

**CLEVELAND COUNTY  
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2016**

Prepared by: Finance Department  
Finance Director: Brian Epley

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**CLEVELAND COUNTY, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
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**CLEVELAND COUNTY**

FINANCE  
DEPARTMENT

**311 East Marion Street  
Shelby, NC 28152**

**Phone: 704-484-4811**

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November 21, 2016

To the Cleveland County Board of Commissioners and the  
Citizens of Cleveland County, North Carolina

The Comprehensive Annual Financial Report of Cleveland County, North Carolina, for fiscal year ended June 30, 2016 is hereby submitted. Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

However, responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Cleveland County. To provide a reasonable basis for making these representations, the management of Cleveland County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and compile sufficient, reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance, that the financial statements will be free from material misstatement.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of the operation of the various funds of Cleveland County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The goal of the independent audit was to provide reasonable assurance that the financial statements of Cleveland County for the fiscal year ended June 30, 2016 are free of material misstatements. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, there was a reasonable basis for rendering an unmodified opinion that Cleveland County's financial statements for the year ended June 30, 2016 are fairly presented in conformity with GAAP.

The County is required to undergo an annual single audit in conformity with the provisions of the Revised State Single Audit Implementation Act of 1996 and the U.S. Office of Management and Budget Uniform Guidance, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Information related to this single audit, including the schedule of expenditures of federal and state awards, findings and recommendations, and independent auditors' reports on internal control and compliance with applicable laws and regulations are presented in the compliance section of this document.

## **DESCRIPTION OF THE COUNTY**

Cleveland County was established in 1841 and is located in the piedmont of North Carolina. It is one of 100 counties established in North Carolina under North Carolina General Statute 153A-10. Our County has land area of 469 square miles and a population of 97,871. There are fifteen municipalities within the County, the largest being the city of Shelby, which serves as the county seat. The County has a county-manager form of government. The five members of the Board of Commissioners are elected and serve staggered four-year terms. Commissioners hold policy-making and legislative authority. They are responsible for adopting the annual budget ordinance and appointing the county manager. The manager is responsible for implementing policies, managing daily operations, and appointing department heads.

The County provides the citizens with a wide range of services that include public safety, health and social services, planning and development, environmental protection, cultural and recreational activities, and others. Public safety, human services, education and debt service represent the majority of the annual budget. This report includes all the County activities required to maintain these services. The County also extends financial support to certain boards, agencies, and commissions to assist their efforts in serving citizens. Among those receiving the largest support are the Cleveland County Board of Education and Cleveland Community College.

## **ECONOMIC CONDITIONS AND OUTLOOK**

The County, nestled in the rolling piedmont of the southwestern portion of North Carolina, is the gateway between Asheville and Charlotte, and is centered between two of the largest metropolitan areas of the Carolinas – Charlotte and Greenville/Spartanburg. Small town charm with the big city only 30 minutes away, Cleveland County is the prime location to benefit from the best of both worlds. The County's current economic condition is based on various factors, including the construction and remodeling values of new and existing homes and businesses, new and expanding manufacturing facilities and unemployment rates.

A balanced economic base of agriculture, tourism and manufacturing contributes to growth in the local economy. Agriculture is Cleveland County's leading industry, contributing \$149 million to the local economy each year. There are 1,036 small family-owned farming operations producing food and fiber on 116,651 acres of fertile farmland. Broilers and beef cattle are leading commodities, generating a combined \$132 million in farm gate sales. Crops (row crops, produce, nursery stock and forages) contribute an additional \$16 million.

Travel and tourism continues to be the second largest industry in North Carolina. The County's tourism industry has experienced strong growth due to its location, seasonal climate, variety of activities to experience and its encompassing marketing strategy. The tourism industry employs more than 680 in Cleveland County and ranks 8th in North Carolina's 100 Counties with a 4.5% increase in visitor spending from 2014. The Cleveland County Travel and Tourism does an excellent job of promoting the County and surrounding areas.

The County is home to the Earl Scruggs Center, Don Gibson Theatre, Joy Performance Center, the American Legion World Series, numerous festivals and walking trails and many other attractions and cultural experiences. The most current value determined by the State of North Carolina of the economic impact of tourism to the County is estimated to be \$101.10 million. This provides an annual tax savings to each County resident of approximately \$80.26

**CLEVELAND COUNTY, NORTH CAROLINA  
CHART OF CONSTRUCTION VALUES AND UNEMPLOYMENT RATES**

<u>Fiscal Year</u>	<u>Permits</u>	<u>Dollar Value</u>	<u>Unemployment Rates</u>
2016	300	\$ 23,168,978	5.6%
2015	262	\$ 30,084,433	6.9%
2014	275	\$ 27,733,885	6.8%
2013	250	\$ 18,646,230	9.5%
2012	259	\$ 24,205,135	10.6%

The number of permits issued for new residential and commercial construction was up from FY2015 and the total dollar value of those new permits decreased by approximately \$7 million. The local unemployment rate remained steady during the fiscal year as the economy continued to show positive indicators both locally and regionally.

Healthcare and Education ranks first in County employment and manufacturing ranks second. The County continues to offer and provide economic incentive payments to companies based on the number of new hires and the total new taxable investment planned in an effort to attract new industry and to help existing industry to expand. The expansion of existing industry has been a focus of the Board of Commissioners in the recent past. The following table lists the top 10 employers in the County:

<u>Company Name</u>	<u>Company Industry</u>	<u>Employment Range</u>
Cleveland County Board Of Education	Education & Health Services	1000+
Cleveland Regional Medical Center	Education & Health Services	1000+
Wal-Mart Associates Inc.	Trade, Transportation & Utilities	500-999
Gardner-Webb University	Education & Health Services	500-999
County Of Cleveland	Public Administration	500-999
Baldor Electric Company	Manufacturing	500-999
PPG Industries Inc.	Manufacturing	500-999
Ingles Markets Inc.	Trade, Transportation & Utilities	250-499
Hanesbrands, Inc.	Manufacturing	250-499

**MAJOR INITIATIVES**

**FOR THE YEAR.** The Board of Commissioners adopted a balanced budget for the fiscal year with no change in the county-wide ad valorem property tax rate of 57 cents per \$100 dollars of valuation. Total General fund revenues increased by approximately \$500,000 over the previous fiscal year or .54 percent. Total General Fund expenditures increased by approximately \$150,000 or .15 percent over FY 2016. Total General Fund Balance decreased by \$5,775,379 to \$38,510,687 and the Unassigned Fund Balance amount was \$19,127,229. The net position of the County's only Enterprise Fund increased in FY 2016 by \$1,121,239.

The Board of Commissioners had a number of capital project initiatives that were accomplished during FY2016 including the opening of the New Cleveland County Health Department and The Cleveland County Public Shooting Complex.

The new Health Department was constructed at a price of \$168 per square foot and strategically located on the same property as the County Social Services building in order to create a functioning County Health and Human Services Campus.

The Public Shooting Complex also officially opened during the fiscal year. The project was a joint partnership with the N.C. Wildlife Commission and is located on an 82 acre tract adjacent to the County Solid Waste facility.

The Commission continues to focus on a community wide economic development strategy and job creation. Unemployment in Cleveland County is 5.6% which ranks strongly across North Carolina peer Counties. The County sold its' second shell building during the 1<sup>st</sup> quarter of 2015-16. In collaboration with the City of Shelby, a joint industrial park has been completed that is located in west Shelby. There has been well over 300 new jobs created for our citizens. Economic Development and fiscal sustainability both continue to be a high priority of the Commissions strategic plan.

For FY 2015-2016, the Board budgeted revenues conservatively without any tax increase. Expenditures for most County Departments, the community college and other outside agencies were budgeted conservatively as well.

#### **FOR THE FUTURE.**

FY 2016-2017 brings unique challenges to Cleveland County. It offers the first statutory County-Wide tax revaluation since 2008, and on average property values had a net decrease of approximately 3.6%. Revaluation was a top priority on the Boards strategic plan for several years and the Board of Commission was able to adopt a balanced budget for FY 2016-17 with no change to the tax rate and no service interruptions.

For the second consecutive year the Board's other top priority was continued momentum and creation of a sustainable Cleveland County Employee Pay Plan. The Board approved a ½ step pay plan adjustment for all permanent full-time employees and a 1.6% cost of living increase. The Commissioners have also made improvements to employee health care plans, dental care, and increased HSA contribution to \$1,100 for completing the biometric screening. The Board held spouse and dependent coverage premiums flat for the sixth consecutive year.

During FY 2015-16, Cleveland County underwent an intensive bond rating review by both national rating agencies which resulted in the County's credit rating being increased. The Board has adopted several key financial policies and benchmarks that help mitigate financial stability and future growth. The Board of Commission has identified continued long term financial planning as a goal for FY 16-17. This would include the development of a master facility plan, 10 year capital CIP plan, and long term support for County Volunteer Fire Departments.

#### **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

**FUND BALANCE.** Fund balance should always be measured based on the portion that is available for appropriation at the end of the fiscal year. The Board's Fund Balance direction is to have at least 16 percent, with a goal of achieving 18-20 percent in General Fund Unassigned Fund Balance at fiscal year-end. Cleveland County had \$19.1 million in Unassigned General Fund Balance or 18.14 percent of total General Fund expenditures including transfers to other funds. The Local Government Commission of the North Carolina Department of State Treasurer recommends that local governments have at least 8 percent of General Fund Expenditures in Unassigned General Fund Balance available for appropriation.

**OTHER POSTEMPLOYMENT BENEFITS.** Cleveland County maintains a retiree medical plan in which the County pays 100 percent of the employee-only coverage for retirees until age 65. In general, retirees must have at least 30 years of service with the County or are at least 55, but not Medicare eligible, with a minimum of 10 years of service with the County and have a combined age and years of service total of at least 70. Retired employees, who began employment prior to July 1, 2014, meeting these criteria will be provided hospitalization in the same manner as active County employees. The County pays 100 percent of

the payments for any retiree with 30 or more years of service with the County or a combined age and years of service total of at least 80. Reduced contribution rates are made by the County for retirees with a combined age and years of service that total 70 or 75 at retirement. In fiscal year ended June 30, 2009, the County adopted procedures under Governmental Accounting Standards Board (GASB) Statements No. 43 and 45 for reporting and accounting for other post-employment benefits (OPEB).

### **OTHER INFORMATION**

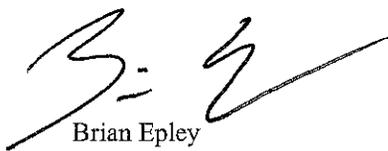
**INDEPENDENT AUDIT.** State statutes require an annual audit by independent certified public accountants. The firm of Martin Starnes & Associates, CPAs, P.A. was selected by the government's management. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Revised State Single Audit Implementation Act of 1996 and the related U.S. Office of Management and Budget Uniform Guidance, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Auditing standards generally accepted in the United States of America and the standards set forth in Government Auditing Standards, issued by the Comptroller General of the United States, were used by the auditors in conducting the engagement. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor's reports on internal controls and compliance with applicable laws and regulations can be found in the compliance section of this report.

**AWARDS.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Cleveland County, North Carolina, for the year ended June 30, 2015. This was the second consecutive year Cleveland County received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

**USE OF THE REPORT.** The Government Finance Officers Association reports a growing awareness that the annual financial report should be management's report to its governing body, constituents, oversight bodies, resource providers, investors and creditors. We agree with this direction, and in keeping with our past practice, have made available a copy of this report to each of you, bond rating agencies, the Local Government Commission, and other financial institutions which have expressed an interest in Cleveland County's financial affairs.

**ACKNOWLEDGMENTS.** A combined effort of Cleveland County Board of Commissioners, the Managers Office, Finance Department Staff and other county departments, along with Martin Starnes & Associates, CPAs, P.A made preparation of this comprehensive annual financial report possible. Each has my sincere appreciation for their contributions made towards the completion of this report.

In closing, I wish to thank the Board of Commissioners for their leadership in making Cleveland County a fiscally sound, well-governed community. Without the support of the Board of Commissioners and County Management, preparation of this report would not have been possible.

  
Brian Epley  
Finance Director

# CLEVELAND COUNTY, NORTH CAROLINA

## List of Principal Officials

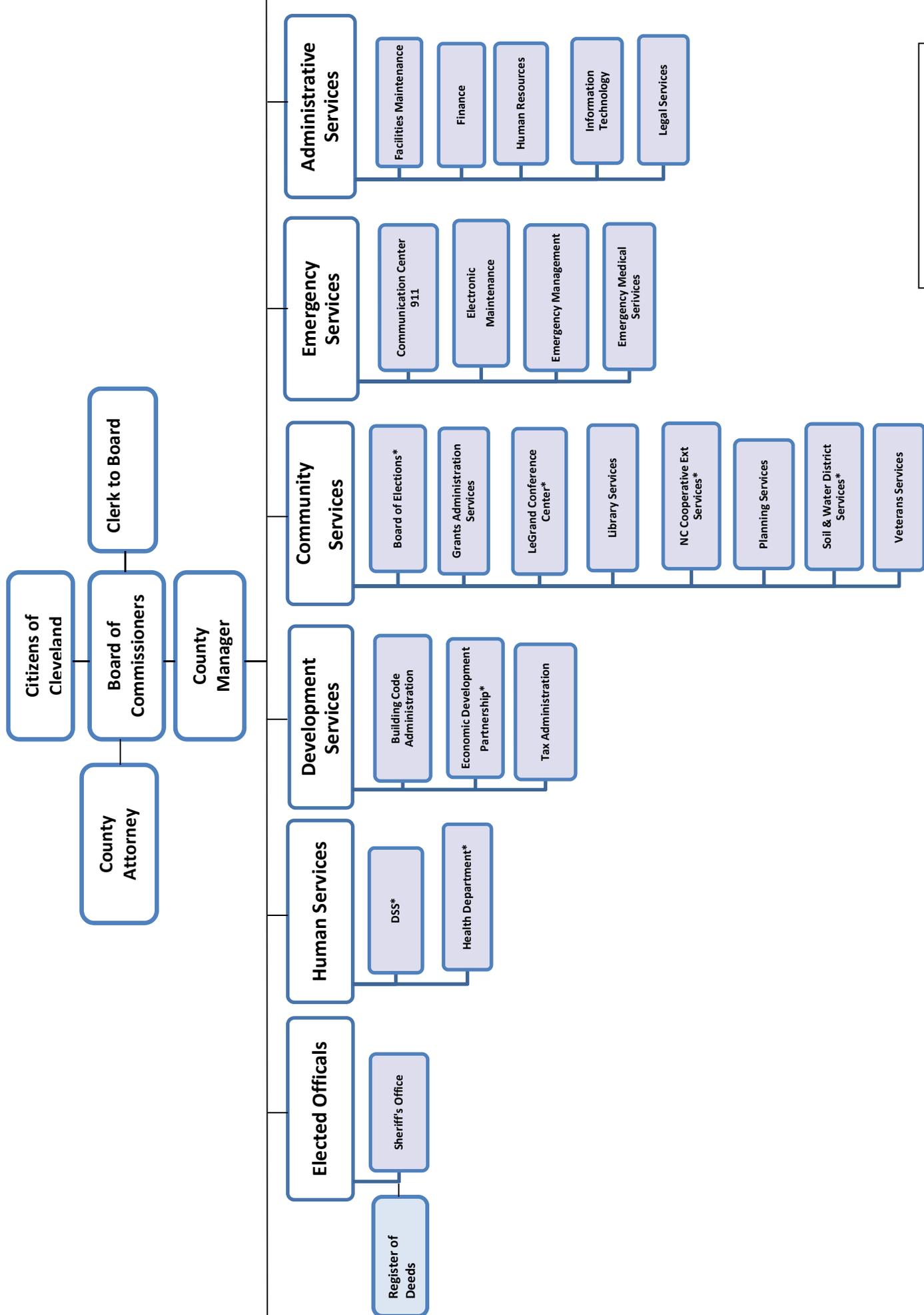
June 30, 2016

### Board of Commissioners

Chairman.....	Jason Falls
Vice Chairman .....	Eddie Holbrook
Commissioner .....	Johnny Hutchins
Commissioner .....	Ronald Hawkins
Commissioner .....	Susan Allen

### County Officials

County Manager.....	Jeff Richardson
Building Codes Administrator .....	Paul Ezell
Clerk to the Board.....	Henry Earle
Cooperative Extension Director.....	Greg Traywick
Community Services Director.....	Kerri Melton
Coroner .....	Robbie Morgan
County Tax Assessor .....	Chris Green
Tax Collector.....	Necole Richard
County Attorney.....	Tim Moore
Elections Director .....	Dayna Causby
Electronic Equipment Services Director .....	Mark Dellinger
EMS Director .....	Joe Lord
Finance Director.....	Brian Epley
Fire Marshal/Emergency Services Director.....	Perry Davis
Human Resources Director .....	Allison Mauney
Information Technology Director .....	Marty Gold
LeGrand Conference Center Director .....	Millie Holbrook
Library Director .....	Carol Wilson
Maintenance Director.....	Scott Bowman
Planning Director .....	Bill McCarter
Public Health Director .....	Dorothea Wyant
Register of Deeds.....	Debi Harrill
Sheriff .....	Alan Norman
Social Services Director.....	Karen Ellis
Soil and Water Conservation District .....	Stephen Bishop
Solid Waste & Animal Services .....	Sam Lockridge
Veteran Services Officer .....	Debra Conn



\*Coordination role with County Administration



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**County of Cleveland  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

## **FINANCIAL SECTION**

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# 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, 2016, and the related notes to the financial statements, which collectively comprise Cleveland 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, 2016, 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, the Law Enforcement Officers' Special Separation Allowance Schedule of Funding Progress, the Other Post-Employment Benefits' Schedule of Funding Progress and Employer Contributions, Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension (Asset) Liability and County Contributions, and the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County 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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 relate 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 information 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 21, 2016 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, North Carolina  
November 21, 2016

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# CLEVELAND COUNTY, NORTH CAROLINA

## Management's Discussion and Analysis

June 30, 2016

As management of Cleveland County, we offer readers of Cleveland County's financial statements this narrative overview and analysis of the financial activities of Cleveland County for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here, in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### Financial Highlights

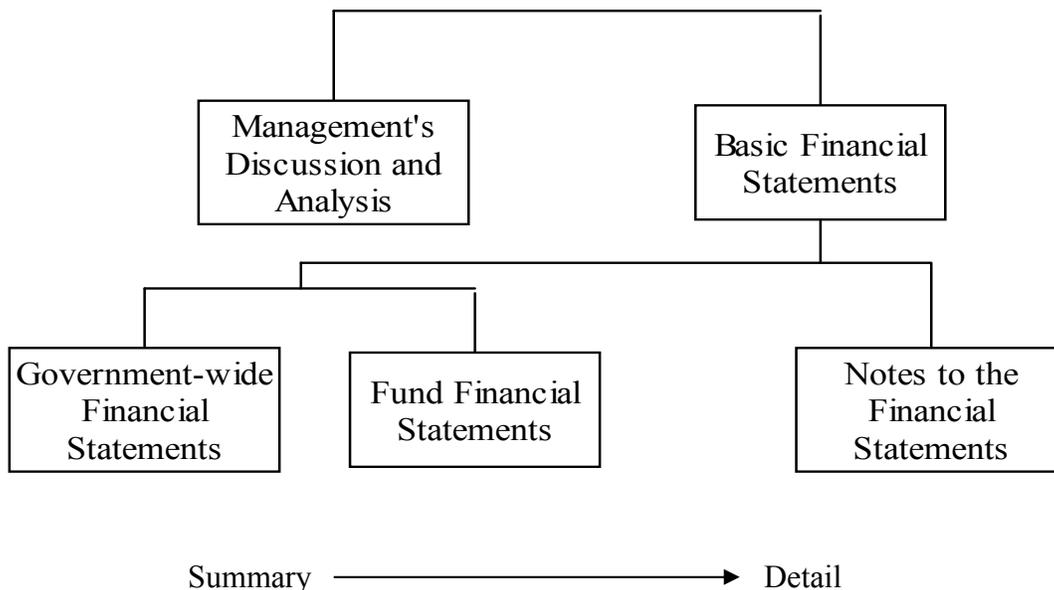
- The assets and deferred outflows of resources of Cleveland County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$125,973,844 (*net position*). In accordance with North Carolina law, liabilities of the County include approximately \$26,740,868 in long-term debt associated with assets belonging to the Cleveland County Board of Public Education and Cleveland County Community College, respectively. These assets are not reflected in the County's financial statements and the full amount of the long-term debt is reported.
- The County's total net position increased by \$7,938,036, primarily due the completion of several key capital projects and management's continued focus on monitoring spending.
- As of the close of the current fiscal year, Cleveland County's governmental funds reported combined ending fund balances of \$48,410,033. That amount is a decrease of \$2,828,838, in comparison with the prior year. Approximately 40.5 percent of this total amount, or \$19,488,274, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$19,127,229, or 18.1 percent, of total General Fund expenditures, not including transfers.
- Cleveland County's total general obligation, limited obligation and installment note debt decreased \$3,389,290 during the current fiscal year primarily from current year debt service payments.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Cleveland County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Cleveland County.

### Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits C through J) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The final section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is the **Required Supplemental Information**. This section contains funding information about the County's pension plans. After the required supplemental information, **Supplemental Schedules** are provided to show details about the County's nonmajor governmental funds and the Internal Service Fund all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole. The two government-wide statements report the County's net position and how they have changed. Net position is the difference between the County's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide financial statements are divided into the following two types of activities:

**Government Activities.** These activities of the County include general government, public safety, environmental protection, economic and physical development, human services, education, and cultural recreation. Property taxes along with state and federal grants finance most of these activities.

**Business-Type Activities.** The County charges fees to recover the costs associated with providing certain services. The activities include solid waste and sewage disposal.

The government-wide financial statements directly follow the Management's Discussion and Analysis of this report on Exhibits A and B.

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Cleveland County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Cleveland County can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds.* Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in-and-out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources

focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows 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 in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities, is shown at the end of the budgetary statement.

*Proprietary Funds.* The Enterprise Fund is the only proprietary-type fund that the County utilizes. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for solid waste disposal and user disposal fees. These funds are the same as those shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

*Fiduciary Funds.* Fiduciary funds are used to account for assets held on behalf of others. The County has eight major agency funds and several smaller agency funds.

*Notes to the Financial Statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements directly follow the basic financial statements of this report.

*Other Information.* In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Cleveland County's progress in funding its obligation to provide pension benefits to its law enforcement officers. Required supplementary information can be found directly following the notes of this report.

## Government-Wide Financial Analysis

### Cleveland County's Net Position

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets and Deferred Outflows of Resources:</b>						
Current and other assets	\$ 54,498,329	\$ 57,956,637	\$ 6,183,447	\$ 5,782,849	\$ 60,681,776	\$ 63,739,486
Capital assets	110,247,913	104,579,375	17,184,372	16,448,095	127,432,285	121,027,470
Net pension asset	155,349	3,005,988	-	119,209	155,349	3,125,197
Deferred outflows of resources	<u>2,087,806</u>	<u>2,041,228</u>	<u>86,415</u>	<u>84,772</u>	<u>2,174,221</u>	<u>2,126,000</u>
Total assets and deferred outflows	<u>166,989,397</u>	<u>167,583,228</u>	<u>23,454,234</u>	<u>22,434,925</u>	<u>190,443,631</u>	<u>190,018,153</u>
<b>Liabilities and Deferred Inflows of Resources:</b>						
Long-term liabilities	41,159,880	44,014,447	11,750,379	11,956,069	52,910,259	55,970,516
Net pension liability	2,188,894	-	91,204	-	2,280,098	-
Other liabilities	7,534,676	8,383,220	400,375	144,346	7,935,051	8,527,566
Deferred inflows of resources	<u>1,295,975</u>	<u>7,192,386</u>	<u>48,404</u>	<u>291,877</u>	<u>1,344,379</u>	<u>7,484,263</u>
Total liabilities and deferred inflows	<u>52,179,425</u>	<u>59,590,053</u>	<u>12,290,362</u>	<u>12,392,292</u>	<u>64,469,787</u>	<u>71,982,345</u>
<b>Net Position:</b>						
Net investment in capital assets	103,435,523	96,884,891	17,184,372	16,448,095	120,619,895	113,332,986
Restricted	19,071,426	15,140,025	-	-	19,071,426	15,140,025
Unrestricted	<u>(7,696,977)</u>	<u>(4,031,741)</u>	<u>(6,020,500)</u>	<u>(6,405,462)</u>	<u>(13,717,477)</u>	<u>(10,437,203)</u>
Total net position	<u>\$114,809,972</u>	<u>\$107,993,175</u>	<u>\$11,163,872</u>	<u>\$10,042,633</u>	<u>\$125,973,844</u>	<u>\$118,035,808</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Cleveland County exceeded its liabilities and deferred inflows of resources by \$125,973,844 as of June 30, 2016. The County's net position increased by \$7,938,036 for the fiscal year ended June 30, 2016. Net position of the County are reported in three categories: net investment in capital assets of \$120,619,895; restricted net position of \$19,071,426; and unrestricted net position of \$(13,717,477).

The net investment in capital assets category is defined as the County's investment in County-owned capital assets (e.g. land, buildings, automotive equipment, and office and other equipment), less any related debt still outstanding that was issued to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided by other resources since the capital assets cannot be used to liquidate these liabilities.

Restricted net position consists of restrictions for stabilization for State statute, register of deeds emergency 911 funds, other public safety protection costs, education, and other unspent restricted proceeds.

Under North Carolina law, the County is responsible for providing capital funding for the school system and the community college. The County has chosen to meet its legal obligation to provide the school system and the community college capital funding by using a mixture of County funds and the issuance of debt. These assets funded by the County are owned by the County and leased to the school system and the community college over the term of the debt, but are recorded as assets of the school system and the community college, which are the primary users of the assets. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets.

Several particular aspects of the County's financial operations positively influenced the total governmental net position:

- Continued diligence in the collection of all revenue sources, both current and delinquent
- A strong property tax collection rate of 98.37 percent
- Other budgetary control efforts
- Budgetary Re-Engineering and Cost Benefit Analyses
- Management's proactive stance on monitoring budget compliance without slowing County growth and operations.

**Governmental Activities.** Governmental activities increased the County's net position by \$6,816,797. Key elements of this increase are as follows:

- Increase tax collection rate to 98.37%
- Completion and capitalization of large capital projects
- Increase in Local Option Sales Tax Collections

**Business-Type Activities.** Business-type activities increased the County's net position by \$1,121,239. Key elements of this increase are as follows:

- Fee structures that help cover the cost of providing the service
- Managed costs
- Diligence in revenue collections

## Financial Analysis of the County's Funds

### Cleveland County's Change in Net Position Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 11,213,038	\$ 9,368,322	\$ 5,746,746	\$ 5,976,341	\$ 16,959,784	\$ 15,344,663
Operating grants and contributions	23,848,088	23,559,408	-	108,734	23,848,088	23,668,142
Capital grants and contributions	8,022,326	6,656,184	-	-	8,022,326	6,656,184
General revenues:						
Property taxes	60,047,655	59,587,494	-	-	60,047,655	59,587,494
Other taxes	17,561,662	17,202,034	652,263	515,482	18,213,925	17,717,516
Other	278,704	188,579	13,557	1,004	292,261	189,583
<b>Total revenues</b>	<b>120,971,473</b>	<b>116,562,021</b>	<b>6,412,566</b>	<b>6,601,561</b>	<b>127,384,039</b>	<b>123,163,582</b>
<b>Expenses:</b>						
General government	11,020,394	9,192,572	-	-	11,020,394	9,192,572
Public safety	25,934,832	23,023,383	-	-	25,934,832	23,023,383
Environmental protection	2,792,358	145,725	-	-	2,792,358	145,725
Economic and physical development	2,998,654	4,887,922	-	-	2,998,654	4,887,922
Human services	38,328,743	37,343,610	-	-	38,328,743	37,343,610
Cultural and recreational	1,436,822	553,031	-	-	1,436,822	553,031
Education	30,170,441	28,527,582	-	-	30,170,441	28,527,582
Interest on long-term debt	1,904,752	1,791,022	-	-	1,904,752	1,791,022
Solid waste disposal	-	-	4,862,707	4,679,344	4,862,707	4,679,344
<b>Total expenses</b>	<b>114,586,996</b>	<b>105,464,847</b>	<b>4,862,707</b>	<b>4,679,344</b>	<b>119,449,703</b>	<b>110,144,191</b>
Increase (decrease) in net position						
before transfers	6,384,477	11,097,174	1,549,859	1,922,217	7,934,336	13,019,391
Transfers	432,320	125,967	(432,320)	(125,967)	-	-
<b>Increase (decrease) in net position</b>	<b>6,816,797</b>	<b>11,223,141</b>	<b>1,117,539</b>	<b>1,796,250</b>	<b>7,934,336</b>	<b>13,019,391</b>
<b>Net Position:</b>						
Beginning of year - July 1	107,993,175	100,607,261	10,042,633	8,411,914	118,035,808	109,019,175
Beginning of year, restated	-	96,770,034	-	8,246,383	-	105,016,417
<b>End of year - June 30</b>	<b>\$ 114,809,972</b>	<b>\$107,993,175</b>	<b>\$11,160,172</b>	<b>\$10,042,633</b>	<b>\$125,970,144</b>	<b>\$118,035,808</b>

As noted earlier, Cleveland County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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.

The General Fund is the chief operating fund of Cleveland County. At the end of the current fiscal year, available fund balance of the General Fund was \$31,066,779 while total fund balance was \$38,510,687. As a measure of the General Fund's liquidity, it may be useful to compare available fund balance to total fund expenditures and transfers out. Available fund balance represents 24.1 percent of total General Fund expenditures and transfers out while total fund balance represents 30.0 percent of that same amount.

The Governing Body of Cleveland County has determined that the County should maintain an unassigned fund balance of 16% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an unassigned fund balance percentage of 18.1 percent.

At June 30, 2016, the governmental funds of the County reported a combined fund balance of \$48,410,033, a 5.5 percent decrease from last year. The decrease was primarily due to the completion of two major capital projects. Unassigned fund balance grew for the third consecutive year.

**General Fund Budgetary Highlights.** The County's financial position increased during FY 2016 due to better than anticipated revenue collections in a majority of the major revenue categories coupled with actual General Fund expenditures coming in well under budget at fiscal year-end. County departments' diligence in monitoring their operational budgets resulted in total expenditures being \$7.5 million under budget at fiscal year-end. On the revenue side, the largest positive budget variances were in the ad valorem property tax, sales tax revenues, other taxes and licenses, and miscellaneous earnings categories.

The County revised the budget for various reasons during the fiscal year. Generally, budget amendments fall into one of three 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 recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services.

Total amendments to the General Fund increased revenues by \$5,425,467, or 6.9 percent, and expenditures by \$2,057,852, or 1.91 percent, of the original budget. The County doubled expected investment earnings but had a positive variance in sales tax and permitting.

**Proprietary Funds.** The County’s proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Total net position for the proprietary fund at the end of the fiscal year amounted to \$11,163,872. During the fiscal year 2016, proprietary fund net position increased \$1,121,239. The increase in total net position for the proprietary funds is primarily due to rate increases at the Landfill Fund.

**Capital Asset and Debt Administration**

**Capital Assets.** The County’s investment in capital assets for its governmental and business-type activities as of June 30, 2016 totals \$127,432,285 (net of accumulated depreciation). These assets include land, buildings, plant and distribution systems, equipment, automotive equipment, and construction in progress.

**Cleveland County's Capital Assets  
(net of depreciation)**

**Figure 4**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 16,480,194	\$ 12,908,099	\$13,470,906	\$13,470,906	\$ 29,951,100	\$ 26,379,005
Buildings	84,954,463	67,623,843	879,730	906,636	85,834,193	68,530,479
Plant and distribution systems	-	3,970,704	56,161	133,014	56,161	4,103,718
Equipment	3,670,185	178,530	6,383	6,935	3,676,568	185,465
Vehicles and motor equipment	4,833,823	3,792,340	2,360,311	2,050,317	7,194,134	5,842,657
Construction in progress	309,248	16,105,859	410,881	4,821,723	720,129	20,927,582
<b>Total</b>	<u>\$ 110,247,913</u>	<u>\$104,579,375</u>	<u>\$17,184,372</u>	<u>\$21,389,531</u>	<u>\$127,432,285</u>	<u>\$ 125,968,906</u>

Additional information on the County’s capital assets can be found in Note 2, capital assets section of the notes to the basic financial statements.

**Long-Term Debt.** As of June 30, 2016, Cleveland County had total bonded debt outstanding of \$15,505,000. General obligation debt was \$100,000 which is backed by the full faith, credit and taxing power of the County. The County also has multiple installment notes outstanding, of which the majority is related to debt issued for the construction and renovation of school, county and community college facilities. A summary of long-term debt is shown in Figure 5.

## Cleveland County's Outstanding Debt & Long Term Liabilities

**Figure 5**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Limited obligation bonds	\$ 15,505,000	\$ 16,590,000	\$ -	\$ -	\$ 15,505,000	\$ 16,590,000
General obligation bonds	100,000	350,000	-	-	100,000	350,000
Installment notes payable	17,948,258	20,002,548	-	-	17,948,258	20,002,548
<b>Total</b>	<b>\$ 33,553,258</b>	<b>\$ 36,942,548</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 33,553,258</b>	<b>\$ 36,942,548</b>

The bond ratings are a clear indication of the sound financial condition of the County, which helps to keep interest cost low on the County's outstanding debt. Cleveland County worked through a detailed bond rating review process with both S&P and Moody's in the current year, receiving an upgraded rating to AA-.

Standard & Poors	AA-
Moody's	Aa2

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Cleveland County is \$624,622,580.

Additional information regarding Cleveland County's long-term debt can be found in Note 2, Long Term Debt section of the notes to the basic financial statements.

### **Budget Highlights for the Fiscal Year Ending June 30, 2017**

The FY 2016-17 budget was done based of the first statutory tax revaluation since 2008, which yielded on average a net property value decrease of 3.6%. The Cleveland County Board of Commission has approved a balanced budget with an unchanged property tax rate of 57 cents per \$100 of property valuation. Post revaluation, the projected tax base for fiscal year 2016-17 is approximately \$7,900,000,000 which creates a projected revenue decrease of \$1,600,000 at the approved 57 cents tax rate and a historically driven collection rate.

The Cleveland County Board of County Commissioners have developed strategic goals that are broken into four focus areas for the 2016-2017 fiscal year budget. Economic development and the recruitment of new industry into Cleveland County continues to be the primary priority of the Commissioners strategic goals. The economic development focus area identifies key strategic benchmarks to grow the County's tax base and increase local jobs. Also identified as focus areas on the Commissioners strategic goals are fiscal sustainability, public safety, and community education and customer service outreach.

The following factors were considered when developing the FY2017 budget:

- Fiscal Sustainability :
  - Continued service delivery and strategic goal progression post 2016-17 County-wide revaluation.
  - Maintaining an adequate unassigned fund balance in the General Fund and meeting Board Policy and Local Government Commission requirements.
  - Sales Tax Legislation changes
  - Creation of a Master Facility Plan
- Economic Development :
  - Funding for future economic incentive projects and job creation.
  - Creation and implementation of the Small Business Incentive Grant Program
  - Management of occupancy tax revenue aimed at growing travel/tourism throughout Cleveland County.
- Public Safety :
  - Continued support for County volunteer fire departments and monitoring of service demands on the County's emergency service departments.
  - Review current security standards in County buildings and apply best practices model.
- Community Education and Customer Service Outreach :
  - A strong continued relationship with the local YMCA to provide benefits to Cleveland County employees and in an effort to promote wellness throughout the County.
  - Rebranding and Marketing for County services to better serve citizen population.

**Business-Type Activities.** The solid waste household fees and current tipping fees were budgeted based on the adopted rate schedule for the 2017 budget year. Management has developed a 10 year rate schedule to offset rising operational and personnel costs.

### **Requests for Information**

This financial report is designed to provide an overview of Cleveland County's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Cleveland County Finance Director, 311 East Marion St. Shelby, North Carolina.

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## **BASIC FINANCIAL STATEMENTS – OVERVIEW**

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## CLEVELAND COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2016

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 37,418,249	\$ 5,185,928	\$ 42,604,177
Taxes receivable, net	1,787,863	-	1,787,863
Receivables, net	8,895,925	742,425	9,638,350
Inventories	172,014	-	172,014
Prepaid items	244,834	-	244,834
Restricted cash	5,979,444	255,094	6,234,538
Total current assets	<u>54,498,329</u>	<u>6,183,447</u>	<u>60,681,776</u>
Non-current assets:			
Net pension asset	155,349	-	155,349
Capital assets:			
Land and construction in progress	16,789,442	13,881,787	30,671,229
Other capital assets, net of depreciation	93,458,471	3,302,585	96,761,056
Total capital assets	<u>110,247,913</u>	<u>17,184,372</u>	<u>127,432,285</u>
<b>Deferred Outflows of Resources</b>			
Contributions to pension plan in current fiscal year	2,029,086	84,321	2,113,407
Pension deferrals	58,720	2,094	60,814
Total deferred outflows of resources	<u>2,087,806</u>	<u>86,415</u>	<u>2,174,221</u>
Total assets and deferred outflows of resources	<u>166,989,397</u>	<u>23,454,234</u>	<u>190,443,631</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	3,869,825	134,672	4,004,497
Liabilities to be paid from restricted assets	-	255,094	255,094
Due within one year	3,664,851	10,609	3,675,460
Total current liabilities	<u>7,534,676</u>	<u>400,375</u>	<u>7,935,051</u>
Long-term liabilities:			
Net pension liability	2,188,894	91,204	2,280,098
Due in more than one year	41,159,880	11,750,379	52,910,259
Total liabilities	<u>50,883,450</u>	<u>12,241,958</u>	<u>63,125,408</u>
<b>Deferred Inflows of Resources:</b>			
Prepaid taxes	124,491	-	124,491
Pension deferrals	1,171,484	48,404	1,219,888
Total deferred inflows of resources	<u>1,295,975</u>	<u>48,404</u>	<u>1,344,379</u>
<b>Net Position:</b>			
Net investment in capital assets	103,435,523	17,184,372	120,619,895
Restricted for:			
Stabilization for State statute	8,309,540	-	8,309,540
Register of Deeds	81,387	-	81,387
Public safety - Sherriff	250,000	-	250,000
Public safety - Fire	820,252	-	820,252
Public safety - Emergency telephone	863,387	-	863,387
Education	5,964,018	-	5,964,018
Human services	2,600,000	-	2,600,000
Cultural and recreation	182,842	-	182,842
Unrestricted	(7,696,977)	(6,020,500)	(13,717,477)
Total net position	<u>\$ 114,809,972</u>	<u>\$ 11,163,872</u>	<u>\$ 125,973,844</u>

The accompanying notes are an integral part of the financial statements.

