/Kosa/Invista	Polymers	28,911,033	0.565%	239,962	8
11. Kemet	Electronics	17,304,995	0.338%	207,660	11
12. Honeywell/Fasco Controls	Electronics	16,147,816	0.315%	193,774	9
Totals		<u>\$ 680,005,497</u>	<u>13.285%</u>	<u>\$ 6,331,198</u>	

Cleveland County, North Carolina

5. Assessed Value of Taxable Property and Property Tax Rates - County

Government (10) and Public Schools (20) (twelve most recent fiscal years)

Exhibit III.B.5

For the Year Ended June 30, 2013

Fiscal Year Ended June 30	Real Property	Personal Property	Corporate Excess	Total Assessed Value	County-Wide Property Tax Rate
2013	\$ 5,100,510,697	\$ 1,686,009,784	\$ 650,972,983	\$ 7,437,493,464	0.007200
2012	5,035,338,075	1,348,627,630	604,756,377	6,988,722,082	0.007200
2011	5,008,320,561	1,293,716,402	374,726,300	6,676,763,263	0.007200
2010	4,983,714,807	1,334,442,491	326,924,856	6,645,082,154	0.007200
(a) 2009	4,913,217,141	1,451,890,284	292,601,507	6,657,708,932	0.007300
2008	4,439,802,142	1,435,203,908	236,754,791	6,111,760,841	0.007300
2007	4,360,134,267	1,423,645,599	236,954,915	6,020,734,781	0.007300
2006	4,235,213,856	1,442,246,979	229,147,077	5,906,607,912	0.007300
(a) 2005	4,159,817,633	1,423,203,225	202,217,191	5,785,238,049	0.007800
2004	3,539,044,771	1,375,973,251	203,430,042	5,118,448,064	0.006200
2003	3,434,891,384	1,364,495,344	207,752,627	5,007,139,355	0.006200
2002	3,357,768,932	1,306,813,709	227,312,824	4,891,895,465	0.006200

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

Cleveland County, North Carolina

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

Exhibit III.C.1

For the Year Ended June 30, 2013

Fiscal Year Ended June 30	Assessed Value Less Corporate Excess	Percentage Applied	Legal Debt Limit (A)	Total Long-Term Debt (B)	Legal Debt Margin	Ratio of (B) to (A)
2013	\$ 6,786,520,481	8.0%	\$ 542,921,638	\$ 43,677,216	\$ 499,244,422	8.045%
2012	6,383,965,705	8.0%	510,717,256	47,048,385	463,668,871	9.212%
2011	6,302,036,963	8.0%	504,162,957	50,418,778	453,744,179	10.000%
2010	6,318,157,298	8.0%	505,452,584	35,619,603	469,832,981	7.047%
2009	6,365,107,425	8.0%	509,208,594	16,811,245	492,397,349	3.301%
2008	5,875,006,050	8.0%	470,000,484	12,934,111	457,066,373	2.752%
2007	5,783,779,866	8.0%	462,702,389	11,666,458	451,035,931	2.521%
2006	5,677,460,835	8.0%	454,196,867	16,558,287	437,638,580	3.646%
2005	5,583,020,858	8.0%	446,641,669	21,444,599	425,197,070	4.801%
2004	4,915,018,022	8.0%	393,201,442	25,690,000	367,511,442	6.534%
2003	4,799,386,728	8.0%	383,950,938	30,640,000	353,310,938	7.980%
2002	4,664,582,641	8.0%	373,166,611	37,325,000	335,841,611	10.002%

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

Cleveland County, North Carolina

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

Exhibit III.C.2

For the Year Ended June 30, 2013

	Gross non-Revenue Bonded Debt	Less Debt Payable from Other Entity	Net non-Revenue Bonded Debt	Percent Applicable to County	Amount Applicable to County
Direct:					
Cleveland County	\$ -	\$ -	\$ -	100.0%	\$ -
Underlying:					
Public Schools	18,760,000	18,760,000	-	0.0%	-
Community College	850,000	-	850,000	100.0%	850,000
Totals:	<u>\$ 19,610,000</u>	<u>\$ 18,760,000</u>	<u>\$ 850,000</u>		<u>\$ 850,000</u>

Cleveland County, North Carolina

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

Exhibit III.C.3

For the Year Ended June 30, 2013

Fiscal Year Ending June 30	Annual Requirements		Debt Balance	
	Principal	Principal and Interest	Outstanding Principal	Subject to Statutory Debt Limits
2014	\$ 1,335,000	\$ 2,309,198	\$ 19,610,000	\$ 19,610,000
2015	1,335,000	2,265,983	18,275,000	18,275,000
2016	1,335,000	2,218,428	16,940,000	16,940,000
2017	1,185,000	2,016,859	15,605,000	15,605,000
2018	1,085,000	1,868,542	14,420,000	14,420,000
2019	1,085,000	1,821,670	13,335,000	13,335,000
2020	1,085,000	1,773,170	12,250,000	12,250,000
2021	1,085,000	1,723,043	11,165,000	11,165,000
2022	1,135,000	1,721,289	10,080,000	10,080,000
2023	1,135,000	1,658,637	8,945,000	8,945,000
2024	1,135,000	1,595,985	7,810,000	7,810,000
2025	1,140,000	1,538,333	6,675,000	6,675,000
2026	1,140,000	1,471,415	5,535,000	5,535,000
2027	1,140,000	1,404,497	4,395,000	4,395,000
2028	1,085,000	1,282,579	3,255,000	3,255,000
2029	1,085,000	1,216,719	2,170,000	2,170,000
2030	1,085,000	1,150,860	1,085,000	1,085,000
Totals	<u>\$ 19,610,000</u>	<u>\$ 29,037,207</u>		

Cleveland County, North Carolina

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

Exhibit III.C.4

For the Year Ended June 30, 2013

Fiscal Year Ended June 30	Debt Service Expenditures for Principal Reductions	Debt Service Expenditures for Interest	Total Debt Service Expenditures (A)	Total Governmental Expenditures (B)	Ratio of (A) to (B)	Population Estimate (*)	Total Debt Service Expenditures per Capita
2013	\$ 1,330,000	\$ 1,008,628	\$ 2,338,628	\$ 111,240,464	2.10%	99,660	23.47
2012	1,330,000	1,037,658	2,367,658	123,794,820	1.91%	99,230	23.86
2011	1,330,000	791,817	2,121,817	127,726,273	1.66%	98,760	21.48
2010	2,325,000	148,700	2,473,700	102,710,743	2.41%	98,078	25.22
2009	2,425,000	225,450	2,650,450	107,347,730	2.47%	97,588	27.16
2008	4,715,000	368,500	5,083,500	99,870,997	5.09%	96,968	52.42
2007	4,875,000	516,350	5,391,350	95,912,913	5.62%	96,077	56.11
2006	4,870,000	651,960	5,521,960	93,458,137	5.91%	95,607	57.76
2005	4,880,000	807,117	5,687,117	87,943,452	6.47%	96,129	59.16
2004	4,920,000	913,610	5,833,610	83,974,172	6.95%	96,435	60.49
2003	5,030,000	1,305,496	6,335,496	81,379,267	7.79%	96,752	65.48
2002	4,435,000	1,965,875	6,400,875	87,055,929	7.35%	96,660	66.22

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

Cleveland County, North Carolina

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

Exhibit III.C.5

For the Year Ended June 30, 2013

Fiscal Year Ending June 30	Gross non-Revenue Bonded Debt	Revenue Bonded Debt	Other Long-Term Debt	Total Long-Term Debt	Capital Leases	Total Debt	Debt Other Than Gross non-Revenue Bonded Debt
2013	\$ 19,610,000	\$ -	\$ 24,067,216	\$ 43,677,216	\$ 61,612	\$ 43,738,828	\$ 24,128,828
2012	20,940,000	-	26,108,385	47,048,385	49,951	47,098,336	26,158,336
2011	22,270,000	-	28,148,778	50,418,778	115,556	50,534,334	28,264,334
2010	23,600,000	-	12,019,603	35,619,603	178,830	35,798,433	12,198,433
2009	3,925,000	-	12,886,245	16,811,245	156,964	16,968,209	13,043,209
2008	6,350,000	-	6,584,111	12,934,111	203,079	13,137,190	6,787,190
2007	11,065,000	-	601,458	11,666,458	116,363	11,782,821	717,821
2006	15,940,000	-	618,287	16,558,287	178,826	16,737,113	797,113
2005	20,810,000	-	634,599	21,444,599	237,777	21,682,376	872,376
2004	25,690,000	-	-	25,690,000	123,626	25,813,626	123,626
2003	28,210,000	2,430,000	-	30,640,000	3,158	30,643,158	2,433,158
2002	34,710,000	2,615,000	-	37,325,000	42,885	37,367,885	2,657,885

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

(continued below)

