

Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007  
Contents List

	<u>Identifier</u>	<u>Page No.</u>
<u>I: PREFACE AND INTRODUCTION</u>	Section I	1
A. Message from the County Manager	Subsection I.A	3
B. List of Principal County Officials	Subsection I.B	8
C. Organizational Chart	Subsection I.C	9
D. Introduction from the County Finance Director	Subsection I.D	10
 <u>II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION</u>	 Section II	 17
A. Report from the Independent Auditor	Subsection II.A	19
B. Management's Discussion and Analysis	Subsection II.B	21
C. Basic Financial Statements (includes Notes to Financial Statements)	Subsection II.C	33
1. Government-Wide Financial Statements	Part II.C.1	34
a. Government-Wide Statement of Net Assets	Exhibit II.C.1.a	35
b. Government-Wide Statement of Activities	Exhibit II.C.1.b	36
2. Fund Financial Statements	Part II.C.2	39
a. Governmental Funds: Balance Sheet	Exhibit II.C.2.a	40
a.i. Reconciliation of the 'Governmental Funds: Balance Sheet' to the 'Government-Wide Statement of Net Assets'	Exhibit II.C.2.a.i	41
b. Governmental Funds: Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.C.2.b	42
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	43
c. General Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.c	44
d. Schools Capital Reserve Fund: Statement of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual	Exhibit II.C.2.d	45
e. Enterprise Fund: Statement of Fund Net Assets	Exhibit II.C.2.e	46
f. Enterprise Fund: Statement of Revenues, Expenses, and Changes in Fund Net Assets	Exhibit II.C.2.f	47
g. Enterprise Fund: Statement of Cash Flows	Exhibit II.C.2.g	48
h. Fiduciary Funds: Statement of Fiduciary Net Assets	Exhibit II.C.2.h	49
3. Notes to Financial Statements	Part II.C.3	50
a. Summary of Significant Accounting Policies	Note a	51
b. Detail Notes on Important Items	Note b	58
c. Joint Ventures	Note c	74
d. Jointly Governed Organization	Note d	75
e. Hospital Lease Agreement	Note e	75
f. Benefit Payments Issued by the State	Note f	76

(continued on next page)

Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007  
Contents List

	<u>Identifier</u>	<u>Page No.</u>
<u>II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION</u>	(continued)	
D. Required Supplementary Information:	Subsection II.D	77
1. Law Enforcement Officers' Special Separation Allowance Financial Schedules	Part II.D.1	79
a. Schedule of Funding Progress	Exhibit II.D.1.a	80
b. Schedule of Employer Contributions	Exhibit II.D.1.b	80
c. Notes to Law Enforcement Officers' Special Separation Allowance	Exhibit II.D.1.c	81
2. Major Governmental Funds Financial Statements	Part II.D.2	84
a. General Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)	Exhibit II.D.2.a	85
b. Schools Capital Reserve Fund: Statements of Revenues, Expenditures, and Changes in Fund Balances -- Budget to Actual (added details)	Exhibit II.D.2.b	94
3. Non-major Governmental Funds Financial Statements	Part II.D.3	95
a. Non-major Governmental Funds: Combining Balance Sheet	Exhibit II.D.3.a	96
b. Non-major Governmental Funds: Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit II.D.3.b	98
c. Public Schools Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.c	100
d. Community College Bond Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.d	101
e. Revaluation Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.e	102
f. Emergency Telephone Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.f	103
g. County Fire Service District Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.g	105
h. Community Development Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.h	106
i. Debt Service Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.i	107
j. Capital Projects Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.j	108
k. Capital Reserve Fund: Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	Exhibit II.D.3.k	109
4. Major Enterprise Fund Financial Schedule	Part II.D.4	111
a. Solid Waste Disposal and Collection Fund: Schedule of Revenues and Expenditures -- Budget to Actual; non-GAAP modified accrual basis	Exhibit II.D.4.a	112
5. Fiduciary Funds Financial Statement	Part II.D.5	115
a. Combining Statement of Changes in Assets and Liabilities -- Fiduciary Funds	Exhibit II.D.5.a	116

(continued on next page)

Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007  
Contents List

	<u>Identifier</u>	<u>Page No.</u>
<u>II: FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION</u>		
	(continued)	
E. Other Supplementary Information	Subsection II.E.	119
1. Schedule of Cash and Investment Balances	Exhibit II.E.01	120
2. Schedule of Interfund Transfers	Exhibit II.E.02	121
3. Analysis of Current Tax Levy - General Fund	Exhibit II.E.03	122
4. Schedule of Ad Valorem Taxes Receivable - General Fund (10)	Exhibit II.E.04	123
5. Schedule of Ad Valorem Taxes Receivable - Public Schools Fund (20)	Exhibit II.E.05	124
6. Schedule of Ad Valorem Taxes Receivable - County Fire Service District Fund (28)	Exhibit II.E.06	125
7. Schedule of Ad Valorem Taxes Receivable - Fallston Fire District (74)	Exhibit II.E.07	126
8. Schedule of Ad Valorem Taxes Receivable - Lattimore Fire District (75)	Exhibit II.E.08	126
9. Schedule of Ad Valorem Taxes Receivable - Rippy Fire District (76)	Exhibit II.E.09	127
10. Schedule of Ad Valorem Taxes Receivable - County Sanitary District (82)	Exhibit II.E.10	127
11. Schedule of Ad Valorem Taxes Receivable - City of Shelby (77)	Exhibit II.E.11	128
12. Schedule of Ad Valorem Taxes Receivable - Town of Boiling Springs (78)	Exhibit II.E.12	128
13. Schedule of Ad Valorem Taxes Receivable - Town of Grover (79)	Exhibit II.E.13	129
14. Schedule of Ad Valorem Taxes Receivable - City of Kings Mountain (80)	Exhibit II.E.14	129
15. Schedule of Ad Valorem Taxes Receivable - Town of Lattimore (81)	Exhibit II.E.15	130
16. Schedule of Ad Valorem Taxes Receivable - Town of Kingstown (83)	Exhibit II.E.16	130
17. Schedule of Ad Valorem Taxes Receivable - Town of Fallston (84)	Exhibit II.E.17	131
18. Schedule of Ad Valorem Taxes Receivable - Town of Earl (85)	Exhibit II.E.18	131
19. Schedule of Ad Valorem Taxes Receivable - Town of Polkville (86)	Exhibit II.E.19	132
20. Schedule of Ad Valorem Taxes Receivable - Town of Lawndale (87)	Exhibit II.E.20	132
21. Schedule of Ad Valorem Taxes Receivable - Town of Casar (88)	Exhibit II.E.21	133
22. Schedule of Ad Valorem Taxes Receivable - Town of Waco (89)	Exhibit II.E.22	133
 <u>III: STATISTICAL AND TREND INFORMATION</u>		
	Section III	135
A. Report to Nationally Recognized Municipal Securities Information Repository	Subsection III.A	137
1. N.R.M.S.I.R. Distribution List	Exhibit III.A.1	138
2. Tax Information and Debt Information (including bonds issued)	Exhibit III.A.2	139
3. Budget Ordinance as of July 1, 2007 - Annually Budgeted Funds	Exhibit III.A.3	140
4. Budget Amended as of September 30, 2007 - Annually Budgeted Funds	Exhibit III.A.4	141
5. Budget Reconciliation as of September 30, 2007 - Annually Budgeted Funds	Exhibit III.A.5	142
B. Revenue Capacity Schedules:	Subsection III.B	143
1. Property Tax Levies by Taxing District (twelve most recent fiscal years)	Exhibit III.B.1	144
2. Property Tax Levies and Collections (twelve most recent fiscal years)	Exhibit III.B.2	144
3. Direct and Overlapping Property Tax Rates (twelve most recent fiscal years)	Exhibit III.B.3	146
4. Principal Taxpayers - Current versus 3, 6, and 9 years ago	Exhibit III.B.4	148
5. Assessed Value of Taxable Property and Property Tax Rates (twelve most recent fiscal years)	Exhibit III.B.5	150

(continued on next page)

Cleveland County, North Carolina  
Annual Financial and Compliance Report  
For the Year Ended June 30, 2007  
Contents List

	<u>Identifier</u>	<u>Page No.</u>
<u>III: STATISTICAL AND TREND INFORMATION</u>	(continued)	
C. Debt Capacity Schedules:		
1. Computation of Legal Debt Margin (twelve most recent fiscal years)	Exhibit III.C.1	150
2. Computation of Direct and Underlying Debt for General Obligation Bonds	Exhibit III.C.2	151
3. Annual Requirements and Debt Limitations for General Obligation Bonds	Exhibit III.C.3	151
4. Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Government Expenditures (twelve most recent fiscal years)	Exhibit III.C.4	152
5. Breakdown of Outstanding Debt (twelve most recent fiscal years)	Exhibit III.C.5	152
6. Ratios of Outstanding Debt (twelve most recent fiscal years)	Exhibit III.C.6	153
D. Demographic, Economic, and Operating Schedules:	Subsection III.D	155
1. Miscellaneous Information	Exhibit III.D.1	156
2. Economic Trends Schedule (twelve most recent fiscal years)	Exhibit III.D.2	157
3. County Employment by Function (twelve most recent fiscal years)	Exhibit III.D.3	157
4. Principal Industry Sectors - Current versus 3, 6, and 9 years ago	Exhibit III.D.4	158
E. Financial Trends Schedules:	Subsection III.E	161
1. Government-Wide Changes in Net Assets (four most recent fiscal years)	Exhibit III.E.1	162
2. All Funds Combined: Changes in Fund Balances (twelve most recent fiscal years)	Exhibit III.E.2	164
3. Government-Wide Net Assets by Component (four most recent fiscal years)	Exhibit III.E.3	168
4. All Funds Combined: Fund Balances by Category (twelve most recent fiscal years)	Exhibit III.E.4	168
5. Retirement Contributions Schedule	Exhibit III.E.5	170
<u>IV: REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	Section IV	171
A. Reports from the Independent Auditor	Subsection IV.A.	173
1. Report from the Independent Auditor on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	Exhibit IV.A.1	175
2. Report from the Independent Auditor on Compliance with Requirements Applicable to Each Major Federal Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	Exhibit IV.A.2	177
3. Report from the Independent Auditor on Compliance with Requirements Applicable to Each Major State Program and On Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and with the State Single Audit Implementation Act	Exhibit IV.A.3	179
B. Schedule of Findings and Questioned Costs	Subsection IV.B.	181
C. Corrective Action Plan	Subsection IV.C.	183
D. Schedule of Prior Year Audit Findings and Corrective Action Plan	Subsection IV.D.	183
E. Schedule of Expenditures of Federal and State Awards	Subsection IV.E.	184
1. Notes to Schedule of Expenditures of Federal and State Awards	Exhibit IV.E.1	190