**CLEVELAND COUNTY, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 11,020,394	\$ 3,537,614	\$ 2,284,872	\$ 40,542
Public safety	25,934,832	2,334,725	155,891	183,461
Environmental protection	2,792,358	-	-	-
Economic and physical development	2,998,654	5,340,699	-	2,063,691
Human services	38,328,743	-	20,176,304	4,140,732
Cultural and recreational	1,436,822	-	-	-
Education	30,170,441	-	1,231,021	1,593,900
Interest on long-term debt	1,904,752	-	-	-
Total governmental activities	<u>114,586,996</u>	<u>11,213,038</u>	<u>23,848,088</u>	<u>8,022,326</u>
<b>Business-Type Activities:</b>				
Solid Waste	<u>4,862,707</u>	<u>5,746,746</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>4,862,707</u>	<u>5,746,746</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 119,449,703</u>	<u>\$ 16,959,784</u>	<u>\$ 23,848,088</u>	<u>\$ 8,022,326</u>

*The accompanying notes are an integral part of the financial statements.*

**CLEVELAND COUNTY, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b>Functions/Programs:</b>			
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General government	\$ (5,157,366)	\$ -	\$ (5,157,366)
Public safety	(23,260,755)	-	(23,260,755)
Environmental protection	(2,792,358)	-	(2,792,358)
Economic and physical development	4,405,736	-	4,405,736
Human services	(14,011,707)	-	(14,011,707)
Cultural and recreational	(1,436,822)	-	(1,436,822)
Education	(27,345,520)	-	(27,345,520)
Interest on long-term debt	(1,904,752)	-	(1,904,752)
Total governmental activities	<u>(71,503,544)</u>	<u>-</u>	<u>(71,503,544)</u>
<b>Business-Type Activities:</b>			
Landfill	-	884,039	884,039
Total business-type activities	<u>-</u>	<u>884,039</u>	<u>884,039</u>
Total primary government	<u>(71,503,544)</u>	<u>884,039</u>	<u>(70,619,505)</u>
<b>General Revenues:</b>			
Taxes:			
Property taxes, levied for general purpose	60,047,655	-	60,047,655
Local option sales tax	17,561,662	-	17,561,662
Other taxes and licenses	-	652,263	652,263
Investment earnings, unrestricted	278,704	13,557	292,261
Total general revenues	77,888,021	665,820	78,553,841
<b>Capital contribution</b>	-	3,700	3,700
<b>Transfers</b>	<u>432,320</u>	<u>(432,320)</u>	<u>-</u>
Total general revenues, capital contribution, and transfers	<u>78,320,341</u>	<u>237,200</u>	<u>78,557,541</u>
Change in net position	6,816,797	1,121,239	7,938,036
<b>Net Position:</b>			
Beginning of year - July 1	<u>107,993,175</u>	<u>10,042,633</u>	<u>118,035,808</u>
End of year - June 30	<u>\$ 114,809,972</u>	<u>\$ 11,163,872</u>	<u>\$ 125,973,844</u>

*The accompanying notes are an integral part of the financial statements.*

## CLEVELAND COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016

	Major			Non-major	Total Governmental Funds
	General	New	School Capital	Other	
		Health Department Capital Project Fund	Reserve Fund	Governmental Funds	
<b>Assets:</b>					
Cash and cash equivalents	\$ 34,389,486	\$ 84,501	\$ -	\$ 2,944,262	\$ 37,418,249
Taxes receivable, net	1,741,658	-	-	46,205	1,787,863
Due from other governments	279,757	-	-	-	279,757
Other receivables, net	7,377,261	-	829,992	408,915	8,616,168
Inventories	172,014	-	-	-	172,014
Prepaid items	201,261	-	-	43,573	244,834
Restricted assets:					
Cash and investments	15,426	-	5,964,018	-	5,979,444
Total assets	<u>\$ 44,176,863</u>	<u>\$ 84,501</u>	<u>\$ 6,794,010</u>	<u>\$ 3,442,955</u>	<u>\$ 54,498,329</u>
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 3,157,174	\$ 84,501	\$ -	\$ 289,420	\$ 3,531,095
Accrued payroll liabilities	58,462	-	-	-	58,462
Total liabilities	<u>3,215,636</u>	<u>84,501</u>	<u>-</u>	<u>289,420</u>	<u>3,589,557</u>
<b>Deferred Inflows of Resources:</b>					
Property taxes receivable	1,741,658	-	-	46,205	1,787,863
Prepaid taxes	122,497	-	-	1,994	124,491
Other receivables	586,385	-	-	-	586,385
Total deferred inflows of resources	<u>2,450,540</u>	<u>-</u>	<u>-</u>	<u>48,199</u>	<u>2,498,739</u>
<b>Fund Balances:</b>					
Non-spendable:					
Inventory	172,014	-	-	-	172,014
Prepays	201,261	-	-	43,573	244,834
Restricted:					
Stabilization for State statute	7,070,633	-	829,992	408,915	8,309,540
Restricted for register of deeds	81,387	-	-	-	81,387
Restricted, all other	3,032,842	-	5,964,018	1,683,639	10,680,499
Committed	15,426	-	-	15,675	31,101
Assigned for subsequent year's expenditures	4,809,895	-	-	-	4,809,895
Assigned, all other	4,000,000	-	-	953,534	4,953,534
Unassigned	19,127,229	-	-	-	19,127,229
Total fund balances	<u>38,510,687</u>	<u>-</u>	<u>6,794,010</u>	<u>3,105,336</u>	<u>48,410,033</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 44,176,863</u>	<u>\$ 84,501</u>	<u>\$ 6,794,010</u>	<u>\$ 3,442,955</u>	

Amounts reported in the governmental activities in the Statement of Net Position (Exhibit A) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	110,247,913
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.	2,374,248
Long-term liabilities and compensated absences are not due and payable in the current period, and therefore, are not reported in the funds.	(44,824,731)
Net pension asset	155,349
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	2,029,086
Some liabilities, including accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	(280,268)
Net pension liability	(2,188,894)
Pension related deferrals	(1,112,764)
Net position of governmental activities	<u>\$ 114,809,972</u>

The accompanying notes are an integral part of the financial statements.

## CLEVELAND COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Major			Non-major	Total Governmental Funds
	General Fund	New Health Department Capital Project Fund	School Capital Reserve Fund	Other Governmental Funds	
<b>Revenues:</b>					
Ad valorem taxes	\$ 58,521,724	\$ -	\$ -	\$ 1,624,381	\$ 60,146,105
Local option sales taxes	13,690,581	-	3,101,677	769,404	17,561,662
Restricted intergovernmental revenues	24,707,098	-	1,593,900	3,294,684	29,595,682
Permits and fees	4,321,708	-	-	-	4,321,708
Sales and services	6,243,473	-	-	-	6,243,473
Investment earnings	253,733	-	19,799	5,172	278,704
Miscellaneous	680,241	-	-	1,466,576	2,146,817
Total revenues	<u>108,418,558</u>	<u>-</u>	<u>4,715,376</u>	<u>7,160,217</u>	<u>120,294,151</u>
<b>Expenditures:</b>					
Current:					
General government	9,032,075	-	-	1,643,829	10,675,904
Public safety	21,408,908	-	-	2,053,427	23,462,335
Environmental protection	241,818	-	-	2,555,327	2,797,145
Economic and physical development	6,424,010	-	-	50,600	6,474,610
Human services	36,610,613	6,290,229	-	-	42,900,842
Cultural and recreational	1,332,421	-	-	-	1,332,421
Education	30,170,441	-	-	-	30,170,441
Insurance settlements	667,534	-	-	-	667,534
Debt service:					
Principal retirement	10,792	-	-	3,378,499	3,389,291
Interest and other charges	433	-	-	1,684,353	1,684,786
Total expenditures	<u>105,899,045</u>	<u>6,290,229</u>	<u>-</u>	<u>11,366,035</u>	<u>123,555,309</u>
Revenues over (under) expenditures	<u>2,519,513</u>	<u>(6,290,229)</u>	<u>4,715,376</u>	<u>(4,205,818)</u>	<u>(3,261,158)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	14,517,254	-	-	171,433	14,688,687
From General Fund	-	6,290,229	-	3,912,343	10,202,572
From Capital Reserve Fund	-	-	-	1,982,159	1,982,159
From School Capital Reserve	-	-	-	2,106,029	2,106,029
Transfers to other funds	(22,812,146)	-	(3,506,029)	(2,228,952)	(28,547,127)
Total other financing sources (uses)	<u>(8,294,892)</u>	<u>6,290,229</u>	<u>(3,506,029)</u>	<u>5,943,012</u>	<u>432,320</u>
Net change in fund balances	(5,775,379)	-	1,209,347	1,737,194	(2,828,838)
<b>Fund Balances:</b>					
Beginning of year - July 1	<u>44,286,066</u>	<u>-</u>	<u>5,584,663</u>	<u>1,368,142</u>	<u>51,238,871</u>
End of year - June 30	<u>\$ 38,510,687</u>	<u>\$ -</u>	<u>\$ 6,794,010</u>	<u>\$ 3,105,336</u>	<u>\$ 48,410,033</u>

The accompanying notes are an integral part of the financial statements.

## CLEVELAND COUNTY, NORTH CAROLINA

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Total net change in fund balances - total governmental funds	\$ (2,828,838)
Property tax revenues and other fees and services in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	70,501
EMS revenues and other revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	(238,414)
Expenses related to compensated absences, Law Enforcement Officers' Separation Allowance, other post-employment benefits, and pension expense that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(1,310,491)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	2,029,086
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	10,530,185
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(4,785,955)
Net gain/loss on disposal of capital assets, not recognized on modified accrual basis	(18,602)
Accrued interest that does not require current financial resources are not reported as expenditures in the governmental funds statement.	(19,966)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>3,189,291</u>
Total change in net position of governmental activities	<u>\$ 6,616,797</u>

*The accompanying notes are an integral part of the financial statements.*

## CLEVELAND COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund			
	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 58,184,637	\$ 59,146,637	\$ 58,521,724	\$ (624,913)
Local option sales taxes	13,537,671	13,537,671	13,690,581	152,910
Unrestricted intergovernmental revenues	11,000	11,000	-	(11,000)
Restricted intergovernmental revenues	25,392,679	26,142,316	24,707,098	(1,435,218)
Permits and fees	4,280,350	4,280,350	4,321,708	41,358
Sales and services	5,984,317	6,005,163	6,243,473	238,310
Investment earnings	136,331	129,800	253,733	123,933
Miscellaneous	387,572	719,472	680,241	(39,231)
Total revenues	<u>107,914,557</u>	<u>109,972,409</u>	<u>108,418,558</u>	<u>(1,553,851)</u>
<b>Expenditures:</b>				
Current:				
General government	9,058,969	9,538,253	9,032,075	506,178
Public safety	20,555,774	21,813,216	21,408,908	404,308
Environmental protection	175,412	270,840	241,818	29,022
Economic and physical development	6,526,407	7,417,840	6,424,010	993,830
Human services	40,182,640	41,331,562	36,610,613	4,720,949
Cultural and recreational	1,228,598	1,465,066	1,332,421	132,645
Intergovernmental:				
Education	29,386,852	30,349,677	30,170,441	179,236
Risk management	889,220	1,242,885	667,534	575,351
Debt service:				
Principal retirement	45,000	45,000	10,792	34,208
Interest and other charges	5,000	5,000	433	4,567
Total expenditures	<u>108,053,872</u>	<u>113,479,339</u>	<u>105,899,045</u>	<u>7,580,294</u>
Revenues over (under) expenditures	<u>(139,315)</u>	<u>(3,506,930)</u>	<u>2,519,513</u>	<u>6,026,443</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	13,802,396	16,778,277	14,517,254	(2,261,023)
Transfers to other funds	(17,943,158)	(28,012,874)	(22,812,146)	5,200,728
Appropriated fund balance	4,280,077	14,741,527	-	(14,741,527)
Total other financing sources (uses)	<u>139,315</u>	<u>3,506,930</u>	<u>(8,294,892)</u>	<u>(11,801,822)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(5,775,379)</u>	<u>\$ (5,775,379)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>44,286,066</u>	
End of year - June 30			<u>\$ 38,510,687</u>	

The accompanying notes are an integral part of the financial statements.

## CLEVELAND COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2016

	<b>Business-Type Activities</b>
	<b>Major</b>
	<b>Solid Waste Fund</b>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 5,185,928
Accounts receivable, net	742,425
Restricted cash and cash equivalents	255,094
Total current assets	<u>6,183,447</u>
Non-current assets:	
Capital assets:	
Land and construction in progress	13,881,787
Other capital assets, net of depreciation	3,302,585
Total non-current assets	<u>17,184,372</u>
Total assets	<u>23,367,819</u>
<b>Deferred Outflow of Resources:</b>	
Contributions to pension plan in current fiscal year	84,321
Pension deferrals	2,094
Total deferred outflows of resources	<u>86,415</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	134,672
Current portion of compensated absences	10,609
Total current liabilities	<u>145,281</u>
Non-current liabilities:	
Liabilities payable from restricted assets:	
Customer deposits	255,094
Other non-current liabilities:	
Accrued landfill closure and post-closure care costs	11,086,978
Compensated absences	99,186
Net pension liability	91,204
Other post-employment benefits	564,215
Total non-current liabilities	<u>12,096,677</u>
Total liabilities	<u>12,241,958</u>
<b>Deferred Inflows of Resources</b>	<u>48,404</u>
<b>Net Position:</b>	
Net investment in capital assets	17,184,372
Unrestricted	<u>(6,020,500)</u>
Total net position	<u>\$ 11,163,872</u>

*The accompanying notes are an integral part of the financial statements.*

## CLEVELAND COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	<b>Business-Type Fund</b>
	<b>Major</b>
	<b>Solid Waste Fund</b>
<b>Operating Revenues:</b>	
Charges for services	\$ 5,746,746
Unrestricted intergovernmental	652,263
Total operating revenues	<u>6,399,009</u>
<b>Operating Expenses:</b>	
Salaries and employee benefits	1,940,874
Other operating expenses	2,375,497
Landfill closure and post-closure care costs	104,513
Depreciation	441,823
Total operating expenses	<u>4,862,707</u>
Operating income (loss)	<u>1,536,302</u>
<b>Non-Operating Revenues (Expenses):</b>	
Interest income	<u>13,557</u>
Income (loss) before capital contributions and transfers	<u>1,549,859</u>
Transfers out	(432,320)
Capital contributions	<u>3,700</u>
Change in net position	1,121,239
<b>Net Position:</b>	
Beginning of year - July 1	<u>10,042,633</u>
End of year - June 30	<u>\$ 11,163,872</u>

*The accompanying notes are an integral part of the financial statements.*

**CLEVELAND COUNTY, NORTH CAROLINA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Enterprise Fund</b>
	<b>Major</b>
	<b>Solid Waste Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 6,304,205
Cash paid for goods and services	(2,371,398)
Cash paid to employees for services	(2,060,914)
Customer deposits	27,104
Net cash provided (used) by operating activities	1,898,997
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Transfers out	(432,320)
Net cash provided (used) by non-capital financing activities	(432,320)
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition and construction of capital assets	(1,194,730)
Loss from disposal of capital asset	20,331
Net cash provided (used) for capital and related financing activities	(1,174,399)
<b>Cash Flows from Investing Activities:</b>	
Interest on investments	13,557
Net increase (decrease) in cash and cash equivalents	305,835
<b>Cash and Cash Equivalents:</b>	
Beginning of year - July 1	5,135,187
End of year - June 30	\$ 5,441,022

*The accompanying notes are an integral part of the financial statements.*

**CLEVELAND COUNTY, NORTH CAROLINA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Enterprise Fund</b>
	<b>Major</b>
	<b>Solid Waste Fund</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ 1,536,302
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	441,823
Landfill closure and post-closure care costs	104,513
Changes in assets and liabilities:	
Increase (decrease) in customer deposits	27,104
(Increase) decrease in accounts receivable	(94,804)
Increase (decrease) in accounts payable and accrued liabilities	(166,808)
Increase (decrease) in accrued vacation pay	78,587
Increase (decrease) in other post-employment benefits	6,983
(Increase) decrease in net pension asset	119,209
(Increase) decrease in deferred outflows of resources - pensions	(1,643)
Increase (decrease) in net pension liability	91,204
Increase (decrease) in deferred inflows of resources - pension	(243,473)
Total adjustments	362,695
Net cash provided (used) by operating activities	\$ 1,898,997
<b>Supplemental Schedule of Non-Cash Financing Activities:</b>	
Contributed capital assets	\$ 3,700

*The accompanying notes are an integral part of the financial statements.*

**CLEVELAND COUNTY, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET POSITION**

**FIDUCIARY FUNDS**

**JUNE 30, 2016**

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 301,871
Accounts receivable	<u>628,768</u>
Total assets	<u>\$ 930,639</u>
 <b>Liabilities:</b>	
Intergovernmental payable	<u>\$ 930,639</u>
Total liabilities	<u>\$ 930,639</u>

*The accompanying notes are an integral part of the financial statements.*

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 1. Summary of Significant Accounting Policies

The accounting policies of Cleveland County (the "County") and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

#### A. Reporting Entity

The County, which is governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component unit, legally separate entities 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.

#### **Cleveland County Industrial Facility and Pollution Control Financing Authority**

The Cleveland County Industrial Facility and Pollution Control Financing Authority (the "Authority") exists to issue and service revenue bond debt of private business for economic development purposes. The Authority is governed by a seven-member Board of Commissioners, all of whom are appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Authority does not issue separate financial statements.

#### B. Basis of Presentation - Basis of Accounting

##### **Basis of Presentation, Measurement Focus – Basis of Accounting**

*Government-Wide Statements.* The Statement of Net Position and the Statement of Activities display information about the primary government net position (the County) and its component unit. 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. However, interfund services provided and used are not eliminated in the process of consolidation. 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, in whole or in part, by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities 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. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (1) fees and charges paid by the recipients of goods or services offered by the programs, and (2) 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, including all taxes, are presented as general revenues.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

*Fund Financial Statements.* The fund financial statements provide information about the County's funds, including its fiduciary funds and its blended component unit. 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. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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 subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the County. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

**New Health Department Capital Project Fund.** This fund accounts for the design and construction of the new county health department.

**School Capital Reserve Fund.** This fund accounts for local funds and financing proceeds used to fund school construction projects.

The County reports the following major enterprise fund:

**Solid Waste Fund.** This fund accounts for the maintenance and post-closure of the County's landfill, transfer station operations, and recycling.

The County also reports the following fund types:

**Special Revenue Funds.** Special revenue funds are used to account for specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains three special revenue funds, Emergency Telephone System Fund (E-911), Fire Districts Fund, and Community Development Block Grant – Seal Wire.