Exhibit III.C.6

For the Year Ended June 30, 2013

Fiscal Year Ended June 30	Gross non-Revenue Bonded Debt	Less Debt Payable from Other Entity	Net non-Revenue Bonded Debt (A)	Assessed Value (thousands) (B)	Ratio of (A) to (B)	Population Estimate (C)	Ratio of (A) to (C)
2013	\$ 19,610,000	\$ (18,760,000)	\$ 850,000	\$ 7,437,493	0.011%	99,660	8.53
2012	20,940,000	(19,840,000)	1,100,000	6,988,722	0.016%	99,230	11.09
2011	22,270,000	(20,920,000)	1,350,000	6,676,763	0.020%	98,760	13.67
2010	23,600,000	(22,000,000)	1,600,000	6,645,082	0.024%	98,078	16.31
2009	3,925,000	-	3,925,000	6,657,709	0.059%	97,588	40.22
2008	6,350,000	-	6,350,000	6,111,761	0.104%	96,968	65.49
2007	11,065,000	(2,200,000)	8,865,000	6,020,735	0.147%	96,077	92.27
2006	15,940,000	(4,470,000)	11,470,000	5,906,608	0.194%	95,607	119.97
2005	20,810,000	(6,675,000)	14,135,000	5,785,238	0.244%	96,129	147.04
2004	25,690,000	(8,820,000)	16,870,000	5,118,448	0.330%	96,435	174.94
2003	28,210,000	(10,915,000)	17,295,000	5,007,139	0.345%	96,752	178.76
2002	34,710,000	(12,685,000)	22,025,000	4,891,895	0.450%	96,660	227.86

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

(continued from above)

Exhibit III.C.6

For the Year Ended June 30, 2013

Fiscal Year Ended June 30	Gross non-Revenue Bonded Debt (from above)	Other Bonded and Long-Term Debt (Exhibit III. C.5)	Total Long-Term Debt (A)	Assessed Value (thousands) (B)	Ratio of (A) to (B)	Population Estimate (C)	Ratio of (A) to (C)
(continued from above)							
2013	\$ 19,610,000	\$ 24,067,216	\$ 43,677,216	\$ 7,437,493	0.587%	99,660	438.26
2012	20,940,000	26,108,385	47,048,385	6,988,722	0.673%	99,230	474.13
2011	22,270,000	28,148,778	50,418,778	6,676,763	0.755%	98,760	510.52
2010	23,600,000	12,019,603	35,619,603	6,645,082	0.536%	98,078	363.18
2009	3,925,000	12,886,245	16,811,245	6,657,709	0.253%	97,588	172.27
2008	6,350,000	6,584,111	12,934,111	6,111,761	0.212%	96,968	133.39
2007	11,065,000	601,458	11,666,458	6,020,735	0.194%	96,077	121.43
2006	15,940,000	618,287	16,558,287	5,906,608	0.280%	95,607	173.19
2005	20,810,000	634,599	21,444,599	5,785,238	0.371%	96,129	223.08
2004	25,690,000	-	25,690,000	5,118,448	0.502%	96,435	266.40
2003	28,210,000	2,430,000	30,640,000	5,007,139	0.612%	96,752	316.69
2002	34,710,000	2,615,000	37,325,000	4,891,895	0.763%	96,660	386.15

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Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013
III: STATISTICAL AND TREND INFORMATION
D. Demographic, Economic, and Operating Schedules:

	<u>Identifier</u>	<u>Page No.</u>
1. Miscellaneous Information	Exhibit III.D.1	164
2. Economic Trends Schedule (twelve most recent fiscal years)	Exhibit III.D.2	165
3. County Employment by Function (twelve most recent fiscal years)	Exhibit III.D.3	165
4. Principal Industry Sectors - Current versus 3, 6, and 9 years ago	Exhibit III.D.4	166

Cleveland County, North Carolina
1. Miscellaneous Information

Exhibit III.D.1

For the Year Ended June 30, 2013

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

Transportation:

Major Highways

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

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

Air Travel:

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

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

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

Asheville Airport is located 74 miles west of Shelby.

Hickory Airport is located 39 miles north of Shelby.

Rail Service:

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

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

Port Access:

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

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

Savannah, Georgia (located 254 miles southeast of Shelby)

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

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

Other Important Information for Businesses:

North Carolina is a right-to-work State.

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

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

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

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

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

Exhibit III.D.2

For the Year Ended June 30, 2013

Fiscal Year Ended June 30	Population	Median Age	June 30 Labor Force	June 30 Unemployment Rate	Personal Income (thousands)	Per Capita Income	Year-End School Enrollment
2013	99,660	41.11	49,778	10.4946%	no data	no data	16,492
2012	99,230	40.96	49,696	10.9385%	no data	no data	16,557
2011	98,760	40.26	47,445	12.0708%	\$ 3,026,601	\$ 30,646	16,762
2010	98,078	38.49	48,323	13.1945%	2,939,629	29,972	17,325
2009	97,588	38.36	51,811	15.3790%	2,873,475	29,445	17,497
2008	96,968	38.35	51,007	7.9205%	2,980,088	30,733	17,672
2007	96,077	38.24	48,367	7.0606%	2,860,669	29,775	17,873
2006	95,607	38.11	47,985	6.5896%	2,696,570	28,205	17,971
2005	96,129	37.90	46,504	7.3456%	2,599,907	27,046	18,195
2004	96,435	37.63	42,524	9.5781%	2,490,142	25,822	17,963
2003	96,752	37.37	43,183	11.1456%	2,372,464	24,521	17,799
2002	96,660	37.11	44,957	13.2415%	2,308,629	23,884	17,598

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

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

Exhibit III.D.3

For the Year Ended June 30, 2013

Fiscal Year Ended June 30	General Government	Public Safety	Human Services	Environmental	Economic and Physical Development	Cultural and Recreational (a)	Total
2013	85	272	386	36	17	16	812
2012	85	271	385	36	17	16	810
2011	84	254	379	36	16	16	785
2010	84	238	373	36	16	16	763
2009	84	235	380	36	16	16	767
2008	82	236	367	32	14	16	747
2007	82	236	361	32	14	16	741
2006	82	236	352	31	14	16	731
2005	82	236	348	30	13	n/a	709
2004	80	233	343	30	13	n/a	699
2003	78	230	335	27	14	n/a	684
2002	78	223	345	22	14	n/a	682

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

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

Exhibit III.D.4

(continued below and on next page)

For the Year Ended December 31, 2012

Industry NAICS Sector *	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 276,572,279	5,657	11.226%
2. Health Care and Social Assistance	186,873,018	5,188	10.295%
3. Educational Services	125,671,232	3,892	7.723%
4. Retail Trade	99,042,933	3,812	7.564%
5. Transportation and Warehousing	71,878,736	2,019	4.006%
6. Public Administration	71,721,327	1,982	3.933%
7. Construction	51,257,852	1,421	2.820%
8. Administrative and Waste Services	46,680,396	1,920	3.810%
9. Wholesale Trade	42,173,238	1,119	2.221%
10. Accommodation and Food Services	32,742,030	2,507	4.975%
11. Finance and Insurance	24,968,007	606	1.203%
12. Professional and Technical Services	22,069,785	565	1.121%
Totals	\$ 1,051,650,833	30,688	60.896%

* All data in this exhibit was obtained from the Employment Security Commission of North Carolina.

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

Exhibit III.D.4

For the Year Ended December 31, 2009

Industry NAICS Sector *	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 229,328,877	5,113	10.544%
2. Health Care and Social Assistance	187,750,856	5,210	10.744%
3. Educational Services	124,056,173	3,950	8.146%
4. Retail Trade	94,972,356	3,791	7.818%
5. Public Administration	71,381,766	2,013	4.151%
6. Transportation and Warehousing	45,485,758	1,437	2.963%
7. Wholesale Trade	41,396,862	1,167	2.407%
8. Construction	39,475,282	1,227	2.530%
9. Accommodation and Food Services	29,423,239	2,434	5.019%
10. Finance and Insurance	27,044,909	690	1.423%
11. Professional and Technical Services	22,730,574	601	1.239%
12. Administrative and Waste Services	22,508,767	1,056	2.178%
Totals	\$ 935,555,419	28,689	59.162%

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

Exhibit III.D.4
For the Year Ended December 31, 2006

Industry NAICS Sector	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 307,077,397	7,074	14.715%
2. Health Care and Social Assistance	174,650,517	5,307	11.039%
3. Educational Services	114,371,037	4,097	8.522%
4. Retail Trade	94,844,442	3,949	8.215%
5. Public Administration	62,604,103	1,955	4.067%
6. Construction	46,552,443	1,515	3.151%
7. Wholesale Trade	46,298,845	1,394	2.900%
8. Transportation and Warehousing	35,719,924	1,084	2.255%
9. Administrative and Waste Services	27,364,027	1,341	2.790%
10. Finance and Insurance	26,187,081	681	1.417%
11. Accommodation and Food Services	25,081,798	2,297	4.778%
12. Professional and Technical Services	22,897,539	682	1.419%
Totals	\$ 983,649,153	31,376	65.267%

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

Exhibit III.D.4
For the Year Ended December 31, 2003

Industry NAICS Sector	Annual Wages Paid	Annual Average Number of Employees	Percentage of Total Labor Force or Employed
1. Manufacturing	\$ 329,072,932	8,491	19.873%
2. Health Care and Social Assistance	147,412,423	4,781	11.190%
3. Educational Services	105,300,736	3,919	9.172%
4. Retail Trade	86,704,991	4,140	9.690%
5. Public Administration	56,658,178	1,874	4.386%
6. Wholesale Trade	40,680,153	1,334	3.122%
7. Construction	36,565,078	1,397	3.270%
8. Transportation and Warehousing	27,746,264	829	1.940%
9. Accommodation and Food Services	22,822,284	2,167	5.072%
10. Finance and Insurance	21,230,195	652	1.526%
11. Administrative and Waste Services	20,755,463	1,213	2.839%
12. Professional and Technical Services	17,034,183	519	1.215%
Totals	\$ 911,982,880	31,316	73.295%

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Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013
III: STATISTICAL AND TREND INFORMATION
E. Financial Trends Schedules:

	<u>Identifier</u>	<u>Page No.</u>
1. Government-Wide Changes in Net Position (eleven most recent fiscal years)	Exhibit III.E.1	170
2. All Funds Combined: Changes in Fund Balances (twelve most recent fiscal years)	Exhibit III.E.2	174
3. Government-Wide Net Position by Component (eleven most recent fiscal years)	Exhibit III.E.3	178
4. All Funds Combined: Fund Balances by Category (twelve most recent fiscal years)	Exhibit III.E.4	178
5. Retirement Contributions Schedule	Exhibit III.E.5	180

Cleveland County, North Carolina

1. Government-Wide Changes in Net Position (eleven most recent fiscal years)

(continued on next page)

Exhibit III.E.1

For the Year Ended June 30, 2013

Description	2013	2012	2011	2010	2009
Program revenues: Charges for services:					
Governmental activities:					
General government	\$ 2,303,786	\$ 2,395,705	\$ 2,283,008	\$ 2,415,181	\$ 2,298,111
Public safety	5,355,364	5,899,901	5,486,734	5,134,699	5,097,275
Human services	6,441,109	7,050,168	5,470,082	5,175,178	4,845,865
Education (property taxes)	11,226,358	10,608,208	10,150,261	10,170,228	10,099,061
Economic and physical dev.	28,732	38,150	48,357	65,717	43,401
Cultural and recreational	79,738	98,075	57,589	43,813	49,164
Total governmental activities:	25,435,087	26,090,207	23,496,031	23,004,816	22,432,877
Business-type activities:					
Solid waste coll. and disp.	5,058,476	5,545,109	4,990,003	4,392,221	4,682,719
Total primary government	30,493,563	31,635,316	28,486,034	27,397,037	27,115,596
Program revenues: Operating grants and contributions:					
Governmental activities:					
General government	1,728,852	1,000,766	1,084,642	1,272,324	1,193,492
Public safety	1,484,910	2,216,861	682,837	1,076,840	1,993,543
Human services	16,980,332	18,363,979	18,590,542	18,147,393	18,102,895
Education	-	-	-	-	49,187
Economic and physical dev.	2,200,377	1,840,163	3,214,965	81,802	1,421,994
Cultural and recreational	171,141	(112,460)	559,339	263,787	225,228
Interest on L/T liabilities	1,142,162	1,232,809	799,086	-	-
Total governmental activities:	23,707,774	24,542,118	24,931,411	20,842,146	22,986,339
Business-type activities:					
Solid waste coll. and disp.	401,575	2,239,632	2,291,115	288,119	360,124
Total primary government	24,109,349	26,781,750	27,222,526	21,130,265	23,346,463
Program revenues: Capital grants and contributions:					
Governmental activities:					
General government	47,223	14,141	33,680	73,898	62,691
Public safety	252,730	67,461	26,271	601,747	123,190
Human services	3,492	-	5,020	15,191	364,626
Education	8,269,925	3,947,837	2,907,522	2,791,265	5,235,930
Economic and physical dev.	76,272	1,268,978	-	-	-
Cultural and recreational	29,518	1,146,979	404,846	450,000	1,024,268
Total governmental activities:	8,679,160	6,445,396	3,377,339	3,932,101	6,810,705
Business-type activities:					
Solid waste coll. and disp.	-	-	-	8,500	-
Total primary government	8,679,160	6,445,396	3,377,339	3,940,601	6,810,705

(continued from previous page)

	2008	2007	2006	2005	2004	2003
\$	2,453,453	\$ 2,429,620	\$ 2,527,083	\$ 2,355,606	\$ 2,209,485	\$ 2,164,737
	6,124,163	4,413,692	3,818,583	4,332,493	3,141,950	2,927,502
	4,800,258	4,407,313	4,036,087	4,033,832	3,193,175	3,149,820
	9,215,690	9,091,504	8,972,777	8,742,826	8,216,640	8,050,849
	58,980	81,421	61,724	54,046	51,992	59,169
	118,385	29,949	37,810	6,360	31,592	4,032
	22,770,929	20,453,499	19,454,064	19,525,163	16,844,834	16,356,109
	4,762,245	4,927,433	5,049,367	5,234,744	5,173,466	4,903,705
	27,533,174	25,380,932	24,503,431	24,759,907	22,018,300	21,259,814
	1,131,279	827,817	772,508	795,598	905,013	879,382
	2,515,297	2,035,114	2,002,420	2,466,598	1,636,234	1,568,579
	16,200,691	16,411,564	15,239,907	14,046,319	13,970,155	13,260,602
	13,630	24,458	19,485	67,913	12,605	2,971,105
	461,092	302,598	469,506	195,220	650,582	926,439
	283,022	251,214	550,313	277	11,123	31,176
	66,000	134,100	189,225	242,850	284,750	36,637
	20,671,011	19,986,865	19,243,364	17,814,775	17,470,462	19,673,920
	308,472	326,760	335,768	430,911	488,594	631,809
	20,979,483	20,313,625	19,579,132	18,245,686	17,959,056	20,305,729
	719,895	50,373	459,853	14,776	14,420	-
	91,643	88,538	379,797	47,089	60,396	321
	19,928,365	5,153,258	8,295,526	423,860	4,742,383	14,789,296
	5,279,537	5,359,018	4,235,498	3,630,898	3,554,389	-
	(12,671)	4,226	956,067	-	-	280,522
	(8,440)	-	2,480,692	155,479	-	65,588
	25,998,329	10,655,413	16,807,433	4,272,102	8,371,588	15,135,727
	-	-	-	-	81,655	-
	25,998,329	10,655,413	16,807,433	4,272,102	8,453,243	15,135,727

Cleveland County, North Carolina

1. Government-Wide Changes in Net Position (eleven most recent fiscal years)

(continued on next page)

Exhibit III.E.1

For the Year Ended June 30, 2013

Description	2013	2012	2011	2010	2009
(continued from Page 1 of 4)					
Expenses:					
Governmental activities:					
General government	\$ 9,161,184	\$ 8,691,798	\$ 6,778,422	\$ 9,027,646	\$ 9,094,328
Transportation	39,465	39,465	39,464	39,464	39,464
Public safety	23,608,034	24,749,538	23,198,228	21,698,159	20,436,483
Human services	101,132,605	35,480,842	36,593,375	33,914,103	39,264,800
Education	26,506,854	26,031,948	26,328,319	25,446,822	26,670,648
Economic and physical dev.	6,394,017	2,780,339	3,882,363	2,348,461	3,042,821
Cultural and recreational	1,474,692	1,212,620	1,016,592	1,103,213	1,272,016
Interest on L/T liabilities	2,110,131	2,209,258	2,283,810	643,989	697,162
Total governmental activities:	170,426,982	101,195,808	100,120,573	94,221,857	100,517,722
Business-type activities:					
Conference center	593,350	216,822	-	-	-
Solid waste coll. and disp.	10,251,969	5,789,166	8,669,964	3,613,920	8,267,583
Total business-type activities:	10,845,319	6,005,988	8,669,964	3,613,920	8,267,583
Total primary government	181,272,301	107,201,796	108,790,537	97,835,777	108,785,305
Net Revenue (Expense):					
Governmental activities:	(112,604,961)	(44,118,087)	(48,315,792)	(46,442,794)	(48,287,801)
Business-type activities:	(5,385,268)	1,778,753	(1,388,846)	1,074,920	(3,224,740)
Total primary government	(117,990,229)	(42,339,334)	(49,704,638)	(45,367,874)	(51,512,541)
General revenues:					
Governmental activities:					
Ad valorem property taxes	42,960,964	40,301,804	38,645,416	38,289,687	38,618,389
Local option sales taxes	8,211,061	8,077,072	7,405,889	7,429,274	9,694,631
Other taxes and licenses	455,306	461,395	426,626	378,380	348,147
Contributions	380,000	380,000	190,000	-	-
Investment earnings, general	89,033	100,740	202,215	546,517	1,103,612
Special sale of capital assets	23,000,000	-	-	-	-
Transfers	(565,944)	2,563,743	335,925	335,059	228,936
Total governmental activities:	74,530,420	51,884,754	47,206,071	46,978,917	49,993,715
Business-type activities:					
Investment earnings, general	1,251	2,179	44,053	14,553	160,189
Transfers	565,944	(2,563,743)	(335,925)	(335,059)	(228,936)
Total business-type activities:	567,195	(2,561,564)	(291,872)	(320,506)	(68,747)
Total primary government	75,097,615	49,323,190	46,914,199	46,658,411	49,924,968
Change in net assets:					
Governmental activities:	(38,074,541)	7,766,667	(1,109,721)	536,123	1,705,914
Business-type activities:	(4,818,073)	(782,811)	(1,680,718)	754,414	(3,293,487)
Total primary government	(42,892,614)	6,983,856	(2,790,439)	1,290,537	(1,587,573)
Ending net assets:					
Governmental activities:	95,489,973	133,564,514	125,797,847	126,907,568	126,371,445
Business-type activities:	7,049,118	11,867,191	12,650,002	14,330,720	13,576,306
Total primary government	\$ 102,539,091	\$ 145,431,705	\$ 138,447,849	\$ 141,238,288	\$ 139,947,751

(continued from previous page)