**Debt Service Fund.** The Debt Service Fund accounts for funds set aside to meet certain long-term debt requirements.

**Capital Project Funds.** The capital project funds account for financial resources to be used for the acquisition and construction for major capital facilities (other than those by proprietary funds, special assessments, or trust funds). The County has six capital project funds within the governmental fund types: County General Capital Projects Fund, Cleveland County Public Shooting Range, New Health Department Fund, Foothills Commerce Center – West Shelby Fund, Capital Reserve Fund and the School Capital Reserve Fund.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

**Agency Funds.** Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for position the County holds on behalf of others. The County maintains the following agency funds: 1) Fines and Forfeitures Fund, which accounts for the collection and payment of fines and forfeitures to the Board of Education in the County; 2) Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; 3) the Inmate Fund, which accounts for monies deposited with the County's Detention Center for the benefit of specific matters; 4) the Rescue Squad Fund, which accounts for monies that the County holds for the benefit of five rescue squad entities (Boiling Springs, Grover, Kings Mountain, Shelby, and Upper Cleveland Rescue); 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 with the County.

### **Measurement Focus, Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

*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, except for the agency funds, which have no measurement focus. The government-wide, propriety fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. 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 gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an 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 sales and services. The County also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

*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. Long-term debt issued and acquisitions under capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with the change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in the financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues.

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. 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.

### **C. Budgetary Data**

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the county general fund, emergency telephone system fund (E-911), fire districts fund, general capital projects fund, capital reserve fund, the school capital reserve fund, solid waste fund and the debt service fund. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the all other special revenue and capital project funds.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Finance Officer is authorized to transfer authorized appropriations within a function and to amend the authorized budget for pass-through funds, including federal and State grants. During the year, several amendments to the original budget were necessary; the effects of which were not material. The 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 ordinance can be adopted.

### **D. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity**

#### **Deposits and Investments**

All deposits of the County are made in Board-designated official depositories and are secured as required by G.S. 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.

State law [G.S. 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 investments are reported at fair value. The NCCMT- Cash Portfolio, an SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value.

In accordance with State law, the City has invested in securities, which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

#### **Cash and Cash Equivalents**

The County pools monies from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Restricted Assets

Money for Tax Revaluation is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. Money in the School Capital Reserve Fund is classified as restricted assets because its use is restricted per North Carolina General Statute 159-18 through 22. Customer deposits held by the County before any services are supplied are restricted to the service for which the deposit was collected.

<b>Governmental Activities</b>		
<b>Fund</b>	<b>Purpose</b>	<b>Amount</b>
General Fund	Tax Revaluation	\$ 15,426
School Capital Reserve Fund	Restricted for School Capital	5,964,018
Total		<u>\$ 5,979,444</u>
<b>Business-Type Activities</b>		
Solid Waste	Customer Deposits	<u>\$ 255,094</u>

### Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2015. 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 Fund, ad valorem tax revenues are reported net of such discounts.

### Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

### Inventories and Prepaid Items

The inventories of the County are valued at cost (first-in, first-out), which approximates market values. The County's General Fund inventory consists of pharmaceuticals and certain pharmaceutical supplies that are recorded as expenditures when purchased.

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. Cleveland County accounts for prepaid assets using the consumption method of accounting. Under this methodology purchases are debited to a prepaid asset account and are recorded as expenditures when used rather than when purchased.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. Minimum capitalization costs are as follows for the year ended June 30, 2016: land, \$10,000; buildings, improvements, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000; computer software, \$5,000; and computer equipment, \$500. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Cleveland County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education after all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Cleveland County Board of Education.

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

<u>Assets</u>	<u>Estimated Useful Lives</u>
Computer equipment	3 years
Electronic items & vehicles	5 years
Firearms, furniture, & equipment	7 years
Infrastructure and improvements	15 years
Buildings	39 years

### Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### **Compensated Absences**

The vacation policies of the County provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as leave when earned. Compensated absences typically have been liquidated in the General Fund and are accounted for on an LIFO basis, assuming that employees are taking leave time as it is earned.

The overtime policy of the County provides for the accumulation of up to sixty days (480 hours) 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 the number of hours worked above forty hours during a specific week. Exempt employees earn and hour of compensatory leave for each hour worked beyond forty in a specific week. There is no maximum ceiling for compensatory hours earned by an exempt employee because exempt employees will not be paid upon termination of employment; therefore, there is no liability reflected in the government-wide or enterprise fund financial statements for overtime earned by exempt employees. There is an expense and liability recorded in the government-wide and enterprise funds for compensated absences and salary-related overtime earned by public safety employees and all other non-exempt employees.

The sick leave policies of the County provide 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 used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for 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 two items that meet this criteria – pension related deferrals and contributions made to the pension plan in the current fiscal year. In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows 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 revenue until then. The County has four items that meet the criteria for this category – property taxes receivable, prepaid taxes, other receivables, and other pension related deferrals.

### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are: allowance for doubtful accounts, depreciation lives, other post-employment benefits, and solid waste post-closure and pension obligations.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Net Position/Fund Balances

#### Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted and unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or b) imposed by law through State statute.

#### Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

#### Non-Spendable Fund Balance

This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

*Inventories* – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

*Prepaid Items* – portion of fund balance that is not an available resource because it represents the year-end balance of prepaids, which are not spendable resources.

#### Restricted Fund Balance

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

*Stabilization by State Statute* - portion of fund balance that is not an available resource for appropriation in accordance with State law [G.S. 159-8(a)].

*Restricted for Register of Deeds* - portion of fund balance that is restricted by revenue source to pay for the computer equipment and imaging technology for the Register of Deeds' office.

*Restricted for Public Safety* - portion of fund balance restricted by revenue source for public safety related activities such as police, fire, EMS, and E-911.

*Restricted for Human Services* – portion of spendable fund balance available and restricted by donors to pay for items of a human service nature, such as medications and eyeglasses for needy persons.

**CLEVELAND COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

*Restricted for Cultural and Recreation* – portion of spendable fund balance restricted by donors to pay for library books, materials, equipment and facility upgrades.

*Restricted for Education* – portion of spendable fund balance that can only be used for school capital per G.S. 159-18-22.

Restricted fund balance at June 30, 2016 is as follows:

<b>Purpose</b>	<b>General Fund</b>	<b>School Capital Reserve Fund</b>	<b>Other Governmental Funds</b>	<b>Total Restricted</b>
Restricted, all other:				
Register of Deeds'	\$ 81,387	\$ -	\$ -	\$ 81,387
Public safety	250,000	-	1,683,639	1,933,639
Human services	2,600,000	-	-	2,600,000
Cultural and recreation	182,842	-	-	182,842
Education	-	5,964,018	-	5,964,018
<b>Total</b>	<b>\$ 3,114,229</b>	<b>\$ 5,964,018</b>	<b>\$ 1,683,639</b>	<b>\$ 10,761,886</b>

**Committed Fund Balance**

This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

*Committed for Tax Revaluation* – represents the portion of fund balance committed by the governing body for future tax revaluation purposes.

*Committed for Economic and Physical Development* – portion of fund balance committed by the governing board economic development projects.

Committed fund balance at June 30, 2016 is as follows:

<b>Purpose</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Committed:			
Tax revaluation	\$ 15,426	\$ -	\$ 15,426
Economic and physical development	-	15,675	15,675
<b>Total</b>	<b>\$ 15,426</b>	<b>\$ 15,675</b>	<b>\$ 31,101</b>

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Assigned Fund Balance

Assigned fund balance is the portion of fund balance that Cleveland County intends to use for specific purposes. The County's governing body has the authority to assign fund balance. The Manager and Finance Director, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

*Subsequent Year's Expenditures* – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Manager and Finance Director to make certain modifications without requiring board approval.

*Assigned for General Government* – portion of fund balance budgeted assigned by the Board to manage future general operational processes.

*Assigned for Risk Management Operations* – portion of fund balance budgeted assigned by the Board to manage future risk management processes.

*Assigned for Economic and Physical Development* – portion of fund balance budgeted by the board for economic development and incentive projects.

*Assigned for Debt Service* – portion of fund balance budgeted by the board for future debt service needs.

Assigned fund balance at June 30, 2016 is as follows:

<b>Purpose</b>	<b>General Fund</b>	<b>Governmental Funds</b>	<b>Total</b>
Assigned:			
Subsequent year's expenditures	\$ 4,809,895	\$ -	\$ 4,809,895
General government	-	499,948	499,948
Risk management operations	1,500,000	-	1,500,000
Economic and physical development	2,500,000	-	2,500,000
Debt service	-	453,586	453,586
Total	<u>\$ 8,809,895</u>	<u>\$ 953,534</u>	<u>\$ 9,763,429</u>

### Unassigned Fund Balance

Unassigned fund balance is the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. Only the general fund may report a positive unassigned fund balance.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Cleveland County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following order: bond/debt proceeds, federal funds, State funds, local non-county funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the County or when required by grant or other contractual agreements.

Cleveland County has adopted a minimum fund balance policy for the General Fund, which instructs management to conduct business of the County in such a manner that unassigned fund balance is at least equal to or greater than 16% of actual expenditures. Any portion of the General Fund balance in excess of 16% of actual expenditures may be appropriated for future use for a specific purpose.

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation.

Total fund balance - General Fund	\$ 38,510,687
Less:	
Inventories	(172,014)
Prepays	(201,261)
Stabilization by State statute	<u>(7,070,633)</u>
Total available fund balance	<u>\$ 31,066,779</u>

### Defined Benefit Pension Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For the purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has legal requirement to provide the contributions. Benefits and refund are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Net Investment in Capital Assets:

Net investment in capital assets at June 30, 2016 are computed as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Capital Assets	\$ 110,247,913	\$ 17,184,372
Less: long-term debt	(33,553,258)	-
Add: school debt for assets to which the County does not hold title	<u>26,740,868</u>	<u>-</u>
Total	<u>\$ 103,435,523</u>	<u>\$ 17,184,372</u>

## 2. Detail Notes On All Funds

### A. Assets

#### Deposits

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agent in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County these deposits are considered to be held by their agents in the entities' names. 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 State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer 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, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method and to monitor them for compliance. The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2016, the County's deposits had a carrying amount of \$4,313,521 and a bank balance of \$5,901,044. Of the bank balance, \$596,024 was covered by federal depository insurance, and \$5,305,020 was covered by collateral held under the Pooling Method. At June 30, 2016, the County had \$18,112 cash on hand.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Investments

At June 30, 2016, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation</u>		<u>Less Than</u>	<u>6-12</u>	<u>1-3</u>
	<u>Measurement Method</u>	<u>Fair Value</u>	<u>6 Months</u>	<u>Months</u>	<u>Years</u>
U.S. government agencies	Fair Value - Level 1	\$ 1,733,138	\$ 101,138	\$ 100,000	\$ 1,532,000
NC Capital Management					
Trust - Cash Portfolio	Amortized Cost	15,684,946	-	-	-
Commercial paper	Fair Value - Level 2	27,390,869	15,000,000	12,390,869	-
Total		<u>\$44,808,953</u>	<u>\$15,101,138</u>	<u>\$12,490,869</u>	<u>\$ 1,532,000</u>

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from interest rates, the County's investment policy 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.

**Credit Risk.** State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2016, the County's investments in commercial paper were rated A-1 by Standard and Poor's and P-1 by Moody's Investment Service. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2016. The County's investment in U.S. government agencies (Federal Home Loan Mortgage Company) and (Federal National Mortgage Agency) were rated AAA by Standard & Poor's and Aaa by Moody's Investment Service as of June 30, 2016. 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.

### Property Tax – Use-Value Assessment on Certain Lands

In accordance with the General Statutes, agriculture, horticulture, and forestland may be taxed by the County at the present use-value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable.

**CLEVELAND COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Tax Year Levied</u>	<u>Additional Tax</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,707,455	\$ 51,222	\$ 1,758,677
2015	1,516,907	72,155	1,589,062
2014	1,498,661	86,173	1,584,834
2013	1,491,482	219,993	1,711,475
Total	<u>\$ 6,214,505</u>	<u>\$ 429,543</u>	<u>\$ 6,644,048</u>

**Receivables**

Receivables at the government-wide level at June 30, 2016 were as follows:

	<u>Accounts</u>	<u>Taxes and Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 8,451,205	\$ 2,434,856	\$ 279,757	\$ 11,165,818
School capital reserve	829,992	-	-	829,992
Other governmental	408,915	67,808	-	476,723
Total receivables	9,690,112	2,502,664	279,757	12,472,533
Allowance for doubtful accounts	(1,073,944)	(714,801)	-	(1,788,745)
Total governmental activities	<u>\$ 8,616,168</u>	<u>\$ 1,787,863</u>	<u>\$ 279,757</u>	<u>\$ 10,683,788</u>
<b>Business-Type Activities:</b>				
Solid Waste	\$ 803,357	\$ -	\$ -	\$ 803,357
Allowance for doubtful accounts	(60,932)	-	-	(60,932)
Total business-type activities	<u>\$ 742,425</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 742,425</u>

Due from other governments that is owed to the County consists of the following:

Local option sales tax	<u>\$ 279,757</u>
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## CLEVELAND COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

#### Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<b>Balance</b> <b>July 01, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b> <b>June 30, 2016</b>
<b>Governmental Activities:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 12,908,099	\$ 3,641,251	\$ (69,156)	\$ 16,480,194
Construction in progress	<u>16,105,859</u>	<u>9,131,446</u>	<u>(24,928,057)</u>	<u>309,248</u>
Total non-depreciable capital assets	<u>29,013,958</u>	<u>12,772,697</u>	<u>(24,997,213)</u>	<u>16,789,442</u>
<b>Depreciable Capital Assets:</b>				
Buildings	83,064,267	19,416,675	-	102,480,942
Vehicles and motor equipment	18,313,337	3,338,026	(720,178)	20,931,185
Leasehold improvements	425,178	-	-	425,178
Infrastructure	<u>6,740,713</u>	<u>-</u>	<u>-</u>	<u>6,740,713</u>
Total depreciable capital assets	<u>108,543,495</u>	<u>22,754,701</u>	<u>(720,178)</u>	<u>130,578,018</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	15,440,424	2,086,055	-	17,526,479
Vehicles and motor equipment	14,520,997	2,220,851	(644,486)	16,097,362
Leasehold improvements	246,648	14,763	-	261,411
Infrastructure	<u>2,770,009</u>	<u>464,286</u>	<u>-</u>	<u>3,234,295</u>
Total accumulated depreciation	<u>32,978,078</u>	<u>4,785,955</u>	<u>(644,486)</u>	<u>37,119,547</u>
Total depreciable capital assets	<u>75,565,417</u>	<u>17,968,746</u>	<u>(75,692)</u>	<u>93,458,471</u>
Governmental activities capital assets, net	<u>\$ 104,579,375</u>	<u>\$ 30,741,443</u>	<u>\$ (25,072,905)</u>	<u>\$ 110,247,913</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 307,518
Public safety	2,151,910
Economic and physical development	176,303
Human services	1,889,150
Cultural and recreational	134,376
Education	<u>126,698</u>
Total	<u>\$ 4,785,955</u>

**CLEVELAND COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Balance</u>			<u>Balance</u>
	<u>July 01, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
<b>Business-Type Activities:</b>				
<b>Solid Waste:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 13,470,906	\$ -	\$ -	\$ 13,470,906
Construction in progress	-	410,881	-	410,881
Total non-depreciable capital assets	<u>13,470,906</u>	<u>410,881</u>	<u>-</u>	<u>13,881,787</u>
<b>Depreciable Capital Assets:</b>				
Buildings	1,203,780	3,700	-	1,207,480
Equipment and vehicles	6,411,121	727,317	(354,586)	6,783,852
Leasehold Improvements	16,518	-	-	16,518
Infrastructure	4,130,636	56,532	-	4,187,168
Total depreciable capital assets	<u>11,762,055</u>	<u>787,549</u>	<u>(354,586)</u>	<u>12,195,018</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	297,145	30,605	-	327,750
Equipment and vehicles	4,360,802	396,994	(334,255)	4,423,541
Leasehold improvements	9,583	552	-	10,135
Infrastructure	4,117,335	13,672	-	4,131,007
Total depreciable capital assets, net	<u>8,784,865</u>	<u>441,823</u>	<u>(334,255)</u>	<u>8,892,433</u>
Solid Waste capital assets, net	<u>\$ 16,448,096</u>	<u>\$ 756,607</u>	<u>\$ (20,331)</u>	<u>\$ 17,184,372</u>

**B. Liabilities**

**Payables**

Payables at the government-wide level at June 30, 2016 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Accrued Interest</u>	<u>Insurance Claims Incurred But Not Reported</u>	<u>Total</u>
<b>Governmental Activities:</b>					
General	\$ 2,354,977	\$ 58,462	\$ 280,268	\$ 802,197	\$ 3,495,904
Other governmental	373,921	-	-	-	373,921
Total governmental activities	<u>\$ 2,728,898</u>	<u>\$ 58,462</u>	<u>\$ 280,268</u>	<u>\$ 802,197</u>	<u>\$ 3,869,825</u>
<b>Business-Type Activities:</b>					
Solid Waste	<u>\$ 122,194</u>	<u>\$ 12,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,672</u>

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Local Governmental Employees' Retirement System

**Plan Description.** The County is a participating employer in the statewide Local Governmental Employee's Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Government Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919-981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided.** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the members average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2015, was 7.15% of compensation for law enforcement officers and 6.67% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$2,108,026 for the year ended June 30, 2016.

*Refunds of Contributions* – County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By State law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the County reported a liability of \$2,280,098 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the County's proportion was .508%, which was an increase of .003% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$1,240,469. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 535,953
Net difference between projected and actual earnings on pension plan investments	-	649,135
Changes in proportion and differences between County contributions and proportionate share of contributions	52,349	25,030
County contributions subsequent to the measurement date	2,108,026	-
<b>Total</b>	<b>\$ 2,160,375</b>	<b>\$ 1,210,118</b>

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

\$2,108,026 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Amount</b>
2017	\$ (751,025)
2018	(751,025)
2019	(750,121)
2020	1,094,402
2021	-
Total	<u>\$ (1,157,769)</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return

## CLEVELAND COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	2.2%
Global equity	42.0%	5.8%
Real estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation protection	<u>6.0%</u>	3.4%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2014 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
County's proportionate share of the net pension liability (asset)	<u>\$ 15,899,441</u>	<u>\$ 2,280,098</u>	<u>\$ (9,193,897)</u>

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

### **Law Enforcement Officers' Special Separation Allowance**

**Plan Description.** Cleveland County administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to 0.85% 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. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2015, the Separation Allowance's membership consisted of 108 active plan members and 10 retired members receiving benefits.

A separate report was not issued for the plan.

### **Summary of Significant Accounting Policies**

*Basis of Accounting.* The County has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria, which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, non-employer contributing entities, the plan administrator, and plan members

### **Contributions**

The County is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2014 actuarial valuation using the projected unit, credit actuarial cost method. The actuarial assumptions included (a) 5.00% investment rate of return, and (b) projected salary increases

## CLEVELAND COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

ranging from 4.25% to 7.85% per year. Item (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of position was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level of percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2014 was 16 years.

**Annual Pension Cost and Net Pension Obligation.** The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Employer annual required contribution	\$ 247,419
Interest on net pension obligation	28,575
Adjustment to annual required contribution	<u>(50,221)</u>
Annual pension cost	225,773
Benefit payments made	<u>155,702</u>
Increase (decrease) in net pension obligation	70,071
Net pension obligation:	
Beginning of year - July 1	<u>571,498</u>
End of year - June 30	<u>\$ 641,569</u>

#### Three-Year Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30	Cost (APC)	Contributed	Obligation
2014	\$ 182,873	85.96%	\$ 502,253
2015	210,064	67.04%	571,498
2016	225,773	68.96%	641,569

**Funded Status and Funding Progress.** As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) of \$2,454,014.

The covered payroll (annual payroll of active employees covered by the plan) was \$4,568,949 and the ratio of the UAAL to the covered payroll was 53.71%.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan position are increasing or decreasing, over time, relative to the actuarial accrued liability benefits.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### **Supplemental Retirement Income Plan for Law Enforcement Officers**

**Plan Description.** The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes pension trust fund financial statements for the Internal Revenue Code Section 401 (k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report 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 G.S. Chapter 143 requires that the County contribute each month an amount equal to 5% 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, 2016 were \$167,181, which consisted of \$128,228 from the County and \$38,953 from the law enforcement officers.