2008	2007	2006	2005	2004	2003
(continued from Page 2 of 4)					
\$ 8,641,901	\$ 8,063,096	\$ 7,645,671	\$ 7,368,767	\$ 6,693,917	\$ 6,060,805
39,464	39,464	39,464	39,464	39,464	39,464
20,235,804	18,572,762	18,634,535	16,959,262	14,592,422	13,597,513
39,510,671	38,398,880	36,663,358	34,168,346	31,558,753	30,430,820
24,943,842	23,309,846	23,633,490	22,534,208	23,194,640	21,219,309
2,118,255	3,527,997	1,635,055	1,844,628	1,880,008	6,339,654
1,286,918	1,101,380	1,079,245	683,964	734,460	876,231
669,490	662,667	690,823	828,077	908,176	1,182,993
97,446,345	93,676,092	90,021,641	84,426,716	79,601,840	79,746,789
-	-	-	-	-	-
5,285,293	4,567,905	4,469,516	4,294,878	4,103,114	3,713,218
5,285,293	4,567,905	4,469,516	4,294,878	4,103,114	3,713,218
102,731,638	98,243,997	94,491,157	88,721,594	83,704,954	83,460,007
(28,006,076)	(42,580,315)	(34,516,780)	(42,814,676)	(36,914,956)	(28,581,033)
(214,576)	686,288	915,619	1,370,777	1,640,601	1,822,296
(28,220,652)	(41,894,027)	(33,601,161)	(41,443,899)	(35,274,355)	(26,758,737)
35,815,553	35,297,651	34,646,125	33,889,146	32,565,809	31,286,514
12,002,826	12,037,091	11,372,496	11,220,896	11,044,070	9,263,392
921,337	844,704	793,545	758,366	664,613	655,701
2,200,000	2,270,000	2,205,000	2,145,000	2,125,000	4,945,566
1,604,977	1,529,276	1,106,547	742,029	565,477	774,312
-	-	-	-	-	-
241,245	175,347	142,784	148,661	131,654	79,102
52,785,938	52,154,069	50,266,497	48,904,098	47,096,623	47,004,587
616,174	702,957	470,625	193,024	72,486	78,704
(241,245)	(175,347)	(142,784)	(148,661)	(131,654)	(79,102)
374,929	527,610	327,841	44,363	(59,168)	(398)
53,160,867	52,681,679	50,594,338	48,948,461	47,037,455	47,004,189
24,779,862	9,573,754	15,749,717	6,089,422	10,181,667	18,423,554
160,353	1,213,898	1,243,460	1,415,140	1,581,433	1,821,898
24,940,215	10,787,652	16,993,177	7,504,562	11,763,100	20,245,452
124,665,531	99,885,669	90,311,915	74,562,198	68,472,776	58,291,109
16,869,793	16,709,440	15,495,542	14,252,082	12,836,942	11,255,509
\$ 141,535,324	\$ 116,595,109	\$ 105,807,457	\$ 88,814,280	\$ 81,309,718	\$ 69,546,618

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.2

For the Year Ended June 30, 2013

Description	2013	2012	2011	2010	2009
Revenues:					
Governmental funds:					
Ad valorem property taxes	\$ 55,178,746	\$ 52,089,876	\$ 49,785,232	\$ 49,833,593	\$ 49,505,781
Local option sales taxes	11,099,827	10,918,854	10,067,729	10,111,795	13,124,777
Other taxes	756,030	846,979	1,071,366	1,016,187	970,576
Intergovernmental revenues	28,047,476	27,487,280	24,260,241	21,352,565	22,867,190
Licenses, permits, and fees	968,754	943,235	865,693	883,785	906,097
Sales and services	10,996,680	11,919,725	10,479,805	9,709,237	9,529,871
Investment earnings	172,905	167,909	266,555	875,926	1,595,774
Miscellaneous	1,325,632	1,878,708	551,634	750,285	1,898,522
Total governmental funds:	108,546,050	106,252,566	97,348,255	94,533,373	100,398,588
Enterprise funds:					
Operating revenues	5,065,450	5,565,709	5,190,178	4,707,821	4,920,223
Non-operating revenues	504,722	566,501	615,510	487,386	313,015
Total enterprise funds:	5,570,172	6,132,210	5,805,688	5,195,207	5,233,238
Total primary government	114,116,222	112,384,776	103,153,943	99,728,580	105,631,826
Expenditures, non-capital:					
Governmental funds:					
General government	9,461,671	8,820,268	8,258,073	8,285,991	8,465,727
Transportation	39,465	39,465	39,464	39,464	39,464
Public safety	20,234,641	20,357,264	19,404,100	18,025,869	17,962,171
Human services	34,174,002	33,936,655	33,774,319	33,192,709	36,165,026
Education	23,197,513	22,431,550	21,973,653	21,918,571	21,849,965
Economic and physical dev.	3,470,060	3,408,258	3,286,202	1,454,212	2,464,437
Cultural and recreational	1,178,071	1,128,074	1,164,592	1,121,982	1,097,770
Debt service, principal reductio	3,412,140	3,435,998	2,847,048	3,250,871	2,888,981
Debt service, interest	2,158,224	2,255,816	1,711,550	643,989	499,364
Total governmental funds:	97,325,787	95,813,348	92,459,001	87,933,658	91,432,905
Enterprise funds:					
Environmental	4,367,355	4,538,182	4,387,077	4,361,641	4,360,945
Cultural and recreational	593,350	216,822	-	-	-
Total enterprise funds:	4,960,705	4,755,004	4,387,077	4,361,641	4,360,945
Total primary government	101,693,142	100,351,530	96,846,078	92,295,299	95,793,850
Expenditures, capital:					
Governmental funds:					
General government	93,457	183,390	461,282	456,472	776,735
Public safety	634,852	1,466,060	3,283,864	5,329,708	7,008,460
Human services	62,950	-	75,923	690,162	542,426
Education	10,568,188	20,853,371	28,906,988	6,125,420	4,914,746
Economic and physical dev.	2,205,230	3,924,842	1,658,202	1,651,388	1,351,481
Cultural and recreational	350,000	1,553,809	861,313	523,935	1,320,977
Total governmental funds:	13,914,677	27,981,472	35,247,572	14,777,085	15,914,825
Enterprise fund : environmental	995,154	156,655	997,793	874,601	2,962,957
Total primary government	14,909,831	28,138,127	36,245,365	15,651,686	18,877,782

(continued from previous page)

	2008	2007	2006	2005	2004	2003	2002
\$	45,717,409	\$ 45,093,388	\$ 44,483,730	\$ 43,355,393	\$ 40,749,630	\$ 39,942,314	\$ 39,596,061
	15,837,377	15,845,539	14,895,552	14,345,733	14,049,144	13,099,757	11,130,488
	917,099	1,250,797	1,227,608	1,063,837	663,789	655,554	677,631
	23,281,317	22,815,367	20,712,669	16,770,486	17,109,288	16,237,754	24,303,484
	1,086,477	1,139,917	1,174,717	1,154,658	1,465,398	1,443,654	1,109,378
	9,497,364	8,351,036	8,351,003	10,653,350	8,679,352	8,667,146	6,079,747
	2,265,167	2,000,774	1,366,276	894,590	662,210	913,046	1,296,836
	1,024,394	642,769	1,021,584	500,510	832,929	395,274	1,321,179
	99,626,604	97,139,587	93,233,139	88,738,557	84,211,740	81,354,499	85,514,804
	4,878,108	5,035,968	5,218,497	5,284,036	5,291,178	4,965,954	3,502,600
	858,456	920,833	718,244	460,202	480,554	616,589	570,557
	5,736,564	5,956,801	5,936,741	5,744,238	5,771,732	5,582,543	4,073,157
	105,363,168	103,096,388	99,169,880	94,482,795	89,983,472	86,937,042	89,587,961
	7,691,136	7,775,143	7,237,619	6,948,768	6,313,545	5,630,787	5,917,228
	39,464	39,464	39,464	39,464	39,464	39,464	39,464
	16,690,549	16,419,086	15,379,062	14,562,315	13,511,461	12,974,638	12,441,356
	37,307,822	36,472,481	34,866,255	32,565,757	30,198,443	29,560,351	29,470,009
	20,264,032	19,959,846	19,841,118	19,580,241	18,828,640	18,631,028	18,528,486
	1,733,675	3,389,623	1,235,881	1,787,955	1,497,583	3,014,269	758,003
	1,085,151	968,115	1,051,486	577,489	657,260	720,820	712,924
	4,876,307	4,954,194	4,945,263	4,923,684	4,945,906	5,066,552	4,469,183
	409,221	551,238	690,823	819,310	923,942	1,307,265	1,970,013
	90,097,357	90,529,190	85,286,971	81,804,983	76,916,244	76,945,174	74,306,666
	4,277,825	3,625,443	3,568,759	3,405,980	3,214,739	2,885,124	2,978,066
	-	-	-	-	-	-	-
	4,277,825	3,625,443	3,568,759	3,405,980	3,214,739	2,885,124	2,978,066
	94,375,182	94,154,633	88,855,730	85,210,963	80,130,983	79,830,298	77,284,732
	626,270	205,000	575,126	217,591	765,622	257,572	103,573
	2,449,686	1,099,487	2,734,682	1,387,946	956,864	684,542	761,753
	1,332,108	523,313	384,199	1,072,937	167,050	487,764	1,086,209
	4,738,167	3,350,000	3,792,372	2,953,967	4,448,424	2,588,282	7,913,614
	377,409	202,573	440,870	318,103	687,346	97,232	2,884,114
	250,000	3,350	243,917	187,925	115,046	81,185	-
	9,773,640	5,383,723	8,171,166	6,138,469	7,140,352	4,196,577	12,749,263
	6,104,817	899,304	306,391	325,597	354,690	904,488	428,452
	15,878,457	6,283,027	8,477,557	6,464,066	7,495,042	5,101,065	13,177,715

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.2

For the Year Ended June 30, 2013

Description	2013	2012	2011	2010	2009
(continued from Page 1 of 4)					
Excess of revenues over (under) expenditures:					
Governmental funds:	\$ (2,694,414)	\$ (17,542,254)	\$ (30,358,318)	\$ (8,177,370)	\$ (6,949,142)
Enterprise funds:	(385,687)	1,220,551	420,818	(41,035)	(2,090,664)
Total primary government	<u>(3,080,101)</u>	<u>(16,321,703)</u>	<u>(29,937,500)</u>	<u>(8,218,405)</u>	<u>(9,039,806)</u>
Other financing sources (uses):					
Governmental funds:					
Issuance of debt financing	52,633	-	17,563,250	22,081,095	6,720,000
Extinguishment of debt	-	-	-	-	-
Special sale of capital assets	23,349,738	-	-	-	-
Transfers	(565,944)	2,563,743	335,925	335,059	228,936
Total governmental funds:	<u>22,836,427</u>	<u>2,563,743</u>	<u>17,899,175</u>	<u>22,416,154</u>	<u>6,948,936</u>
Enterprise funds:					
Enterprise fund : transfers	565,944	(2,563,743)	(335,925)	(335,059)	(228,936)
Total enterprise funds:	<u>565,944</u>	<u>(2,563,743)</u>	<u>(335,925)</u>	<u>(335,059)</u>	<u>(228,936)</u>
Total primary government	<u>23,402,371</u>	<u>-</u>	<u>17,563,250</u>	<u>22,081,095</u>	<u>6,720,000</u>
Net change in fund balances:					
Governmental funds:	20,142,013	(14,978,511)	(12,459,143)	14,238,784	(206)
Enterprise funds:	180,257	(1,343,192)	84,893	(376,094)	(2,319,600)
Total primary government	<u>20,322,270</u>	<u>(16,321,703)</u>	<u>(12,374,250)</u>	<u>13,862,690</u>	<u>(2,319,806)</u>
Ending fund balances:					
Governmental funds:	51,804,272	31,662,259	46,640,770	59,099,913	44,861,129
Enterprise funds:	5,841,755	5,661,498	7,004,690	6,919,797	7,295,891
Total primary government	<u>\$ 57,646,027</u>	<u>\$ 37,323,757</u>	<u>\$ 53,645,460</u>	<u>\$ 66,019,710</u>	<u>\$ 52,157,020</u>
Debt service expenditures as a percentage of noncapital expenditures:					
Governmental funds:	5.723%	5.941%	4.930%	4.429%	3.706%
Enterprise funds:	0.000%	0.000%	0.000%	0.000%	0.000%
Total primary government	5.478%	5.672%	4.707%	4.220%	3.537%

(continued from previous page)

2008	2007	2006	2005	2004	2003	2002
(continued from Page 2 of 4)						
\$ (244,393)	\$ 1,226,674	\$ (224,998)	\$ 795,105	\$ 155,144	\$ 212,748	\$ (1,541,125)
(4,646,078)	1,432,054	2,061,591	2,012,661	2,202,303	1,792,931	666,639
(4,890,471)	2,658,728	1,836,593	2,807,766	2,357,447	2,005,679	(874,486)
6,230,676	-	-	797,368	146,374	30,456,674	-
94,165	-	-	-	-	(30,323,141)	-
-	-	-	-	-	-	-
241,245	175,347	142,784	148,661	131,654	79,102	65,659
6,566,086	175,347	142,784	946,029	278,028	212,635	65,659
(241,245)	(175,347)	(142,784)	(148,661)	(131,654)	(79,102)	(65,659)
(241,245)	(175,347)	(142,784)	(148,661)	(131,654)	(79,102)	(65,659)
6,324,841	-	-	797,368	146,374	133,533	-
6,321,693	1,402,021	(82,214)	1,741,134	433,172	425,383	(1,475,466)
(4,887,323)	1,256,707	1,918,807	1,864,000	2,070,649	1,713,829	600,980
1,434,370	2,658,728	1,836,593	3,605,134	2,503,821	2,139,212	(874,486)
44,861,335	38,539,642	37,137,621	37,219,835	35,478,701	35,045,529	34,620,146
9,615,491	14,502,814	13,246,107	11,327,300	9,463,300	7,392,651	5,678,822
\$ 54,476,826	\$ 53,042,456	\$ 50,383,728	\$ 48,547,135	\$ 44,942,001	\$ 42,438,180	\$ 40,298,968
5.866%	6.081%	6.608%	7.020%	7.631%	8.284%	8.666%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
5.601%	5.847%	6.343%	6.740%	7.325%	7.984%	8.332%

Cleveland County, North Carolina

3. Government-Wide Net Position by Component (eleven most recent fiscal years)

(continued on next page)

Exhibit III.E.3

For the Year Ended June 30, 2013

Fiscal Year Ended June 30	Governmental Activities				Business-Type Activities	
	Invested in capital assets, net	Restricted Net Assets	Unrestricted Net Assets	Subtotal	Invested in capital assets, net	Restricted Net Assets
2013	\$ 53,300,808	\$ 23,947,192	\$ 18,241,973	\$ 95,489,973	\$ 16,390,005	\$ 414
2012	110,731,505	23,441,547	(600,146)	133,572,906	16,169,340	-
2011	85,694,014	39,629,067	474,766	125,797,847	15,039,747	-
2010	73,352,330	13,033,908	40,521,330	126,907,568	13,200,191	-
2009	86,285,668	11,130,562	28,955,215	126,371,445	13,483,249	-
2008	85,741,754	11,915,459	27,008,318	124,665,531	11,004,690	-
2007	68,762,375	10,298,262	20,825,032	99,885,669	5,575,418	-
2006	62,126,673	8,019,763	20,165,479	90,311,915	5,298,264	-
2005	47,613,359	7,624,049	19,324,790	74,562,198	5,688,961	-
2004	44,361,220	7,633,009	16,478,547	68,472,776	5,858,493	-
2003	36,526,958	7,067,819	14,696,332	58,291,109	6,042,171	-
2002						

The County began reporting the County's government-wide financial position and financial activities on the full accrual

* basis for fiscal year ended June 30, 2003 when the County implemented G.A.S.B. Statement Number 34.

Cleveland County, North Carolina

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

(continued on next page)

Exhibit III.E.4

For the Year Ended June 30, 2013

Fiscal Year Ended June 30	General Fund			All Other Non-spendable Fund Balance	All Special Revenue Funds Spendable Fund Balance	All Debt Service Funds Spendable Fund Balance
	Non-spendable Fund Balance	Spendable Fund Balance	Subtotal			
2013	\$ 384,495	\$ 46,882,431	\$ 47,266,926	\$ 5,386	\$ 1,365,345	\$ -
2012	264,984	24,798,730	25,063,714	8,055	1,438,364	-
2011	285,701	21,995,938	22,281,639	1,912	1,899,202	-
2010	229,844	23,352,284	23,582,128	4,016	2,655,889	-
2009	297,808	24,423,891	24,721,699	-	3,185,963	-
2008	212,984	28,325,731	28,538,715	-	3,195,093	-
2007	364,741	28,655,720	29,020,461	150	2,797,478	-
2006	209,622	29,309,993	29,519,615	-	1,837,498	-
2005	216,419	29,622,352	29,838,771	843	947,851	-
2004	217,656	28,099,023	28,316,679	2,778	856,888	-
2003	80,900	27,549,348	27,630,248	-	1,085,018	-
2002	257,538	25,944,413	26,201,951	-	3,508,002	-

(continued from previous page)

ties	Business-Type Activities (cont.)		Primary Government			Total
	Unrestricted Net Assets	Subtotal	Invested in capital assets, net	Restricted Net Assets	Unrestricted Net Assets	
\$	(9,341,301)	\$ 7,049,118	\$ 69,690,813	\$ 23,947,606	\$ 8,900,672	\$ 102,539,091
	(4,302,149)	11,867,191	126,900,845	23,441,547	(4,902,295)	145,440,097
	(2,389,745)	12,650,002	100,733,761	39,629,067	(1,914,979)	138,447,849
	1,130,529	14,330,720	86,552,521	13,033,908	41,651,859	141,238,288
	93,057	13,576,306	99,768,917	11,130,562	29,048,272	139,947,751
	5,865,103	16,869,793	96,746,444	11,915,459	32,873,421	141,535,324
	11,134,022	16,709,440	74,337,793	10,298,262	31,959,054	116,595,109
	10,197,278	15,495,542	67,424,937	8,019,763	30,362,757	105,807,457
	8,563,121	14,252,082	53,302,320	7,624,049	27,887,911	88,814,280
	6,978,449	12,836,942	50,219,713	7,633,009	23,456,996	81,309,718
	5,213,338	11,255,509	42,569,129	7,067,819	19,909,670	69,546,618

(continued from previous page)

All Capital Project Funds	All Other	Total Governmental Funds							
		Non-spendable Fund Balance	Spendable Fund Balance	Total					
\$	3,166,615	\$	4,537,346	\$	389,881	\$	51,414,391	\$	51,804,272
	5,152,126		6,598,545		273,039		31,389,220		31,662,259
	22,458,017		24,359,131		287,613		46,353,157		46,640,770
	32,857,880		35,517,785		233,860		58,866,053		59,099,913
	16,953,467		20,139,430		297,808		44,563,321		44,861,129
	13,127,527		16,322,620		212,984		44,648,351		44,861,335
	6,721,553		9,519,181		364,891		38,174,751		38,539,642
	5,780,508		7,618,006		209,622		36,927,999		37,137,621
	6,432,370		7,381,064		217,262		37,002,573		37,219,835
	6,302,356		7,162,022		220,434		35,258,267		35,478,701
	6,330,263		7,415,281		80,900		34,964,629		35,045,529
	4,910,193		8,418,195		257,538		34,362,608		34,620,146