### **Register of Deeds' Supplemental Pension Fund**

**Plan Description.** Cleveland County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a non-contributory, defined benefit plan administered by the North Carolina Department of State Treasurer. 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. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided.** An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

**Contributions.** Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$5,381 for the year ended June 30, 2016.

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the County reported an asset of \$155,349 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2015, the County's proportion was .670%, which was an increase of .03% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of \$(7,532). At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 760	\$ 2,572
Net difference between projected and actual earnings on pension plan investments	7,705	-
Changes in proportion and differences between County contributions and proportionate share of contributions County contributions subsequent to the measurement date	-	7,198
	5,381	-
Total	\$ 13,846	\$ 9,770

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

\$5,381 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2017. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2017	\$ (2,834)
2018	(1,753)
2019	1,204
2020	2,078
2021	-
Total	<u>\$ (1,305)</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 7.75 percent, including inflation and productivity factor
Investment rate of return	5.75 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2014 is 2.2%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

*Discount Rate.* The discount rate used to measure the total pension liability was 5.75%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate.* The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 5.75%, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75%) or 1-percentage-point higher (6.75%) than the current rate:

	<b>1% Decrease (4.75%)</b>	<b>Discount Rate (5.75%)</b>	<b>1% Increase (6.75%)</b>
County's proportionate share of the net pension liability (asset)	<u>\$ (140,159)</u>	<u>\$ (155,349)</u>	<u>\$ (168,421)</u>

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

### **Post-Employment Benefits**

#### **Other Post-Employment Benefits - Healthcare Benefits**

**Plan Description.** In addition to providing pension benefits, the County has elected to provide healthcare benefits to retirees of the County who were hired on or before June 30, 2014 and have at least twenty (20) years of service with the County or are at least 50, but not Medicare eligible. Retired employees meeting the criteria discussed herein will be provided hospitalization in the same manner as the active County employees. Currently, 88 retirees are eligible for post-

**CLEVELAND COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

retirement health benefits. For the fiscal year ended June 30, 2016, the County made payments for post-retirement health benefit premiums of \$683,927. The County is self-insured and contracts with a private carrier to administer the healthcare plan. A separate report was not issued for the plan. This is a single employer defined benefit plan.

Membership of the plan consisted of the following at December 31, 2015, the date of the latest actuarial valuation:

	<b>General Employees</b>	<b>Law Enforcement Officers</b>
Retirees and dependents receiving benefits	88	-
Terminated plan members entitled to, but not yet receiving, benefits	-	-
Active plan members	524	84
Total	612	84

**Funding Policy.** Under a County resolution that can be amended by the Board of County Commissioners, the County pays 100% of the cost of coverage for the healthcare benefits paid to qualified retirees with twenty (20) years of service to the County, and that were hired on or before June 30, 2014. 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 County has chosen to fund the healthcare benefits on a pay-as-you-go basis.

The current ARC rate is 6.09% of annual covered payroll. For the current year, the County contributed \$1,275,430, or 5.11% of annual covered payroll. The County obtains healthcare coverage through Blue Cross Blue Shield of North Carolina. The County’s required contributions for employees not engaged in law enforcement and for law enforcement officers represented 4.06% and 4.06% of covered payroll, respectively. The total employee contributions including dependent coverage were \$574,536. The County’s obligation to contribute to the plan is established and may be amended by the Board of County Commissioners.

**Summary of Significant Accounting Policies.** Post-employment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

## CLEVELAND COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

**Annual OPEB Cost and Net Obligation.** The County's annual OPEB cost (expense) is calculated based on the *Annual Required Contribution of the Employer (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. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation for the healthcare benefits:

	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
Annual required contribution	\$ 1,475,583	\$ 45,637	\$ 1,521,220
Interest on net OPEB obligation	263,918	8,162	272,080
Adjustments to annual required contribution	(395,187)	16,955	(378,232)
Annual OPEB cost (expense)	1,344,314	70,754	1,415,068
Contributions made	(1,211,659)	(63,771)	(1,275,430)
Increase (decrease) in net OPEB obligation	132,655	6,983	139,638
Net OPEB obligation:			
Beginning of year - July 1	6,244,771	557,232	6,802,003
End of year - June 30	<u>\$ 6,377,426</u>	<u>\$ 564,215</u>	<u>\$ 6,941,641</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 were as follows:

<b>Year Ended</b>	<b>Annual</b>	<b>Percentage of</b>	<b>Net</b>
<b>June 30</b>	<b>OPEB</b>	<b>Annual OPEB</b>	<b>OPEB</b>
	<b>Cost</b>	<b>Cost Contributed</b>	<b>Obligation</b>
2014	\$ 1,140,412	59.5%	\$ 6,396,183
2015	1,260,869	67.8%	6,802,003
2016	1,415,068	90.1%	6,941,641

**Fund Status and Funding Progress.** As of December 31, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$15,002,074. The covered payroll (annual payroll of active employees covered by the plan) was \$24,959,068, and the ratio of the UAAL to the covered payroll was 60.1%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan position is increasing or decreasing, over time, relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value position, consistent with the long-term perspective of the calculations.

In the December 31, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and a pre-Medicare trend rate of 7.75% to 5.00% annually. The rates included a 3.00% inflation assumption. The actuarial value of position, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015 was 30 years.

As of June 30, 2016 management had not decided on the funding options for this outstanding obligation; therefore, OPEB will continue to be funded on a pay-as-you-go basis going into the next fiscal year. Management will continue their efforts to find a way to fund the annual required contribution while maintaining the level of service as prioritized by the County Board of Commissioners.

### **Landfill Closure and Post-Closure Care Costs**

Federal and State laws and regulations require the County to place a final cover on its landfills when they stop accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Current federal and State regulations required all unlined landfills to stop accepting waste by January 1, 1998. Although certain 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.

The \$11,086,978 reported as landfill post-closure care liability at June 30, 2016 represents the cumulative amount reported at that date for costs yet to be incurred. The County will recognize the remaining estimated cost of post-closure care as incurred. These amounts are based on what it would cost to perform all post-closure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of the local government financial test that is one option under State and federal laws and regulations that help determine if a unit is financially able to meet closure and post closure care requirements.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Deferred Outflows and Inflows of Resources

The balances in deferred outflows and inflows of resources at year-end are composed of the following elements:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pensions - difference between projected and actual experience:		
LGERS	\$ -	\$ 535,953
Register of Deeds	760	2,572
Pensions - difference between projected and actual investment earnings	7,705	649,135
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	52,349	32,228
Contributions to pension plan subsequent to measurement date	2,113,407	-
Prepaid taxes not year earned (General)	-	122,497
Prepaid taxes not year earned (Fire District)	-	1,994
Taxes receivable, net less penalties (General)	-	1,741,658
Taxes receivable, net less penalties (Special Revenue)	-	46,205
Other receivable (General Fund)	-	586,385
Total	<u>\$ 2,174,221</u>	<u>\$ 3,718,627</u>

### Risk Management

In accordance with G.S. 159-29, the County's employees that have access to \$100 or more at any given time of the County's funds that are performance bonded through a commercial surety bond. The Finance Director and Tax Collector are bonded for \$200,000 and \$1,000,000, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of position; errors and omissions; injuries to employees; and natural disasters. The County is self-funded for property and liability claims up to a maximum of \$350,000 per occurrence and purchases coverage up to statutory limits through Genesis Insurance Company, which is wholly owned subsidiary of General Reinsurance Corporation. Both companies are rated A++ by A.M. Best and AA+ by Standard & Poor's. Cleveland County contacts with Guilford City/County Insurance Advisory Committee as an independent 3<sup>rd</sup> party administrator for property and liability consultation.

The County does not carry flood insurance. County offices are not located in a flood plain; therefore, flood insurance is not deemed necessary.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The County is self-funded for workers' compensation claims up to a maximum of \$600,000 per claim and purchases coverage up to statutory limits through Safety National Casualty Corporation. Cleveland County contacts with Guilford City/County Insurance Advisory Committee as an independent 3<sup>rd</sup> party administrator for workers compensation. The estimated liability for outstanding losses includes \$315,078 for incurred but unpaid claims as of June 30, 2016.

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. The County contributes up to \$1,000 per employee as part of a HSA plan. A stop-loss insurance contract executed with an insurance carrier covers claims in excess of \$125,000 per person. The estimated liability for outstanding losses includes \$487,119 for incurred but unrecorded claims as of June 30, 2016. The County has contracted with a private insurer (BCBS) 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. Employees are reimbursed each month.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR's).

Changes in the balances of claims liabilities for health insurance during the past fiscal year are as follows:

	Year Ended	
	June 30	
	2015	2016
Health	\$ 481,259	\$ 487,119
Workers compensation	288,334	315,078
	<u>\$ 769,593</u>	<u>\$ 802,197</u>

Claims typically have been liquidated in the General Fund and the Solid Waste Fund.

### Claims and Judgments

At June 30, 2016, 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.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### Long-Term Obligations

#### 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.

For Cleveland County, 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 via a bargain purchase option.

These payments are recorded as debt service expenditures in the General Fund.

At June 30, 2016, the present value of future minimum lease payments for equipment leased by the County was:

<b>Year Ending</b>	<b>Principal</b>
<b>June 30</b>	
2017	\$ 11,573
Total minimum lease payments	11,573
Less: amount representing interest	478
Present value of the minimum lease payments	<u>\$ 11,095</u>

#### Installment Financing Contracts

The County has entered into a contract agreement 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 the project and other related projects. The County's portion of that original principal debt is \$634,599. When due, principle and interest payments are appropriated in the County's Debt Service Fund. The face value of the outstanding obligations is recorded in the Government-Wide Statement of Net Position.

#### Contractual Obligations

\$12,255,000 - City of Shelby Enterprise System Revenue Bonds, Series 2004;  
due in annual installments ranging from \$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 is  
payable at 5% and are due to the City of Shelby

\$ 417,295

**CLEVELAND COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

Annual debt service requirements to maturity for the County's contractual obligations are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 23,311	\$ 9,566
2018	23,877	9,000
2019	24,443	8,434
2020	25,009	7,868
2021	25,575	7,302
2022-2026	136,365	28,020
2027-2029	158,715	14,382
<b>Total</b>	<b>\$ 417,295</b>	<b>\$ 84,572</b>

**Installment Purchases**

The County has entered into 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 are appropriated in the County's Debt Service Fund. The face value of the outstanding loans is recorded in the Government-Wide Statement of Net Position, along with any accrued interest payable at year-end.

**Installment Financing**

\$6,000,000 - Public Safety Communication Equipment, Series 2007; due in annual installments of \$400,000 through December 2022; interest payable BB&T at 3.93% from 2007-2010; 3.46% 2011-2013; 2.27% 2014-2022	\$ 2,800,000
\$6,720,000 - Detention Center Annex Expansion Project, Series 2009; due in semi annual installments of \$224,000 through April 2024. interest payable to BB&T at 3.57% through 2012; and 2.39% through 2024	3,584,000
\$17,528,950 - Community College Building Project, Series 2010 C & D. due in semi-annual installments of \$586,098 through September 2025; interest payable at 4.91%; These are American Recovery Zone Bonds and interest payments are partially subsidized by the federal government; payments are due to BB&T	<u>11,135,868</u>
<b>Total installment financing issued</b>	<b><u>\$ 17,519,868</u></b>

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Annual debt service requirements to maturity for the County's contractual obligations are as follows:

<b>Year Ending</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 2,020,197	\$ 756,429
2018	2,020,197	679,079
2019	2,020,197	601,730
2020	2,020,197	524,381
2021	2,020,197	447,032
2022-2026	<u>7,418,884</u>	<u>731,354</u>
Total	<u>\$ 17,519,868</u>	<u>\$ 3,740,005</u>

### General Obligation and Limited Obligation Indebtedness

As authorized by State law [G.S.160A-20 and 153A-158.1], the County has financed various property acquisitions for use by the Cleveland County Public School by installment purchase. The installment purchase was issued pursuant to a deed of trust that requires legal title remain with the County as long as the debt is outstanding.

All general obligation indebtedness that is serviced by the County are collateralized by the full faith credit and taxing power of the County. In 1998, the County issued general obligation bonds for capital expansion at Cleveland Community College. 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 above. The debt is serviced out of the County's debt service fund and the face amount of principal is recorded in the Government-Wide Statement of Net Position.

**CLEVELAND COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Governmental Activities:**

**General Obligation & Limited Obligation Bonds**

\$3,100,000 - Community College Bonds, Series 1998 General Obligation Bonds; due in annual installments ranging from \$100,000 to \$250,000 through June 1, 2017; Interest is payable semi-annually at rates ranging from 4.6% to 4.7%

\$ 100,000

\$22,000,000 - Shelby Middle School, Series 2010 A & B Limited Obligation Bonds; due in semi-annual installments ranging from \$1,080,000 to \$1,140,000 through March 2030; Interest is payable semi-annually ranging from 4.49% to 6.07%; These are Build America Bonds and interest payments are partially subsidized by federal government; payments are due to Wells Fargo

15,505,000

Total General Obligation and Limited Obligation Bonds

\$ 15,605,000

Annual debt service for the County's general and limited obligation bonds to maturity at June 30, 2016 are:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>
<b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2017	<u>\$ 100,000</u>	<u>\$ 4,700</u>

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>
<b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2017	\$ 1,085,000	\$ 827,159
2018	1,085,000	783,542
2019	1,085,000	736,670
2020	1,085,000	688,170
2021	1,085,000	638,043
2022-2026	5,685,000	2,300,657
2027-2030	<u>4,395,000</u>	<u>659,654</u>
Total	<u>\$ 15,505,000</u>	<u>\$ 6,633,893</u>

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

**Debt Related to Capital Activities** - Of the total governmental activities debt listed only \$6,812,390 relates to assets the County holds title. The County has no unspent debt proceeds or restricted cash from debt issuance.

A summary of changes in long-term debt follows:

### Long-Term Obligation Activity

	<u>Balance</u> <u>July 01, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 350,000	\$ -	\$ (250,000)	\$ 100,000	\$ 100,000
Limited obligation bonds	16,590,000	-	(1,085,000)	15,505,000	1,085,000
Installment contracts	19,540,065	-	(2,020,197)	17,519,868	2,020,197
Contractual obligations	440,597	-	(23,302)	417,295	23,311
Capital leases	21,887	-	(10,792)	11,095	11,095
Compensated absences	4,049,292	4,261,780	(4,058,594)	4,252,478	425,248
Other post-employment benefits	6,244,771	1,344,314	(1,211,659)	6,377,426	-
Net pension liability (LGERS)	-	2,188,894	-	2,188,894	-
Pension benefit obligations (LEO)	571,498	225,773	(155,702)	641,569	-
Total governmental activities	<u>\$ 47,808,110</u>	<u>\$ 8,020,761</u>	<u>\$ (8,815,246)</u>	<u>\$ 47,013,625</u>	<u>\$ 3,664,851</u>
<b>Business-Type Activities:</b>					
Accrued landfill closure and post-closure care cost	\$ 10,982,465	\$ 104,513	\$ -	\$ 11,086,978	\$ -
Other post-employment benefits	557,232	70,754	(63,771)	564,215	-
Net pension liability (LGERS)	-	91,204	-	91,204	-
Compensated absences	188,382	153,789	(232,376)	109,795	10,609
Total business-type activities	<u>\$ 11,728,079</u>	<u>\$ 420,260</u>	<u>\$ (296,147)</u>	<u>\$ 11,852,192</u>	<u>\$ 10,609</u>

At June 30, 2016, the County had no bonds authorized, but unissued, and a legal debt margin of \$624,622,580.

Compensated absences, net pension obligation, and other post-employment benefits, typically have been liquidated in the General Fund. Compensated absences are accounted for on a FIFO basis assuming employees are taking time as it is earned.

# **CLEVELAND COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

### **Conduit Debt Obligations**

Cleveland County Industrial Facility and Pollution Control Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. The bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private business owners involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. As of June 30, 2016, there were three series of industrial revenue bonds outstanding, with an aggregate principle payable of \$19,050,000. Neither the County, Authority, State, nor any political subdivision thereof is obligated in any manner for the repayment of these bonds. Accordingly these bonds were not reported in the accompanying financial statements.

## CLEVELAND COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

#### Interfund Balances and Activity

Transfers to/from other funds at June 30, 2016 consist of the following:

	<u>Transfers</u>		<u>Purpose</u>
	<u>From</u>	<u>To</u>	
General Fund	\$ 511,942	\$ -	
Emergency Telephone System Fund (E-911)		511,942	Payback of Capital Expense
Emergency Telephone System Fund (E-911)	75,360		
General Fund		75,360	Implemental Functions
Solid waste	183,840		
General Fund		183,840	Cover workers compensation claims
General Fund	6,290,229		
Health Department Capital Project Fund		6,290,229	Fund capital expansion
Foothills Commerce Center - West Shelby	171,433		
Capital Reserve Fund		171,433	Fund capital expansion
General Fund	2,052,146		Fund capital improvements
Capital Reserve Fund		2,052,146	
Capital Reserve Fund	1,982,159		
General Capital Projects Fund		1,643,829	Fund capital expansion
Cleveland County Public Shooting Range		338,330	Fund capital expansion
School Capital Reserve	3,506,029		
Debt Service Fund		2,106,029	School debt service
General Fund		1,400,000	Capital Allotment
General Fund	1,348,255		
Debt service		1,348,255	Debt Service
Solid waste	248,480		
General Fund		112,971	Environmental health expense
General Fund - animal control		35,509	Environmental health expense
General Fund - health admin		100,000	Environmental health expense
Solid waste	410,881		Fund Solid Waste Expansion
Solid waste cell construction			
Capital Project Fund	-	410,881	
Total	<u>\$ 16,780,754</u>	<u>\$ 16,780,754</u>	

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### **3. Joint Ventures**

The County, in conjunction with the State of North Carolina and Cleveland County Board of Education, participates in a joint venture to operate Cleveland Community College ("Community College"). Each of the three participants appoints four members of the 13-member Board of Trustees of the Community College. The President of the Community College's student government association serves as a non-voting, ex-officio member of the Board of Trustees. The Community College is included as a component unit of the State. 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. In addition to providing annual appropriations for facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. 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 \$1,954,872 to the Community College for operational expenses and \$230,000 for capital expenditures during the fiscal year ended June 30, 2016. In addition, the County made debt service payments of \$1,533,548, including interest, during the year ended June 30, 2016, on general obligation bonds and certificates of participation (COPs) issued for the Community College facilities. 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 at June 30, 2016. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at Blue Ridge Community College, Flat Rock, North Carolina.

### **4. 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 the commission to coordinate various funding received from federal and State agencies. Each participating member appoints one member to IPDC's governing board. The County paid membership fees of \$18,614 during the fiscal year ended June 30, 2016.