Cleveland County, North Carolina
5. Retirement Contributions Schedule

(continued below)

Exhibit III.E.5

For the Year Ended June 30, 2013

Fiscal Year Ended June 30	LGERS Employer's Normal Benefit *	LGERS Employer's Death Benefit	LEOSSA Employer's Contribution	SRIP-LEO Employer's Contribution	SRIP-LEO Employee's Contribution
2013	\$ 1,889,009	\$ 24,883	\$ 147,140	\$ 182,744	\$ 75,509
2012	1,885,486	24,305	135,023	178,052	66,544
2011	1,728,543	23,734	66,036	172,195	77,547
2010	1,312,924	24,324	60,798	174,476	69,998
2009	1,325,979	24,107	90,237	172,568	68,177
2008	1,224,850	22,708	96,599	164,582	65,740
2007	1,139,708	23,382	105,507	153,610	39,680
2006	1,103,821	20,561	114,758	150,053	37,025
2005	1,036,080	19,344	117,577	139,613	43,705
2004	990,979	18,482	97,473	138,125	27,710
2003	967,376	18,039	100,384	129,300	29,791
2002	954,258	19,212	67,976	124,145	27,511

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

5. Retirement Contributions Schedule

(continued from above)

Exhibit III.E.5

For the Year Ended June 30, 2013

Fiscal Year Ended June 30	401(k) Employer's Contribution	401(k) Employee's Contribution	RODSPF Employer's Contribution	Post-Retirement Health Premiums	No. of Retirees Receiving Paid Health Premiums
(continued from above)					
2013	\$ 1,235,911	\$ 498,874	\$ 5,719	\$ 417,867	83
2012	1,208,791	493,324	5,399	378,017	69
2011	1,205,919	455,204	5,012	355,119	67
2010	1,219,198	428,762	5,259	321,505	59
2009	1,208,323	436,175	5,601	262,840	55
2008	1,133,931	424,774	6,922	206,160	50
2007	1,061,542	360,115	22,426	174,720	43
2006	982,566	370,542	22,417	156,744	45
2005	971,149	336,204	22,448	133,901	41
2004	894,965	277,312	24,546	106,038	36
2003	880,088	284,088	25,375	97,112	31
2002	850,672	266,178	20,729	95,706	35

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

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013
IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS

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

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

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Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013
IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
A. Reports from the Independent Auditor

	<u>Identifier</u>	<u>Page No.</u>
1. Report from the Independent Auditor On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	Exhibit IV.A.1	180
2. Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act	Exhibit IV.A.2	182
3. Report On Compliance For Each Major State Program; Report On Internal Control Over Compliance; In Accordance with OMB Circular A-133; And The State Single Audit Implementation Act	Exhibit IV.A.3	184

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

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

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

Independent Auditor's Report

To the Board of Commissioners
Cleveland County
Shelby, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cleveland County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cleveland County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 22, 2013

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

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

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; In Accordance with OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Cleveland County
Shelby, North Carolina

Report On Compliance for Each Major Federal Program

We have audited the compliance of Cleveland County, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. Cleveland County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cleveland County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cleveland County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cleveland County's compliance.

Opinion On Each Major Federal Program

In our opinion, Cleveland County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report On Internal Control Over Compliance

Management of Cleveland County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cleveland County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 22, 2013

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

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

Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance; In Accordance With OMB Circular A-133; And The State Single Audit Implementation Act

Independent Auditor's Report

To the Board of Commissioners
Cleveland County
Shelby, North Carolina

Report On Compliance for Each Major State Program

We have audited Cleveland County, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Cleveland County's major State programs for the year ended June 30, 2013. Cleveland County's major State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Cleveland County's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Cleveland County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Cleveland County's compliance.

Opinion On Each Major State Program

In our opinion, Cleveland County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

Report On Internal Control Over Compliance

Management of Cleveland County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cleveland County's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, NC
November 22, 2013

CLEVELAND COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified that is not considered to be a material weakness?	None reported
Non-compliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness identified?	No
• Significant deficiency identified that is not considered to be a material weakness?	None reported
Type of auditor's report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
Medicaid Cluster	93.720, 73.775, 93.777, 93.778
TANF Cluster	93.558, 93.714, 93.716
Adoption Assistance	93.659
Special Supplemental Nutrition Program for Women Infants and Children	10.557

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$3,000,000</u>
Auditee qualified as low-risk auditee?	No

CLEVELAND COUNTY, NORTH CAROLINA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Auditor's Results (continued)

State Awards

Internal control over major State programs:

- Material weakness identified? No
- Significant deficiency identified that is not considered to be a material weakness? None reported

Type of auditor's report issued on compliance for major State programs Unmodified

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

Identification of Major State Programs:

Program Name

Medicaid Cluster
Foster Care and Adoption Cluster
Public School Building Capital Fund – Lottery
State/County Special Assistance
NC Rural Economic Development Center - Building Reuse Grant

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

None reported.

3. Federal Award Findings and Questioned Costs

None reported.

4. State Award Findings and Questioned Costs

None reported.

CLEVELAND COUNTY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

None reported.

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013
IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
D. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Federal Awards:					
<u>U.S. Dept. of Agriculture</u>					
<u>Passed-Through N.C. Department of Agriculture:</u>					
<u>Food Distribution Cluster:</u>					
Emergency Food Assistance Program (Administration)	10.568	-	\$ 12,096	\$ -	\$ -
Emergency Food Assistance Program (Commodities)	10.569	-	241,971	-	-
<u>Total Food Distribution Cluster</u>			<u>254,067</u>	<u>-</u>	<u>-</u>
<u>Passed-Through N.C. Department of Health and Human Services:</u>					
<u>Division of Public Health</u>					
Special Supplemental Nutrition Program for Women, Infants, and Children - direct benefit payments	10.557	-	2,096,921	-	-
Special Supplemental Nutrition Program for Women, Infants, and Children - administration	10.557	5403, -4, -5, -9	534,331	-	-
<u>Child Nutrition Cluster:</u>					
Summer Food Service Program for Children - Program Mea	10.559	5767	166	-	-
<u>Total Child Nutrition Cluster</u>			<u>166</u>	<u>-</u>	<u>-</u>
<u>Total Division of Public Health</u>			<u>2,631,418</u>	<u>-</u>	<u>-</u>
<u>Division of Social Services:</u>					
<u>Administration:</u>					
<u>Supplemental Nutrition Assistance Program Cluster:</u>					
Supplemental Nutrition Asst. Program - Administration	10.561	404, 417	956,979	-	956,978
Food Stamps Claims Collect	10.561	454	(18,150)	-	-
Food Stamps Incentive Retention	10.561	455	36,162	-	-
Supplemental Nutrition Assistance Program - Fraud	10.561	405	18,749	-	18,749
<u>Total Supplemental Nutrition Assistance Program Cluster</u>			<u>993,740</u>	<u>-</u>	<u>975,727</u>
<u>Total U.S. Department of Agriculture</u>			<u>3,879,225</u>	<u>-</u>	<u>975,727</u>
<u>U.S. Department of Health and Human Services</u>					
<u>Passed-Through the N.C. Department of Health and Human Services:</u>					
<u>Divisions of Aging (thru Isothermal Planning and Development) and Social Services</u>					
<u>Aging Cluster:</u>					
Special Programs for the Aging - III-B Grants for Supportive Services and Senior Centers - In Home Services	93.044	-	121,078	7,565	-
<u>Total Aging Cluster</u>			<u>121,078</u>	<u>7,565</u>	<u>-</u>
Social Services Block Grant - In Home Services	93.667	022, 030	13,548	-	1,935
<u>Total Division of Aging</u>			<u>134,626</u>	<u>7,565</u>	<u>1,935</u>
<u>Division of Child Development:</u>					
<u>Subsidized Child Care Cluster:</u>					
<u>Child Care Development Fund Cluster:</u>					
Division of Social Services:					
Child Care and Development Fund -- Administration	93.596	364	92,017	-	-
Division of Child Development:					
Child Care and Development Fund -- Discretionary	93.575	D*23, TB23	951,739	-	-
Child Care and Development Fund -- Mandatory	93.596	M*23	406,253	-	-
Child Care and Development Fund -- Match	93.596	V*23	550,789	228,444	-
<u>Total Child Care Development Fund Cluster:</u>			<u>2,000,798</u>	<u>228,444</u>	<u>-</u>