### **5. Summary Disclosure of Significant Commitments and Contingencies**

#### **Federal and State-Assisted Programs**

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

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 6. 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 eligibility determinations that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients, which do not appear in the basic financial statements, because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Temporary Assistance to Needy Families	\$ 754,855	\$ -
Medicaid	116,838,483	63,185,902
WIC	2,080,958	-
CHIP	1,864,791	101,571
Foster Care	930,054	231,689
Adoption Assistance	793,819	206,073
Low Income Energy Assistance	774,286	-
Family Support Payments to States	(415)	(114)
Chafee Foster Care Independence Program	9,010	-
State/County Special Assistance for Adults	-	<u>1,001,891</u>
Total	<u>\$ 124,045,841</u>	<u>\$ 64,727,012</u>

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## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

This section contains additional information required by generally accepted accounting principles.

- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Funding Progress for Other-Post Employment Benefits – Retiree Health Plan
- Schedule of Employee Contributions for Other-Post-Employment Benefits – Retiree Health Plan
- Notes to the Required Schedules for Other-Post Employment Benefits – Retiree Health Plan
- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Asset for Register of Deeds Supplemental Pension Fund
- Schedule of Contributions to Register of Deeds' Supplemental Pension Fund

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## CLEVELAND COUNTY, NORTH CAROLINA

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)		Funded Ratio (A/B)	Unfunded AAL (UAAL) (B-A)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
		Projected Unit Credit (B)					
12/31/2015	\$ -	\$ 2,454,014		0.00%	\$ 2,454,014	\$ 4,568,949	53.71%
12/31/2014	-	1,865,857		0.00%	1,865,857	3,985,009	46.82%
12/31/2013	-	1,797,860		0.00%	1,797,860	3,597,388	49.98%
12/31/2012	-	1,866,906		0.00%	1,866,906	3,639,140	51.30%
12/31/2011	-	1,546,105		0.00%	1,546,105	3,336,824	46.33%

**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar closed
Remaining amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	3.57%
Projected salary increases	3.50 - 7.35%
Includes inflation at	3.00%
Cost of living adjustments	None

## CLEVELAND COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR YEAR ENDED JUNE 30, 2016

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)		Funded Ratio (A/B)	Unfunded AAL (UAAL) (B-A)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
		Projected Unit Credit (B)					
12/31/2015	\$ -	\$ 15,002,074		0.00%	\$ 15,002,074	\$ 24,959,068	60.1%
12/31/2013	-	15,565,951		0.00%	15,565,951	27,113,877	57.4%
12/31/2012	-	13,359,447		0.00%	13,359,447	28,517,138	46.8%
12/31/2009	-	12,573,640		0.00%	12,573,640	29,006,642	43.3%
12/31/2008	-	14,221,353		0.00%	14,221,353	28,974,060	49.1%

## Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution (ARC)		Percentage Contributed
2016	\$	1,521,220	83.8%
2015		1,249,436	68.4%
2014		1,129,804	60.1%
2013		1,129,804	11.1%
2012		1,377,628	10.3%

## Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2015
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount, open
Remaining amortization period	30 years
Amortization Factor	17.9837
Asset valuation method	Market value of assets
Actuarial assumptions:	
Investment rate of return*	4.00%
Pre-Medicare trend rates	7.75% - 5.00%
Year of ultimate trend rate	2022

\* Includes inflation at 3.00%

## CLEVELAND COUNTY, NORTH CAROLINA

CLEVELAND COUNTY'S PROPORTIONATE SHARE  
 OF NET PENSION LIABILITY (ASSET)  
 REQUIRED SUPPLEMENTARY INFORMATION  
 LAST THREE FISCAL YEARS\*

<b>Local Government Employees' Retirement System</b>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cleveland County's proportion of the net pension liability (asset) (%)	0.508%	0.505%	0.51%
Cleveland County's proportion of the net pension liability (asset) (\$)	\$ 2,280,098	\$ (2,980,225)	\$ 6,170,361
Cleveland County's covered-employee payroll	\$ 32,420,724	\$ 28,823,692	\$ 28,450,403
Cleveland County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.03%	( 10.34%)	21.69%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

**CLEVELAND COUNTY, NORTH CAROLINA**

**CLEVELAND COUNTY'S SCHEDULE OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST THREE FISCAL YEARS**

**Local Government Employees' Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,108,026	\$ 2,119,306	\$ 2,032,123
Contributions in relation to the contractually required contribution	<u>2,108,026</u>	<u>2,119,306</u>	<u>2,032,123</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cleveland County's covered-employee payroll	\$ 31,210,450	\$ 32,420,724	\$ 28,823,692
Contributions as a percentage of covered-employee payroll	6.75%	6.54%	7.05%

**CLEVELAND COUNTY, NORTH CAROLINA****CLEVELAND COUNTY'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST THREE FISCAL YEARS\***

<b>Registers of Deeds' Supplemental Pension Fund</b>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cleveland County's proportion of the net pension liability (asset) (%)	0.670%	0.640%	0.70%
Cleveland County's proportion of the net pension liability (asset) (\$)	\$ (155,349)	\$ (144,972)	\$ (130,260)
Cleveland County's covered-employee payroll	\$ 71,130	\$ 69,732	\$ 68,364
Cleveland County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	218.40%	203.81%	186.80%
Plan fiduciary net position as a percentage of the total pension liability**	197.29%	193.88%	190.50%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the ROD plan.

**CLEVELAND COUNTY, NORTH CAROLIAN0****CLEVELAND COUNTY'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST THREE FISCAL YEARS****Registers of Deeds' Supplemental Pension Fund**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,381	\$ 5,364	\$ 5,222
Contributions in relation to the contractually required contribution	<u>5,381</u>	<u>5,364</u>	<u>5,222</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cleveland County's covered-employee payroll	\$ 53,328	\$ 71,130	\$ 69,732
Contributions as a percentage of covered-employee payroll	10.09%	7.54%	7.49%

**SUPPLEMENTARY INFORMATION**

**COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

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## **The General Fund**

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

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CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
<b>Revenues:</b>				
<b>Ad Valorem Taxes:</b>				
Taxes - general fund		\$ 46,653,743		\$ 46,052,885
Taxes - public schools		11,469,653		11,626,877
Penalties, interest, and advertising		398,328		513,458
Total	\$ 59,146,637	58,521,724	\$ (624,913)	58,193,220
<b>Other Taxes:</b>				
Local option sales tax		9,654,376		9,406,007
Local option sales tax - schools		3,356,857		3,266,489
Other taxes		679,348		561,188
Total	13,537,671	13,690,581	152,910	13,233,684
<b>Unrestricted Intergovernmental Revenues:</b>				
Payment in lieu of taxes	-	-		-
Total	11,000	-	(11,000)	-
<b>Restricted Intergovernmental Revenues:</b>				
Federal and State grants		971,022		1,932,793
DSS grants		15,850,240		17,367,078
Health dept grants		7,885,836		6,387,491
Total	26,142,316	24,707,098	(1,435,218)	25,687,362
<b>Permits and Fees:</b>				
Register of Deeds		400,412		399,080
Carolina health care rent		3,040,768		3,032,893
Other permits and fees		880,528		786,710
Total	4,280,350	4,321,708	41,358	4,218,683
<b>Sales and Services:</b>				
Rents - Legrand		607,599		623,352
EMS fees		2,112,639		2,159,102
Sherriff fees		279,251		246,636
Shooting complex fees		27,887		-
Health department fees		606,166		605,288
Ambulance fees		719,915		659,272
Court facility fees		143,671		139,910
Insurance fees		1,031,288		672,645
Wellness center fees		95,217		100,244
Other county fees		619,840		602,463
Total	6,005,163	6,243,473	238,310	5,808,912
<b>Investment Earnings</b>				
	129,800	253,733	123,933	158,983
<b>Miscellaneous:</b>				
Sale of materials		40,542		21,407
Other		639,699		513,971
Total	719,472	680,241	(39,231)	535,378
Total revenues	109,972,409	108,418,558	(1,553,851)	107,836,222

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Governing Body:</b>				
Salaries and employee benefits		113,604		100,951
Operating expenditures		242,796		208,947
Total	450,479	356,400	94,079	309,898
<b>Administration:</b>				
Salaries and employee benefits		720,082		436,214
Operating expenditures		104,827		98,219
Capital outlay		509		3,138
Total	881,964	825,418	56,546	537,571
<b>Elections:</b>				
Salaries and employee benefits		277,080		255,753
Operating expenditures		154,631		139,221
Capital outlay		-		47,474
Total	464,636	431,711	32,925	442,448
<b>Finance:</b>				
Salaries and employee benefits		626,006		605,026
Operating expenditures		84,097		82,910
Capital outlay		2,662		-
Total	717,967	712,765	5,202	687,936
<b>Taxes:</b>				
Salaries and employee benefits		1,175,839		1,087,390
Operating expenditures		181,253		240,457
Total	1,458,101	1,357,092	101,009	1,327,847
<b>Legal:</b>				
Contracted services		83,447		72,658
Capital outlay - foreclosure		174		71
Total	84,427	83,621	806	72,729
<b>Register of Deeds:</b>				
Salaries and employee benefits		358,225		338,333
Operating expenditures		64,595		132,423
Capital outlay		875		-
Total	433,794	423,695	10,099	470,756
<b>Human Resources:</b>				
Salaries and employee benefits		439,386		366,094
Operating expenditures		32,352		21,672
Capital outlay		-		1,837
Total	481,089	471,738	9,351	389,603
<b>Facilities Maintenance:</b>				
Salaries and employee benefits		415,334		356,787
Operating expenditures		1,032,615		1,182,772
Capital outlay		138,505		102,230
Total	1,601,252	1,586,454	14,798	1,641,789

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
<b>Court Facilities:</b>				
Salaries and employee benefits		102,846		102,514
Operating expenditures		263,753		261,749
Total	370,700	366,599	4,101	364,263
<b>Information Technology:</b>				
Salaries and employee benefits		587,567		528,126
Operating expenditures		181,373		161,342
Capital outlay		20,961		61,485
Total	794,087	789,901	4,186	750,953
<b>Municipal Elections:</b>				
Salaries and employee benefits		41,930		-
Operating expenditures		49,622		-
Total	119,908	91,552	28,356	-
<b>Pass-Thru Grants:</b>				
Operating expenditures	404,844	270,423	134,421	209,773
<b>Wellness Clinic:</b>				
Salaries and employee benefits		611,945		339,135
Operating expenditures		415,941		362,765
Total	1,037,497	1,027,886	9,611	701,900
<b>Communities in Schools:</b>				
Operating expenditures	145,608	145,608	-	149,254
<b>Historic Courthouse:</b>				
Operating expenditures	91,900	91,212	688	92,549
Total general government	9,538,253	9,032,075	506,178	8,149,269
<b>Public Safety:</b>				
<b>Sheriff and Communications:</b>				
Salaries and employee benefits		6,086,366		5,574,509
Operating expenditures		760,406		874,443
Capital outlay		430,522		471,183
Total	7,345,396	7,277,294	68,102	6,920,135
<b>School Resource Officers:</b>				
Salaries and employee benefits		415,426		391,113
Operating expenditures		29,597		30,185
Total	451,789	445,023	6,766	421,298
<b>Jail:</b>				
Salaries and employee benefits		3,234,217		3,003,668
Operating expenditures		1,206,133		1,164,403
Capital outlay		53,155		36,849
Total	4,635,033	4,493,505	141,528	4,204,920

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
<b>Emergency Management:</b>				
Salaries and employee benefits		225,624		223,912
Operating expenditures		113,521		83,205
Capital outlay		47,923		76,957
Total	441,828	387,068	54,760	384,074
<b>Emergency Communication:</b>				
Salaries and employee benefits		1,087,382		955,926
Operating expenditures		19,304		34,375
Capital outlay		-		377,742
Total	1,127,273	1,106,686	20,587	1,368,043
<b>Electronic Maintenance:</b>				
Salaries and employee benefits		287,351		268,302
Operating expenditures		131,359		99,525
Capital outlay		26,965		9,270
Total	491,350	445,675	45,675	377,097
<b>Inspections:</b>				
Salaries and employee benefits		433,107		397,145
Operating expenditures		24,801		31,294
Capital outlay		-		23,644
Total	487,683	457,908	29,775	452,083
<b>Coroner:</b>				
Salaries and employee benefits		25,634		27,663
Operating expenditures		118,983		65,098
Total	145,045	144,617	428	92,761
<b>HAZ-MAT Control:</b>				
Operating expenditures		9,859		23,096
Total	19,915	9,859	10,056	23,096
<b>Public Shooting Range:</b>				
Salaries and employee benefits		62,620		109,742
Operating expenditures		151,824		19,514
Capital outlay		29,015		-
Total	201,809	243,459	(41,650)	129,256
<b>Emergency Medical Services:</b>				
Salaries and employee benefits		4,762,009		4,551,356
Operating expenditures		932,994		990,902
Capital outlay		394,981		615,182
Total	6,135,088	6,089,984	45,104	6,157,440
<b>Rescue Squad:</b>				
Operating expenditures	27,983	27,832	151	39,413
<b>Federal/State Forfeited Property:</b>				
Operating expenditures		39,670		32,842
Capital outlay		240,328		53,658
Total	303,024	279,998	23,026	86,500
Total public safety	21,813,216	21,408,908	404,308	20,656,116

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
<b>Environmental Protection:</b>				
<b>Soil and Water Conservation:</b>				
Salaries and employee benefits		91,692		81,611
Operating expenditures		83,333		17,452
Capital outlay		1,825		-
Total	183,343	176,850	6,493	99,063
<b>Forestry Service:</b>				
Operating expenditures	87,497	64,968	22,529	60,096
Total environmental protection	270,840	241,818	29,022	159,159
<b>Economic and Physical Development:</b>				
<b>Planning:</b>				
Salaries and employee benefits		317,832		303,015
Operating expenditures		76,958		58,323
Total	394,841	394,790	51	361,338
<b>LeGrand Center:</b>				
Salaries and employee benefits		340,131		295,821
Operating expenditures		763,685		754,306
Capital outlay		9,852		5,473
Total	1,127,143	1,113,668	13,475	1,055,600
<b>Economic Development:</b>				
Salaries and employee benefits		180,022		179,407
Operating expenditures		3,507,450		2,855,299
Capital outlay		733,772		127,580
Total	5,315,070	4,421,244	893,826	3,162,286
<b>Cooperative Extension:</b>				
Salaries and employee benefits		203,393		215,425
Operating expenditures		42,058		57,164
Capital outlay		2,472		10,145
Total	334,401	247,923	86,478	282,734
<b>Transportation Admin:</b>				
Operating expenditures		246,385		214,899
Total	246,385	246,385	-	214,899
Total economic and physical development	7,417,840	6,424,010	993,830	5,076,857
<b>Human Services:</b>				
<b>Health:</b>				
<b>General and Administration:</b>				
Salaries and employee benefits		924,840		880,138
Operating expenditures		973,114		777,214
Capital outlay		17,657		-
Total	1,915,816	1,915,611	205	1,657,352

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
<b>Public Health:</b>				
Salaries and employee benefits		480,436		474,961
Operating expenditures		332,192		232,719
Capital outlay		91,396		-
Total	929,123	904,024	25,099	707,680
<b>AIDS Grant:</b>				
Salaries and employee benefits		66,417		52,381
Operating expenditures		9,120		851
Total	75,783	75,537	246	53,232
<b>Tuberculosis Clinic:</b>				
Salaries and employee benefits		160,838		153,150
Operating expenditures		35,479		28,395
Total	196,324	196,317	7	181,545
<b>School Health:</b>				
Salaries and employee benefits		1,233,599		1,213,747
Operating expenditures		80,917		62,338
Total	1,343,118	1,314,516	28,602	1,276,085
<b>Health Promotions:</b>				
Salaries and employee benefits		66,043		62,872
Operating expenditures		19,652		62,302
Total	88,679	85,695	2,984	125,174
<b>Maternal Health:</b>				
Salaries and employee benefits		1,109,481		1,330,077
Operating expenditures		73,736		54,477
Total	1,195,203	1,183,217	11,986	1,384,554
<b>Family Planning:</b>				
Salaries and employee benefits		795,290		794,458
Operating expenditures		107,162		128,735
Total	950,870	902,452	48,418	923,193
<b>Adolescent Pregnancy Prevention</b>				
Salaries and employee benefits		44,801		-
Operating expenditures		25,035		-
Total	75,990	69,836	6,154	-
<b>Child Health:</b>				
Salaries and employee benefits		528,913		490,975
Operating expenditures		29,506		66,391
Capital outlay		22,947		-
Total	613,062	581,366	31,696	557,366
<b>WIC:</b>				
Salaries and employee benefits		405,086		439,940
Operating expenditures		133,882		116,524
Total	595,545	538,968	56,577	556,464

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
<b>Animal/Rabies Control:</b>				
Salaries and employee benefits		629,714		566,607
Operating expenditures		164,431		186,698
Capital outlay		5,500		142,434
Total	835,077	799,645	35,432	895,739
<b>Health Department Grants:</b>				
Salaries and employee benefits		106,909		85,172
Operating expenditures		37,171		53,682
Total	144,428	144,080	348	138,854
<b>Dental Clinic:</b>				
Salaries and employee benefits		219,934		200,655
Operating expenditures		87,600		95,458
Capital Outlay		92,543		-
Total	463,104	400,077	63,027	296,113
<b>Nurse Family Partnerships:</b>				
Salaries and employee benefits		275,213		350,987
Operating expenditures		59,431		55,359
Total	478,734	334,644	144,090	406,346
<b>Carolina Access II</b>				
Salaries and employee benefits		1,782,714		1,607,125
Operating expenditures		341,012		425,456
Total	2,627,762	2,123,726	504,036	2,032,581
<b>CC4C PCM</b>				
Salaries and employee benefits		472,400		399,363
Operating expenditures		38,113		34,945
Total	820,349	510,513	309,836	434,308
<b>CODAP</b>				
Salaries and employee benefits		191,213		124,073
Operating expenditures		97,382		72,345
Total	399,196	288,595	110,601	196,418
<b>Environmental Health:</b>				
Salaries and employee benefits		635,775		597,269
Operating expenditures		48,181		55,643
Total	716,707	683,956	32,751	652,912
<b>Veteran Services:</b>				
Salaries and employee benefits		79,992		92,033
Operating expenditures		5,323		3,834
Total	94,951	85,315	9,636	95,867
Total public health	14,559,821	13,138,090	1,421,731	12,571,783
<b>Social Services:</b>				
<b>Mental Health:</b>				
Operating expenditures		447,369		172,692
Total	531,427	447,369	84,058	172,692

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
<b>Administration:</b>				
Salaries and employee benefits		1,132,192		1,025,012
Operating expenditures		622,258		634,839
Capital outlay		190,451		92,070
Total	2,099,566	1,944,901	154,665	1,751,921
<b>Smart Start:</b>				
Operating expenditures		4,632,406		4,933,036
Total	6,233,054	4,632,406	1,600,648	4,933,036
<b>TANF Program :</b>				
Salaries and benefits		4,794,315		4,528,057
County participation only		518,591		465,144
Total	5,448,597	5,312,906	135,691	4,993,201
<b>Income Maintenance Program:</b>				
Salaries and employee benefits		4,682,788		4,416,400
Operating expenditures		256,388		410,478
Total	5,334,455	4,939,176	395,279	4,826,878
<b>Special Assistance:</b>				
Special Assistance:	52,775	52,623	152	47,507
<b>Foster Care:</b>				
Salaries and employee benefits		1,192,813		1,136,241
Operating expenditures		7,397		3,336
Total	1,232,356	1,200,210	32,146	1,139,577
<b>Smart Start:</b>				
Salaries and employer benefits		97,117	(97,117)	91,754
Total	97,316	97,117	199	91,754
<b>Other Assistance:</b>				
Operating expenditures	5,231,858	4,640,644	591,214	4,743,935
Total social services	26,261,404	23,267,352	2,994,052	22,700,501
<b>Council on Aging:</b>				
Operating expenditures	510,337	205,171	305,166	191,535
Total human services	41,331,562	36,610,613	4,720,949	35,463,819
<b>Cultural and Recreational:</b>				
<b>Library:</b>				
Salaries and employee benefits		776,842		734,863
Operating expenditures		343,251		383,868
Capital outlay		95,163		95,717
Total	1,343,091	1,215,256	127,835	1,214,448
<b>Parks and Recreation:</b>				
Operating expenditures		106,378		115,826
Capital outlay		10,787		-
Total	121,975	117,165	4,810	115,826
Total cultural and recreational	1,465,066	1,332,421	132,645	1,330,274

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
<b>Intergovernmental:</b>				
Education:				
Public schools - current expense		25,341,553		24,073,709
Public schools - operational expense		90,198		89,947
Public schools - capital expense		2,700,000		2,400,000
Community colleges - capital expense		2,038,690		1,841,101
Total education	30,349,677	30,170,441	179,236	28,404,757
<b>Debt Service:</b>				
Capital lease principal	45,000	10,792		11,985
Capital lease interest	5,000	433		734
Total debt service	50,000	11,225	38,775	12,719
<b>Risk Management:</b>				
Operating expenditures	1,242,885	667,534	575,351	527,358
Total expenditures	113,479,339	105,899,045	7,580,294	99,780,328
Revenues over (under) expenditures	(3,506,930)	2,519,513	6,026,443	8,055,894
<b>Other Financing Sources (Uses):</b>				
Transfers in	16,778,277	14,517,254	(2,261,023)	13,765,022
Transfers out	(28,012,874)	(22,812,146)	5,200,728	(26,591,903)
Appropriated fund balance	14,741,527	-	(14,741,527)	-
Total other financing sources (uses)	3,506,930	(8,294,892)	(11,801,822)	(12,826,881)
Net changes in fund balance	\$ -	(5,775,379)	\$ (5,775,379)	(4,770,987)
<b>Fund Balance:</b>				
Beginning of year - July 1		44,286,066		49,057,053
End of year - June 30		\$ 38,510,687		\$ 44,286,066

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## **Major Capital Project Funds**

**New Health Department Capital Project Fund** - accounts for the progress and construction of new County Health Department.

**School Capital Reserve Fund** - accounts for local funds and financing proceeds used to fund school construction projects.

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## CLEVELAND COUNTY, NORTH CAROLINA

CLEVELAND COUNTY NEW HEALTH DEPARTMENT CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Expenditures:</b>				
Capital outlay:				
Human services	\$ 19,507,328	\$ 12,565,733	\$ 6,290,229	\$ 18,855,962
Total expenditures	<u>19,507,328</u>	<u>12,565,733</u>	<u>6,290,229</u>	<u>18,855,962</u>
Revenues over (under) expenditures	<u>(19,507,328)</u>	<u>(12,565,733)</u>	<u>(6,290,229)</u>	<u>(18,855,962)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	<u>19,507,328</u>	<u>12,565,733</u>	<u>6,290,229</u>	<u>18,855,962</u>
Total other financing sources (uses)	<u>19,507,328</u>	<u>12,565,733</u>	<u>6,290,229</u>	<u>18,855,962</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

## CLEVELAND COUNTY, NORTH CAROLINA

**SCHOOL CAPITAL RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Restricted intergovernmental	\$ 1,406,100	\$ 1,593,900	\$ 187,800	\$ 1,595,639
Local option sales taxes	2,023,986	3,101,677	1,077,691	3,006,415
Investment earnings	18,900	19,799	899	13,108
Total revenues	<u>3,448,986</u>	<u>4,715,376</u>	<u>1,266,390</u>	<u>4,615,162</u>
Revenues over (under) expenditures	<u>3,448,986</u>	<u>4,715,376</u>	<u>1,266,390</u>	<u>4,615,162</u>
Transfers to:				
General Fund (Schools)	(1,471,230)	(1,400,000)	71,230	(1,100,001)
Debt Service Fund	(2,200,000)	(2,106,029)	93,971	(2,083,567)
Appropriated fund balance	222,244	-	(222,244)	-
Total other financing sources (uses)	<u>(3,448,986)</u>	<u>(3,506,029)</u>	<u>(57,043)</u>	<u>(3,183,568)</u>
Net change in fund balance	<u>\$ -</u>	<u>1,209,347</u>	<u>\$ 1,209,347</u>	<u>1,431,594</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>5,584,663</u>		<u>4,153,069</u>
End of year - June 30		<u>\$ 6,794,010</u>		<u>\$ 5,584,663</u>

## **Nonmajor Governmental Funds**

**Special Revenue Funds** – account for the proceeds of special revenue sources that are legally restricted to expenditure for specific purposes.

**Emergency Telephone Systems Fund (E-911)** – accounts for the funds received for the operation of the County’s Emergency 911 Communications Center.

**Fire Districts Fund** – accounts for the property tax revenue received and used to fund County fire operations.

**Community Development Block Grant – Seal Wire Project** – accounts for a federal grant for the purchase of equipment to incentivize economic development in the County.

**Capital Project Funds** – account for financial resources to be used for acquisition and construction for major capital facilities.

**County General Capital Projects Fund** – accounts for general capital projects within the County that are annually budgeted and financed with local dollars

**Cleveland County Public Shooting Range Capital Project Fund** – accounts for State grant dollars along with local match to finance the construction on a local public shooting range facility.

**Foothills Commerce Center – West Shelby Capital Project Fund** - accounts for the progress and construction of the foothills commerce economic development center.

**Capital Reserve Fund** – accounts for the accumulation of undedicated resources to fund future projects of the County.

**Debt Service Fund** – accounts for all expenditures for principal and interest for certain long-term debt payments.

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## CLEVELAND COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2016

	Nonmajor Governmental Funds			Totals June 30, 2016
	Special Revenue Fund	Capital Project Fund	Debt Service Fund	
<b>Assets:</b>				
Cash and investments	\$ 1,685,633	\$ 805,043	\$ 453,586	\$ 2,944,262
Accounts receivable, net	160,846	248,069	-	408,915
Taxes receivable, net	46,205	-	-	46,205
Prepaid assets	43,573	-	-	43,573
Total assets	<u>\$ 1,936,257</u>	<u>\$ 1,053,112</u>	<u>\$ 453,586</u>	<u>\$ 3,442,955</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ -	\$ 289,420	\$ -	\$ 289,420
Total liabilities	<u>-</u>	<u>289,420</u>	<u>-</u>	<u>289,420</u>
<b>Deferred Inflows of Resources:</b>				
Taxes receivable	46,205	-	-	46,205
Prepaid taxes	1,994	-	-	1,994
Total deferred inflows of resources	<u>48,199</u>	<u>-</u>	<u>-</u>	<u>48,199</u>
<b>Fund Balances:</b>				
Non-spendable				
Prepays	43,573	-	-	43,573
Restricted				
Stabilization for State statute	160,846	248,069	-	408,915
Restricted, all other	1,683,639	-	-	1,683,639
Committed	-	15,675	-	15,675
Assigned	-	499,948	453,586	953,534
Total fund balances	<u>1,888,058</u>	<u>763,692</u>	<u>453,586</u>	<u>3,105,336</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,936,257</u>	<u>\$ 1,053,112</u>	<u>\$ 453,586</u>	<u>\$ 3,442,955</u>

## CLEVELAND COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Nonmajor Governmental Funds			
	Special Revenue Funds	Capital Projects Fund	Debt Service Fund	Totals June 30, 2016
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,624,381	\$ -	\$ -	\$ 1,624,381
Local option sales taxes	769,404	-	-	769,404
Restricted intergovernmental revenues	50,600	2,013,063	1,231,021	3,294,684
Investment earnings	2,925	2,247	-	5,172
Miscellaneous	-	635,443	831,133	1,466,576
Total revenues	<u>2,447,310</u>	<u>2,650,753</u>	<u>2,062,154</u>	<u>7,160,217</u>
<b>Expenditures:</b>				
Current:				
General government	-	1,643,829	-	1,643,829
Public safety	2,053,427	-	-	2,053,427
Environmental protection	-	2,555,327	-	2,555,327
Economic and physical development	50,600	-	-	50,600
Debt service:				
Principal repayments	-	-	3,378,499	3,378,499
Interest	-	-	1,684,353	1,684,353
Total expenditures	<u>2,104,027</u>	<u>4,199,156</u>	<u>5,062,852</u>	<u>11,366,035</u>
Revenues over (under) expenditures	<u>343,283</u>	<u>(1,548,403)</u>	<u>(3,000,698)</u>	<u>(4,205,818)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from:				
General Fund	511,942	2,052,146	1,348,255	3,912,343
General Capital Reserve	-	1,982,159	-	1,982,159
School Capital Reserve	-	-	2,106,029	2,106,029
Foothills Commerce - West Shelby	-	171,433	-	171,433
Transfers to:				
Capital Project Funds	-	(2,153,592)	-	(2,153,592)
General Fund	(75,360)	-	-	(75,360)
Total other financing sources (uses)	<u>436,582</u>	<u>2,052,146</u>	<u>3,454,284</u>	<u>5,943,012</u>
Net change in fund balances	779,865	503,743	453,586	1,737,194
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>1,108,193</u>	<u>259,949</u>	<u>-</u>	<u>1,368,142</u>
End of year - June 30	<u>\$ 1,888,058</u>	<u>\$ 763,692</u>	<u>\$ 453,586</u>	<u>\$ 3,105,336</u>

## CLEVELAND COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2016

	<u>Nonmajor Special Revenue Funds</u>			
	<u>Emergency Telephone System Fund (E-911)</u>	<u>Fire Districts Fund</u>	<u>Community Development Block Grant - Seal Wire Project</u>	<u>Totals June 30, 2016</u>
<b>Assets:</b>				
Cash and investments	\$ 863,387	\$ 822,246	\$ -	\$ 1,685,633
Accounts receivable, net	27,728	133,118	-	160,846
Taxes receivable, net	-	46,205	-	46,205
Prepaid assets	<u>43,573</u>	<u>-</u>	<u>-</u>	<u>43,573</u>
Total assets	<u>\$ 934,688</u>	<u>\$ 1,001,569</u>	<u>\$ -</u>	<u>\$ 1,936,257</u>
<b>Deferred Inflows of Resources and Fund Balance:</b>				
<b>Deferred Inflows of Resources:</b>				
Taxes receivable	\$ -	\$ 46,205	\$ -	\$ 46,205
Prepaid taxes	<u>-</u>	<u>1,994</u>	<u>-</u>	<u>1,994</u>
Total deferred inflows of resources	<u>-</u>	<u>48,199</u>	<u>-</u>	<u>48,199</u>
<b>Fund Balances:</b>				
Non-spendable				
Prepays	43,573	-	-	43,573
Restricted				
Stabilization for State statute	27,728	133,118	-	160,846
Restricted, all other	<u>863,387</u>	<u>820,252</u>	<u>-</u>	<u>1,683,639</u>
Total fund balances	<u>934,688</u>	<u>953,370</u>	<u>-</u>	<u>1,888,058</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 934,688</u>	<u>\$ 1,001,569</u>	<u>\$ -</u>	<u>\$ 1,936,257</u>

## CLEVELAND COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Nonmajor Special Revenue Funds</u>			<u>Totals June 30, 2016</u>
	<u>Emergency Telephone System Fund (E-911)</u>	<u>Fire Districts Fund</u>	<u>Community Development Block Grant - Seal Wire Project</u>	
<b>Revenues:</b>				
Ad valorem taxes	\$ -	\$ 1,624,381	\$ -	\$ 1,624,381
Local option sales taxes	332,732	436,672	-	769,404
Restricted intergovernmental revenues	-	-	50,600	50,600
Investment earnings	530	2,395	-	2,925
Total revenues	<u>333,262</u>	<u>2,063,448</u>	<u>50,600</u>	<u>2,447,310</u>
<b>Expenditures:</b>				
Current:				
Public safety	227,666	1,825,761	-	2,053,427
Economic and physical development	-	-	50,600	50,600
Total expenditures	<u>227,666</u>	<u>1,825,761</u>	<u>50,600</u>	<u>2,104,027</u>
Revenues over (under) expenditures	<u>105,596</u>	<u>237,687</u>	<u>-</u>	<u>343,283</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from (to):				
General Fund	511,942	-	-	511,942
General Fund	(75,360)	-	-	(75,360)
Total other financing sources (uses)	<u>436,582</u>	<u>-</u>	<u>-</u>	<u>436,582</u>
Net change in fund balances	542,178	237,687	-	779,865
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>392,510</u>	<u>715,683</u>	<u>-</u>	<u>1,108,193</u>
End of year - June 30	<u>\$ 934,688</u>	<u>\$ 953,370</u>	<u>\$ -</u>	<u>\$ 1,888,058</u>

## CLEVELAND COUNTY, NORTH CAROLINA

**EMERGENCY TELEPHONE SYSTEM FUND (E-911)**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
User fees	\$ 309,065	\$ 332,732	\$ 23,667	\$ 323,906
Investment income	-	530	530	135
Total revenues	<u>309,065</u>	<u>333,262</u>	<u>24,197</u>	<u>324,041</u>
<b>Expenditures:</b>				
Public safety:				
Operations	234,620	165,460	69,160	233,319
Capital Expenditures	<u>68,101</u>	<u>62,206</u>	<u>5,895</u>	<u>765,628</u>
Total expenditures	<u>302,721</u>	<u>227,666</u>	<u>75,055</u>	<u>998,947</u>
Revenues over (under) expenditures	<u>6,344</u>	<u>105,596</u>	<u>99,252</u>	<u>(674,906)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out:				
To General Fund	(76,000)	(75,360)	640	(118,333)
Transfers in:				
From General Fund	-	511,942	511,942	-
Appropriated fund balance	<u>69,656</u>	<u>-</u>	<u>(69,656)</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,344)</u>	<u>436,582</u>	<u>442,926</u>	<u>(118,333)</u>
Net change in fund balance	<u>\$ -</u>	<u>542,178</u>	<u>\$ 542,178</u>	<u>(793,239)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>392,510</u>		<u>1,185,749</u>
End of year - June 30		<u>\$ 934,688</u>		<u>\$ 392,510</u>

## CLEVELAND COUNTY, NORTH CAROLINA

## FIRE DISTRICTS FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2016

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016		Variance Over/Under	2015
	Budget	Actual		Actual
<b>Revenues:</b>				
Ad valorem taxes	1,739,652	1,624,381	\$ (115,271)	1,620,324
Unrestricted intergovernmental	324,084	436,672	112,588	438,029
Investment income	-	2,395	2,395	95
Total revenues	<u>2,063,736</u>	<u>2,063,448</u>	<u>(288)</u>	<u>2,058,448</u>
<b>Expenditures:</b>				
Capital outlay:				
Public safety	<u>2,063,736</u>	<u>1,825,761</u>	<u>237,975</u>	<u>1,621,347</u>
Total expenditures	<u>2,063,736</u>	<u>1,825,761</u>	<u>237,975</u>	<u>1,621,347</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>237,687</u>	<u>\$ 237,687</u>	<u>437,101</u>
<b>Fund Balance:</b>				
Beginning of year, July 1		<u>715,683</u>		<u>278,582</u>
End of year, June 30		<u>\$ 953,370</u>		<u>\$ 715,683</u>

## CLEVELAND COUNTY, NORTH CAROLINA

COMMUNITY DEVELOPMENT BLOCK GRANT - SEAL WIRE  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>
<b>Revenues:</b>				
Restricted Intergovernmental	\$ 155,450	\$ 113,380	\$ 42,070	\$ 155,450
Local revenues	<u>8,530</u>	<u>-</u>	<u>8,530</u>	<u>8,530</u>
Total revenues	<u>163,980</u>	<u>113,380</u>	<u>50,600</u>	<u>163,980</u>
<b>Expenditures:</b>				
Administration	22,500	18,502	3,998	22,500
Equipment purchases	<u>141,480</u>	<u>94,878</u>	<u>46,602</u>	<u>141,480</u>
Total expenditures	<u>163,980</u>	<u>113,380</u>	<u>50,600</u>	<u>163,980</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

## CLEVELAND COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL CAPITAL PROJECT FUNDS  
JUNE 30, 2016

	<b>Nonmajor Capital Project Funds</b>				
	<b>County General Capital Projects Fund</b>	<b>Public Shooting Range Fund</b>	<b>Foothills Commerce Center Capital Project Fund</b>	<b>Capital Reserve Fund</b>	<b>Totals June 30, 2016</b>
<b>Assets:</b>					
Cash and investments	\$ 93,150	\$ 15,675	\$ 123,953	\$ 572,265	\$ 805,043
Accounts receivable, net	-	-	-	248,069	248,069
Total assets	<u>\$ 93,150</u>	<u>\$ 15,675</u>	<u>\$ 123,953</u>	<u>\$ 820,334</u>	<u>\$ 1,053,112</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 93,150	-	\$ 123,953	\$ 72,317	\$ 289,420
Total liabilities	<u>93,150</u>	<u>-</u>	<u>123,953</u>	<u>72,317</u>	<u>289,420</u>
<b>Fund Balances:</b>					
Stabilization for State statute	-	-	-	248,069	248,069
Committed	-	15,675	-	-	15,675
Assigned	-	-	-	499,948	499,948
Total fund balances	<u>-</u>	<u>15,675</u>	<u>-</u>	<u>748,017</u>	<u>763,692</u>
Total liabilities and fund balances	<u>\$ 93,150</u>	<u>\$ 15,675</u>	<u>\$ 123,953</u>	<u>\$ 820,334</u>	<u>\$ 1,053,112</u>

## CLEVELAND COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECT FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	Nonmajor Capital Project Funds				Totals June 30, 2016
	County General Capital Projects Fund	Public Shooting Range Fund	Foothills Commerce Center West Shelby Capital Project Fund	Capital Reserve Fund	
<b>Revenues:</b>					
Restricted intergovernmental revenues	\$ -	\$ 2,013,063	\$ -	\$ -	\$ 2,013,063
Investment earnings	-	-	-	2,247	2,247
Miscellaneous	-	-	375,367	260,076	635,443
Total revenues	-	2,013,063	375,367	262,323	2,650,753
<b>Expenditures:</b>					
Current:					
General government	1,643,829	-	-	-	1,643,829
Economic and physical development	-	2,351,393	203,934	-	2,555,327
Total expenditures	1,643,829	2,351,393	203,934	-	4,199,156
Revenues over (under) expenditures	(1,643,829)	(338,330)	171,433	262,323	(1,548,403)
<b>Other Financing Sources (Uses):</b>					
Installment financing issued					
Transfers from:					
General Fund	-	-	-	2,052,146	2,052,146
Capital Reserve Fund	1,643,829	338,330	-	-	1,982,159
Foothills Commerce - West Shelby	-	-	-	171,433	171,433
Transfers to:					
Capital Reserve Fund	-	-	(171,433)	-	(171,433)
County General Capital Project Fund	-	-	-	(1,643,829)	(1,643,829)
Public Shooting Complex	-	-	-	(338,330)	(338,330)
Total other financing sources (uses)	1,643,829	338,330	(171,433)	241,420	2,052,146
Net change in fund balances	-	-	-	503,743	503,743
<b>Fund Balances:</b>					
Beginning of year - July 1	-	15,675	-	244,274	259,949
End of year - June 30	\$ -	\$ 15,675	\$ -	\$ 748,017	\$ 763,692