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For the Year Ended June 30, 2013
IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
D. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Federal Awards: (continued from previous page)					
<u>Division of Child Development: (continued from above)</u>					
<u>Subsidized Child Care Cluster: (continued from above)</u>					
<u>Temporary Assistance for Needy Families Cluster:</u>					
Temporary Assistance for Needy Families - Child Care	93.558	T223	532,206	-	-
<u>Total Temporary Assistance for Needy Families Cluster:</u>			<u>532,206</u>	<u>-</u>	<u>-</u>
Social Security Block Grant	93.667		6,826	-	-
Foster Care Title IV-E	93.658	Q423, 460, 467	19,730	9,095	34,015
Smart Start	-	4023, 347, 438	-	68,540	-
State and Local Appropriations	-	0023	-	152,173	-
TANF-MOE	-	T623	-	409,468	-
<u>Total Subsidized Child Care Cluster:</u>			<u>2,559,559</u>	<u>867,720</u>	<u>34,015</u>
<u>Centers for Medicare and Medicaid Services</u>					
<u>Division of Medical Assistance:</u>					
<u>Direct Benefit Payments:</u>					
Medicaid Assistance Program - direct benefit payments	93.778	-	108,014,511	59,975,317	1,485
<u>Division of Social Services:</u>					
Medical Assistance Program - Administration	93.778	412, 422, 441	1,265,517	-	1,264,640
Adult Care Home CM	93.778	211, 213, 396	8,597	3,657	4,773
At-Risk CM	93.778	-	20,400	-	-
Medical Assistance Expansion	93.778	477	18,702	18,702	-
Medical Transportation Administration	93.778	375	82,303	-	82,303
Medical Transportation Services	93.778	377	724,450	381,211	-
Special Adult Home	93.778	128, 131, 151	48,263	16,623	26,401
Non-Reimbursed Medical CMS		286	-	-	97,463
<u>Total Medicaid Cluster:</u>			<u>110,182,743</u>	<u>60,395,511</u>	<u>1,477,066</u>
Alternate Non-Emergency - ER Diversion	93.790	-	17,128	-	-
<u>Division of Public Health</u>					
Public Health Emergency Preparedness	93.069	2680	48,968	-	678,985
Environmental Public Health and Emergency Response	93.070	190X	12,791	-	-
Family Planning	93.217	592X	17,739	-	-
State Health Access Program	93.256	312X	22,009	-	-
Immunization Program/Aid to County Funding	93.268	631X	30,688	-	-
Wisewoman Project/Bioterrorism Grant	93.283	360X, 540X	72,475	-	57,851
PPHF: Breast and Cervical Cancer Screening	93.744	311X	10,500	-	-
Co-op Agreement for Breast and Cervical Cancer	93.919	310X, 5599	30,340	8,947	-
HIV Prevention Activities	93.940	981X	28,000	-	28,434
Preventive Health and Health Services Block Grant - State-wide Health Promotion Program	93.991	5503	9,640	6,827	-
Maternal and Child Health Services Block Grant	93.994	53XX, 57XX	115,312	86,494	2,648,097
<u>Total Division of Public Health</u>			<u>398,462</u>	<u>102,268</u>	<u>3,413,367</u>
<u>Division of Social Services:</u>					
<u>Child Support Enforcement Funds:</u>					
Incentive Regular	93.563	-	57,367	-	-
Federal Offset / Service Fees / Blood Test	93.563	-	19,904	-	-
IV-E Share / Return	-	-	-	7,345	-
SFHF Share / Return	-	-	-	26,545	-
<u>Total Child Support Enforcement Funds:</u>			<u>77,271</u>	<u>33,889</u>	<u>-</u>

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IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
D. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Federal Awards: (continued from previous page)					
<u>Division of Social Services: (continued from above)</u>					
<u>Foster Care and Adoption Assistance Cluster:</u>					
IV-E Admin to CCI	93.658	-	5,368	2,684	2,684
IV-E Child Protective Services	93.658	072, 074	197,088	87,632	103,144
IV-E Family Max	93.658	-	4,540	-	2,400
IV-E Foster Care Training	93.658	96, 97	20,206	-	1,149
IV-E Foster Care, Optional Fund	93.658	132, 302, 407	463,869	-	463,869
IV-E Foster Care	93.658	-	369,833	97,528	97,535
IV-E Foster Care Eligibility Determination	93.658	431	15,688	-	15,688
IV-E Max in Excess	93.658	-	299,472	78,949	78,949
IV-E Max Level III	93.658	-	5,561	-	2,932
IV-E, IV-B, and State Vendor	93.658	-	16,595	-	-
IV-E Adoption Subsidy - direct benefit payments	93.659	-	731,613	195,959	195,959
Child Welfare Services Adoption Subsidy - direct benefit payments		-	-	411,950	122,949
<u>Total Foster Care and Adoption Assistance Cluster:</u>			<u>2,129,833</u>	<u>874,701</u>	<u>1,087,435</u>
At-Risk Max	-	-	-	9,793	5,161
<u>Care Payments - direct benefit payments</u>					
State Foster Home	-	-	-	157,980	157,978
Special Needs Adoption	-	-	-	21,600	-
Foster Care, Caseworker	-	109	-	-	679
State Max	-	-	-	126,082	126,082
<u>TANF Cluster:</u>					
TANF Payments and Penalties - direct benefit payments	93.558	-	989,143	(51)	794
TANF Public Health Services	93.558	5151	11,659	-	-
TANF Services / Child Services	93.558	226, 238	1,981,408	-	-
TANF / Domestic Violence Services	93.558	111, 278, 356	(3,589)	-	3,589
TANF CPS and Foster Care Adoption Services	93.558	341, 358, 362, 371	124,720	-	67,962
Work First CPS	93.558	319, 320	-	-	237,972
Work First	93.558	221, 232-235	-	-	171,154
Work First Administration	93.558	046, '048	-	-	197,742
Work First Services	93.558	047, '049	-	-	854,208
<u>Total TANF Cluster:</u>			<u>3,103,342</u>	<u>(51)</u>	<u>1,533,420</u>
Work First non-reimbursable	-	340, 343, 344	-	-	433,198
TANF Eligible	-	-	167	-	-
TANF to SSBG-APS	-	170	53,599	-	17,866
TANF / SSBG	-	471	-	-	81,890
TANF Incentives	-	268	-	2,506	-
<u>Subtotal</u>			<u>53,766</u>	<u>2,506</u>	<u>532,955</u>
AFDC Payments and Penalties - direct benefit payments (reimbursements)	93.560	-	(609)	(167)	(167)
IV-D Offset Fees Federal - direct benefit payments	93.563	-	4,454	(15)	2,310
IV-D Offset Fees ESC - direct benefit payments	93.563	-	362	-	186
AFDC Withhold	93.563	266	(80)	-	-
IV-D AFDC / Non-AFDC	93.563	202, 430	980,217	-	504,960
IV-D Blood Test	93.563	432	9,033	-	-

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D. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Federal Awards: (continued from previous page)					
<u>Division of Social Services: (continued from above)</u>					
IV-D Cooperative Agreement	93.563	450	36,567	-	18,838
IV-D Cost Recovery	93.563	436	(2,840)	-	(1,463)
IV-D Government Service Contract	93.563	423, 449	196,025	-	100,983
IV-D Non-AFDC	93.563	435	(2,391)	-	(1,232)
IV-D Offset Fees Federal - non-direct benefits	93.563	443	(2,288)	-	-
IV-D Offset Fees ESC - non-direct benefits	93.563	437	(188)	-	-
IV-D Non-Reimbursable Incentives	-	123	-	-	50,872
AFDC Incentives / Program Integrity	-	267	-	120	-
Crisis Intervention Planning Services	93.568	372	752,969	-	-
LIHEAP	93.568	372	344,700	-	-
Energy Assistance Services	93.568	406	109,516	-	-
Energy Assistance - Non-Refundable	-	442	-	-	68,835
Permanency Planning - Special	93.645	368, 464, 465	42,758	-	14,253
Social Services Block Grant	93.667	10, 394, 395, 607, 608	316,003	-	346,405
SSBG Special ADC	93.667	035, 036, 038	12,211	7,807	2,860
SSBG State Services Support	93.667	482	-	38,854	12,951
Social Services Block Grant - TANF	93.667	050	50,573	-	16,858
LINKS	93.674	290, 291	31,635	7,909	7,061
Independent Living - direct benefit payments	93.674	-	4,952	-	-
TOP Incentives	93.674	270, 271	26,219	-	-
DOR Incentives	93.674	269	1,930	-	-
N. C. Health Choice	93.767	440, 441, 483, 10126	61,884	3,787	15,936
<u>Total U.S. Department of Health and Human Services</u>			<u>121,630,342</u>	<u>62,657,857</u>	<u>9,530,361</u>
U.S. Dept. of Homeland Security					
<u>Passed-through N.C. Dept of Crime Control and Public Safety</u>					
AHIMT Trailer	97.067	2011-SS-00119	60,219	-	-
Generator Transfer Switch	97.067	2009-SS-T9-0046	6,000	-	-
<u>Total U.S. Dept. of Homeland Security</u>			<u>66,219</u>	<u>-</u>	<u>-</u>
U.S. Department of Housing and Urban Development					
<u>Passed-Through N.C. Department of Commerce,</u>					
<u>thru Isothermal Planning and Development</u>					
<u>CDBG - State - Administered CDBG Cluster Cluster:</u>					
Community Development Block Grant- Economic Development	14.228	09-E-2081	7,087	-	8,586
Community Development Block Grant-Housing Rehabilitation	14.228	10-C-2167	310,953	-	-
Community Development Block Grant- Economic Development	14.228	11-C-2334	248,843	-	4,950
<u>Total CDBG - State - Administered CDBG Cluster Cluster:</u>			<u>566,883</u>	<u>-</u>	<u>13,536</u>
<u>Direct program:</u>					
Community Development Block Grant- Section 108 Loan Guarantee	14.248	10-L-2161	181,528	-	12,106
<u>Total U.S. Department of Housing and Urban Development</u>			<u>748,411</u>	<u>-</u>	<u>25,642</u>

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IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
D. Schedule of Expenditures of Federal and State Awards

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Federal Awards: (continued from previous page)					
<u>U.S. Department of Justice</u>					
<u>Direct Program:</u>					
State Criminal Alien Assistance Program	16.606	2012-AP-BX-0824	2,161	-	-
<u>IAG Program Cluster:</u>					
2011 Edward Byrne Memorial Justice Assistance Grant	16.738	2011-DJ-BX-2765	1,976	-	-
Prescribed Epidemic	16.738	PROJ008476	36,776	-	12,203
<u>Total U.S. Department of Justice</u>			<u>40,913</u>	<u>-</u>	<u>12,203</u>
<u>U.S. Department of the Treasury</u>					
<u>Direct program:</u>					
U.S. Immigration and Customs Enforcement	16.578	NC0230000	15,170	-	-
<u>Total U.S. Department of the Treasury</u>			<u>15,170</u>	<u>-</u>	<u>-</u>
<u>U.S. Election Assistance Commission</u>					
<u>Passed-Through State Board of Election</u>					
HAVA Grant - HHS Accessibility	90.401	-	5,363	-	-
<u>Total U.S. Election Assistance Commission</u>			<u>5,363</u>	<u>-</u>	<u>-</u>
<u>U.S. Federal Emergency Management Agency</u>					
<u>Passed-Through NC Department of Crime Control and Public Safety:</u>					
Hazard Mitigation Grant	97.047	PDM-PL-04-001D	4,139	-	-
Homeland Security Grant Program-Generator	97.067	1520-030-H1-513	44,444	-	-
Emergency Management Program	83.552	-	50,862	-	29,514
<u>Total U.S. Federal Emergency Management Agency</u>			<u>99,445</u>	<u>-</u>	<u>29,514</u>
<u>Total Federal Awards</u>			<u>126,485,088</u>	<u>62,657,857</u>	<u>10,573,448</u>
State Awards:					
<u>N.C. Department of Administration</u>					
Veteran Services		-	-	1,452	90,771
<u>Total N.C. Department of Administration:</u>			<u>-</u>	<u>1,452</u>	<u>90,771</u>
<u>N.C. Department of Commerce</u>					
Industrial Development Fund		Cardinal	-	112,488	-
NC One Grant - Clearwater Paper Corporation		O-2009-5594	-	241,627	241,627
NC One Grant - Solaris Industries		O-2009-5599	-	33,500	-
<u>Total N.C. Dept of Commerce:</u>			<u>-</u>	<u>387,615</u>	<u>241,627</u>
<u>N.C. Department of Cultural Resources</u>					
Library State Aid Grant		-	-	137,601	878,427
<u>N.C. Department of Environment and Natural Resources:</u>					
Funds for Soil and Water Conservation District		-	-	25,911	52,821
White Goods Management		-	-	32,661	-
Electronics Management Fund		-	-	5,697	-
Solid Waste Disposal Tax Share		-	-	38,922	-
<u>Total N.C. Department of Environment and Natural Resources:</u>			<u>-</u>	<u>103,191</u>	<u>52,821</u>

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Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
State Awards: (continued from previous page)					
<u>N.C. Department of Health and Human Services</u>					
<u>Division of Child Development:</u>					
Smart Start Day Care		398	-	86,471	-
<u>Division of Public Health</u>					
General Aid to Counties		1161-4110-0023	-	149,650	1,289,473
Public Health Nurse Training		1161-4301-0023	-	2,000	-
Communicable Disease Control		1175-4510-0023	-	5,465	143,295
Tuberculosis (TB)		1460-4551-0023	-	19,568	-
Women's Preventive Health		13A1-601X-FR23	-	8,947	-
School Nurse Funding Initiative		1332-5358-0023	-	203,546	952,813
Healthy Communities		1326C-5529-0023	-	2,839	-
TB Medical Service		1460-4554-0023	-	1,529	-
Food and Lodging Fees		1153-4752-0423	-	12,496	674,603
Community Health Grant		-	-	77,266	-
<u>Division of Social Services:</u>					
State Adult Protective Services		098, 099	-	-	135,556
State-County / Special Assistance Domiciliary		-	-	1,157,379	1,157,379
Special Assistance Administration		414	-	-	30,624
<u>Total N. C. Department of Health and Human Services</u>			-	1,727,155	4,383,743
<u>N.C. Department of Transportation</u>					
<u>Rural Operating Assistance Program Cluster:</u>					
Elderly and Disabled Transportation Assistance Program		-	-	101,087	-
Rural General Public Program		-	-	78,610	-
Employment Transportation Assistance Program		-	-	36,534	-
<u>Total Rural Operating Assistance Program Cluster:</u>			-	216,231	-
Oak Grove VFD Paving Supplement		-	-	16,365	-
<u>Total N.C. Department of Transportation</u>			-	232,596	-
<u>N.C. Office of State Budget:</u>					
Public School Building Capital Fund - Lottery		-	-	5,569,567	836,646
<u>Total N.C. Office of State Budget:</u>			-	5,569,567	836,646
<u>N.C. Office of State Controller:</u>					
Controlled Substances Tax		-	-	55,574	-
<u>N.C. Rural Economic Development Center</u>					
Building Reuse Grant/Infrastructure Program		2011-235-60501-107	-	-	180
Building Reuse Grant/Infrastructure Program		2012-016-60501-107	-	-	576
Building Reuse Grant/Infrastructure Program		2012-098-40401-118	-	442,121	115,306
Building Reuse Grant/Infrastructure Program		2012-223-60501-118	-	285,000	11,000
Building Reuse Grant/Infrastructure Program		2012-224-60501-118	-	-	10,029
<u>Total N.C. Rural Economic Development Center</u>			-	727,121	137,092
<u>Total State Awards</u>			-	9,214,917	6,621,126
<u>Total Federal and State Awards</u>			\$ 126,485,088	\$ 71,872,774	\$ 17,194,574

Cleveland County, North Carolina
Annual Financial and Compliance Report
For the Year Ended June 30, 2013

IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
D. Schedule of Expenditures of Federal and State Awards
1. Notes to Schedule of Expenditures of Federal and State Awards

1. Basis of Presentation

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

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

2. Subrecipients

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

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Emergency Food Program (Commodities)					
Shelby Lions Club	10.569	-	\$ 241,971	\$ -	\$ -
Juvenile Crime Prevention Council					
Cleveland County Schools - Early Interventions		-	\$ -	\$ 76,235	\$ -
Communities in Schools - Teen Court/Restitution		-	-	33,473	-
Alexander Youth Network - Multisystemic Therapy		-	-	19,265	-
Phoenix Counseling - Drug / Alcohol Therapy		-	-	24,453	-
Mediation Center - Juvenile Mediation		-	-	19,893	-
Total Juvenile Crime Prevention Council			\$ -	\$ 173,319	\$ -
Rural Operating Assistance Program					
Transportation Assistance of Cleveland County		-	\$ -	\$ 179,697	\$ 39,465

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IV: SECTION ON COMPLIANCE WITH FEDERAL AND STATE GRANTS
D. Schedule of Expenditures of Federal and State Awards
1. Notes to Schedule of Expenditures of Federal and State Awards

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

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
<u>U.S. Department of Health and Human Services</u>					
Passed-Through the N.C. Department of Health and Human Services:					
<u>Divisions of Aging (thru Isothermal Planning and Development) and Social Services</u>					
Special Programs for the Aging - III-B Grants for Supportive Services and Senior Centers - In Home Services					
	93.044	-	\$ 121,078	\$ 7,565	\$ -
<u>U.S. Department of Housing and Urban Development</u>					
Passed-Through N.C. Department of Commerce, <u>thru Isothermal Planning and Development</u>					
Community Development Block Grant- Economic Development	14.228	09-E-2081	7,087	-	8,586
Community Development Block Grant- Section 108 Loan Guarantee	14.248	10-L-2161	181,528	-	-
Community Development Block Grant-Housing Rehabilitation	14.228	10-C-2167	310,953	-	-
Community Development Block Grant- Economic Development	14.228	11-C-2334	248,843	-	4,950
Total pass-thru grants awards from IPDC			<u>\$ 869,489</u>	<u>\$ 7,565</u>	<u>\$ 13,536</u>

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

Program Title	Federal CFDA Number	State or Pass-Thru Grantor Number	Federal (Direct and Pass-Thru) Expenditures	State (Direct and Pass-Thru) Expenditures	County Expenditures
Women, Infants, Children	10.557	-	\$ 2,096,921	\$ -	\$ -
Medical Assistance	93.778	-	108,014,511	59,975,317	1,485
Participation in Budgeted County Expenditures					
IV-D Offset Fees-ESC	93.563	-	362	-	186
IV-D Offset Fees-Federal	93.563	-	4,454	(15)	2,310
AFDC Incentives/Program Integrity	n/a	-	-	2,430	-
Independent Living Transitional/Links	93.674	-	4,952	-	-
IV-E Adoption Subsidy	93.659	-	731,613	195,959	195,959
AFDC Payments and Penalties	93.560	-	(609)	(167)	(167)
TANF Payments and Penalties	93.558	-	989,143	(51)	794
Child Welfare Services Adoption Subsidy		-	-	411,950	122,949
State-County / Special Assistance Domiciliary Care Payments		-	-	1,157,379	1,157,379
Total participation in budgeted County expenditures			<u>1,729,914</u>	<u>1,767,483</u>	<u>1,479,409</u>
Total direct benefit payments			<u>\$ 111,841,346</u>	<u>\$ 61,742,800</u>	<u>\$ 1,480,894</u>