## CLEVELAND COUNTY, NORTH CAROLINA

COUNTY GENERAL CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Over/Under	Actual
<b>Revenues:</b>				
Unrestricted Intergovernmental	\$ -	\$ -	\$ -	\$ 200,000
Total revenues	-	-	-	200,000
<b>Expenditures:</b>				
Capital outlay:				
General Government	1,678,167	1,643,829	34,338	1,151,401
Total expenditures	1,678,167	1,643,829	34,338	1,151,401
Revenues over (under) expenditures	(1,678,167)	(1,643,829)	(34,338)	(951,401)
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From Capital Reserve Fund	1,678,167	1,643,829	34,338	951,401
Total other financing sources (uses)	1,678,167	1,643,829	34,338	951,401
Net change in fund balance	\$ -	-	\$ -	\$ -
<b>Fund Balance:</b>				
Beginning of year - July 1		-		
End of year - June 30		\$ -		

## CLEVELAND COUNTY, NORTH CAROLINA

**CLEVELAND COUNTY PUBLIC SHOOTING RANGE CAPITAL PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted Intergovernmental	\$ 1,668,063	\$ -	\$ 2,013,063	\$ 2,013,063
Total revenues	<u>1,668,063</u>	<u>-</u>	<u>2,013,063</u>	<u>2,013,063</u>
<b>Expenditures:</b>				
Capital outlay:				
Economic Development	3,443,443	841,948	2,351,393	3,193,341
Total expenditures	<u>3,443,443</u>	<u>841,948</u>	<u>2,351,393</u>	<u>3,193,341</u>
Revenues over (under) expenditures	<u>(1,775,380)</u>	<u>(841,948)</u>	<u>(338,330)</u>	<u>(1,180,278)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From Capital Reserve Fund	1,775,380	857,623	338,330	1,195,953
Total other financing sources (uses)	<u>1,775,380</u>	<u>857,623</u>	<u>338,330</u>	<u>1,195,953</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 15,675</u>	<u>-</u>	<u>\$ 15,675</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>15,675</u>	
End of year - June 30			<u>\$ 15,675</u>	

## CLEVELAND COUNTY, NORTH CAROLINA

**FOOTHILLS COMMERCE CENTER - WEST SHELBY CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Project</u> <u>Authorization</u>	<u>Prior Years</u>	<u>Actual</u> <u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Local revenue	\$ -	\$ -	\$ 375,367	\$ 375,367
Total revenues	<u>-</u>	<u>-</u>	<u>375,367</u>	<u>375,367</u>
<b>Expenditures:</b>				
Capital outlay:				
Economic Development	3,166,848	1,970,493	203,934	2,174,427
Total expenditures	<u>3,166,848</u>	<u>1,970,493</u>	<u>203,934</u>	<u>2,174,427</u>
Revenues over (under) expenditures	<u>(3,166,848)</u>	<u>(1,970,493)</u>	<u>171,433</u>	<u>(1,799,060)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From Capital Reserve Fund	3,338,281	1,970,493	-	1,970,493
Transfers out:				
To Capital Reserve Fund	<u>(171,433)</u>	<u>-</u>	<u>(171,433)</u>	<u>(171,433)</u>
Total other financing sources (uses)	<u>3,166,848</u>	<u>1,970,493</u>	<u>(171,433)</u>	<u>1,799,060</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

## CLEVELAND COUNTY, NORTH CAROLINA

**CAPITAL RESERVE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Local revenues	\$ 100,000	\$ 260,076	\$ 160,076	\$ 374,725
Investment income	-	2,247	2,247	16,258
Total revenues	<u>100,000</u>	<u>262,323</u>	<u>162,323</u>	<u>390,983</u>
Revenues over (under) expenditures	<u>100,000</u>	<u>262,323</u>	<u>162,323</u>	<u>390,983</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from:				
General Fund	2,092,137	2,052,146	(39,991)	1,700,000
Foothills Commerce - West Shelby	-	171,433	171,433	-
Transfers to:				
Capital Projects Funds	<u>(2,192,137)</u>	<u>(1,982,159)</u>	<u>209,978</u>	<u>(1,846,709)</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>241,420</u>	<u>341,420</u>	<u>(146,709)</u>
Net change in fund balance	<u>\$ -</u>	<u>503,743</u>	<u>\$ 503,743</u>	<u>244,274</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>244,274</u>		<u>-</u>
End of year - June 30		<u>\$ 748,017</u>		<u>\$ 244,274</u>

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## **Debt Service Fund**

The Debt Service Fund is used to account for all expenditures for principal and interest for certain long-term debt payments. The other governmental fund types provide the resources to the Debt Service Fund to make the payments through transfers.

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## CLEVELAND COUNTY, NORTH CAROLINA

## DEBT SERVICE FUND

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

## IN FUND BALANCE - BUDGET AND ACTUAL

## FOR THE YEAR ENDED JUNE 30, 2016

## WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Restricted intergovernmental	\$ 1,342,595	\$ 1,231,021	\$ (111,574)	\$ 1,181,619
Local revenue	-	831,133	831,133	-
Total revenues	1,342,595	2,062,154	719,559	1,181,619
<b>Expenditures:</b>				
Debt service:				
Principal repayments	3,578,499	3,378,499	200,000	3,377,723
Interest and fees	1,685,535	1,684,353	1,182	1,807,757
Total expenditures	5,264,034	5,062,852	201,182	5,185,480
Revenues over (under) expenditures	(3,921,439)	(3,000,698)	920,741	(4,003,861)
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	1,972,453	1,348,255	(624,198)	1,825,250
From Capital Reserve Fund	-	-	-	95,044
From School Capital Reserve Fund	1,948,986	2,106,029	157,043	2,083,567
Total other financing sources (uses)	3,921,439	3,454,284	(467,155)	4,003,861
Net change in fund balance	\$ -	453,586	\$ 453,586	-
Fund Balance:				
Beginning of year - July 1		-		-
End of year - June 30		\$ 453,586		\$ -

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## **Enterprise Fund**

Enterprise funds account for the operations financed and operated in a manner similar to private business enterprises – where the intent of the government’s board is that the costs of providing goods or services to the general public on a continuing basis be financed primarily through user charges.

### *Individual Fund Description:*

**Solid Waste Fund** – accounts for solid waste collection and disposal operations including recycling in the County that is financed through solid waste user fees.

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## CLEVELAND COUNTY, NORTH CAROLINA

**SOLID WASTE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2016**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015**

	2016			2015
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Fees for service	\$ 6,433,323	\$ 5,746,746	\$ (686,577)	\$ 5,976,341
Non-operating revenues:				
Other taxes and fees	485,532	617,888	132,356	669,786
Sale of capital asset	-	34,375	34,375	-
Interest income	-	13,557	13,557	1,004
Total revenues	<u>6,918,855</u>	<u>6,412,566</u>	<u>(506,289)</u>	<u>6,647,131</u>
<b>Expenditures:</b>				
Salaries and employee benefits	2,029,279	2,013,430	15,849	1,875,649
Other operating expenditures	3,969,783	2,459,677	1,510,106	2,828,703
Capital outlay	911,661	783,849	127,812	910,994
Total expenditures	<u>6,910,723</u>	<u>5,256,956</u>	<u>1,653,767</u>	<u>5,615,346</u>
Revenue over (under) expenditures	<u>8,132</u>	<u>1,155,610</u>	<u>(2,160,056)</u>	<u>1,031,785</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	284,584	-	(284,584)	250,000
Transfers out	(982,319)	(843,201)	139,118	(375,967)
Appropriated retained earnings	689,603	-	(689,603)	-
Total other financing sources (uses)	<u>(8,132)</u>	<u>(843,201)</u>	<u>(835,069)</u>	<u>(125,967)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>312,409</u>	<u>\$ 312,409</u>	<u>\$ 905,818</u>
<b>Reconciliation of Modified Accrual Basis to Full Accrual Basis:</b>				
Reconciling items:				
Change in other post-employment benefits		6,983		
Capital outlay, capitalized		783,849		
Capital outlay, capitalized from project		410,881		
Change in accrued part-time salaries		(1,345)		
Change in accrued vacation		(78,587)		
Proceeds from sale of capital asset		(34,375)		
Loss on disposal sale of capital asset		20,331		
Contributed capital		3,700		
Post-closure care costs		104,513		
Decrease in net pension asset		(119,209)		
Increase in deferred outflows of resources - pensions		1,643		
Increase in net pension liability		(91,204)		
Decrease in deferred inflows of resources - pensions		243,473		
Depreciation		<u>(441,823)</u>		
Total reconciling items		<u>808,830</u>		
Change in net position		<u>\$ 1,121,239</u>		

## CLEVELAND COUNTY, NORTH CAROLINA

**SOLID WASTE CELL CONSTRUCTION CAPITAL PROJECT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>
		<u>Prior Years</u>	<u>Current Year</u>	
<b>Expenditures:</b>				
Engineering and administration	\$ 156,100	\$ -	\$ 156,100	\$ 156,100
Construction	254,781	-	254,781	254,781
Total expenditures	<u>410,881</u>	<u>-</u>	<u>410,881</u>	<u>410,881</u>
Revenues over (under) expenditures	<u>(410,881)</u>	<u>-</u>	<u>(410,881)</u>	<u>(410,881)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From solid waste	410,881	-	410,881	410,881
Total other financing sources (uses)	<u>410,881</u>	<u>-</u>	<u>410,881</u>	<u>410,881</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## Agency Funds

Agency Funds are used to account for position held by the County as an agent for individuals, private organizations, other governments and/or other funds.

### *Individual Fund Descriptions:*

**Fines and Forfeitures Fund** – accounts for fines and forfeitures collected by the court system and passed directly to the public school system as required by General Statute.

**Inmate Fund** – accounts for funds held by the County on behalf of inmates in the County jail

**Property Tax Fund** – accounts for the County’s collection of property taxes that the County is required to remit to other municipalities.

**Rescue Squad Fund** – accounts for position held for the Fireman’s Association.

**Social Services Fund** – accounts for position held by the Social Services Department for the benefit of certain individuals in the County.

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## CLEVELAND COUNTY, NORTH CAROLINA

AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN POSITION AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Fines and Forfeitures Fund</b>				
<b>Assets:</b>				
Intergovernmental receivable	\$ -	\$ 474,120	\$ (447,750)	\$ 26,370
<b>Liabilities:</b>				
Intergovernmental payable	\$ -	\$ 474,120	\$ (447,750)	\$ 26,370
<b>Inmate Fund</b>				
<b>Assets:</b>				
Cash	\$ 16,083	\$ 463,827	\$ (467,093)	\$ 12,817
<b>Liabilities:</b>				
Intergovernmental payable	\$ 16,083	\$ 463,827	\$ (467,093)	\$ 12,817
<b>Property Tax Fund</b>				
<b>Assets:</b>				
Cash	\$ 172,416	\$ 31,665	\$ -	\$ 204,081
Accounts receivable	764,917	-	(162,519)	602,398
Total assets	<u>\$ 937,333</u>	<u>\$ 31,665</u>	<u>\$ (162,519)</u>	<u>\$ 806,479</u>
<b>Liabilities:</b>				
Intergovernmental payable	<u>\$ 937,333</u>	<u>\$ 31,665</u>	<u>\$ (162,519)</u>	<u>\$ 806,479</u>
<b>Rescue Squad Fund</b>				
<b>Assets:</b>				
Cash	\$ 13,065	\$ -	\$ (8,857)	\$ 4,208
<b>Liabilities:</b>				
Intergovernmental payable	<u>\$ 13,065</u>	<u>\$ -</u>	<u>\$ (8,857)</u>	<u>\$ 4,208</u>
<b>Social Services Fund</b>				
<b>Assets:</b>				
Cash and cash equivalents	<u>\$ 93,109</u>	<u>\$ 334,391</u>	<u>\$ (346,735)</u>	<u>\$ 80,765</u>
<b>Liabilities:</b>				
Intergovernmental payable	<u>\$ 93,109</u>	<u>\$ 334,391</u>	<u>\$ (346,735)</u>	<u>\$ 80,765</u>
<b>Totals - All Agency Funds:</b>				
<b>Assets:</b>				
Cash	\$ 294,673	\$ 829,883	\$ (822,685)	\$ 301,871
Account receivable	764,917	474,120	(610,269)	628,768
Totals - All Agency Funds:	<u>\$ 1,059,590</u>	<u>\$ 1,304,003</u>	<u>\$ (1,432,954)</u>	<u>\$ 930,639</u>
<b>Liabilities:</b>				
Intergovernmental payable	<u>\$ 1,059,590</u>	<u>\$ 1,304,003</u>	<u>\$ (1,432,954)</u>	<u>\$ 930,639</u>

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## **Additional Financial Data**

This section contains additional information on taxes receivable, the tax levy, and schedule of revenues and expenditures for Cleveland County as of June 30, 2016.

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## CLEVELAND COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND  
JUNE 30, 2016

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2015</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2016</u>
2015-2016	\$ -	\$ 59,235,825	\$ 58,272,377	\$ 963,448
2014-2015	1,025,117	-	620,186	404,931
2013-2014	431,190	-	174,284	256,906
2012-2013	263,133	-	69,553	193,580
2011-2012	166,154	-	29,914	136,240
2010-2011	125,793	-	14,005	111,788
2009-2010	112,064	-	10,543	101,521
2008-2009	98,689	-	5,945	92,744
2007-2008	98,756	-	5,077	93,679
2006-2007	84,218	-	4,199	80,019
2005-2006	78,128	-	78,128	-
Total	<u>\$ 2,483,242</u>	<u>\$ 59,235,825</u>	<u>\$ 59,284,211</u>	2,434,856
Less: allowance for uncollectible accounts: General Fund				<u>(693,198)</u>
Ad valorem taxes receivable net: General Fund				<u>\$ 1,741,658</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 58,521,724
Reconciling items:				
Interest				(398,328)
Adjustments and abatements				274,162
Other miscellaneous adjustments				1,593
Incentivized paybacks				806,932
Amounts written off per Statute of Limitations				<u>78,128</u>
Total collections and credits				<u>\$ 59,284,211</u>

## CLEVELAND COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2016

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 7,428,241,111	0.72	\$ 53,483,336	\$ 48,479,877	\$ 5,003,459
Total	<u>7,428,241,111</u>		<u>53,483,336</u>	<u>48,479,877</u>	<u>5,003,459</u>
<b>Discoveries:</b>					
Current year taxes	<u>837,034,922</u>	0.72	<u>6,026,651</u>	<u>6,026,549</u>	<u>102</u>
Total	<u>837,034,922</u>		<u>6,026,651</u>	<u>6,026,549</u>	<u>102</u>
<b>Abatements</b>					
	<u>(38,078,056)</u>	0.72	<u>(274,162)</u>	<u>(274,162)</u>	<u>-</u>
Total property valuation	<u>\$ 8,227,197,977</u>				
<b>Net Levy</b>			59,235,825	54,232,264	5,003,561
Uncollected taxes at June 30, 2016			<u>(963,448)</u>	<u>(963,448)</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 58,272,377</u>	<u>\$ 53,268,816</u>	<u>\$ 5,003,561</u>
<b>Current Levy Collection Percentage</b>			<u>98.37%</u>	<u>98.22%</u>	<u>100.00%</u>

## **Statistical Section**

The Statistical Section includes data extracted from prior years' financial reports and various other sources.

The information presented in this section does not provide full and adequate disclosure of financial information for prior years required by generally accepted accounting principles. Such information is provided for supplementary analysis purposes and should be relied on only for the purpose specified.

### **Financial Trends**

These schedules contain trend information to help the reader understand how the government's financial performance and well-being has changed over time.

### **Revenue Capacity**

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within, which the government's financial activities take place.

### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

**Schedule 1**  
**Cleveland County**  
**Net Position by Component,**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)

	<b>Fiscal Year</b>			
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Governmental activities				
Net investment in capital assets	\$ 61,222,544	\$ 85,741,754	\$ 86,285,668	\$ 73,352,330
Restricted	10,298,262	11,915,459	11,130,562	13,033,908
Unrestricted	22,141,522	27,008,318	28,955,215	40,521,330
Total governmental activities	<u>\$ 93,662,328</u>	<u>\$ 124,665,531</u>	<u>\$ 126,371,445</u>	<u>\$ 126,907,568</u>
Business-type activities				
Net investment in capital assets	\$ 13,115,250	\$ 11,004,690	\$ 13,483,249	\$ 13,200,191
Unrestricted	9,817,531	5,865,103	93,057	1,130,529
Total business-type activities	<u>\$ 22,932,781</u>	<u>\$ 16,869,793</u>	<u>\$ 13,576,306</u>	<u>\$ 14,330,720</u>
Primary government				
Net investment in capital assets	\$ 74,337,794	\$ 96,746,444	\$ 99,768,917	\$ 86,552,521
Restricted	10,298,262	11,915,459	11,130,562	13,033,908
Unrestricted	31,959,053	32,873,421	29,048,272	41,651,859
Total primary government net position	<u>\$ 116,595,109</u>	<u>\$ 141,535,324</u>	<u>\$ 139,947,751</u>	<u>\$ 141,238,288</u>

**Fiscal Year**

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 85,694,014	\$ 112,383,657	\$ 53,300,808	\$ 85,821,431	\$ 96,884,891	\$ 103,435,523
39,629,067	20,948,015	23,947,192	14,779,333	14,935,402	19,071,426
<u>474,766</u>	<u>232,842</u>	<u>18,042,969</u>	<u>6,497</u>	<u>(3,827,118)</u>	<u>(7,696,977)</u>
<u>\$ 125,797,847</u>	<u>\$ 133,564,514</u>	<u>\$ 95,290,969</u>	<u>\$ 100,607,261</u>	<u>\$ 107,993,175</u>	<u>\$ 114,809,972</u>
\$ 15,039,747	\$ 16,169,340	\$ 16,390,005	\$ 16,036,546	\$ 16,448,095	\$ 17,184,372
<u>(2,389,745)</u>	<u>(4,302,149)</u>	<u>(9,340,887)</u>	<u>(7,624,633)</u>	<u>(6,405,462)</u>	<u>(6,020,500)</u>
<u>\$ 12,650,002</u>	<u>\$ 11,867,191</u>	<u>\$ 7,049,118</u>	<u>\$ 8,411,913</u>	<u>\$ 10,042,633</u>	<u>\$ 11,163,872</u>
\$ 100,733,761	\$ 128,552,997	\$ 69,690,813	\$ 101,857,977	\$ 113,332,986	\$ 120,619,895
39,629,067	20,948,015	23,947,192	14,779,333	14,935,402	19,071,426
<u>(1,914,979)</u>	<u>(4,069,307)</u>	<u>8,702,082</u>	<u>(7,618,136)</u>	<u>(10,232,580)</u>	<u>(13,717,477)</u>
<u>\$ 138,447,849</u>	<u>\$ 145,431,705</u>	<u>\$ 102,340,087</u>	<u>\$ 109,019,174</u>	<u>\$ 118,035,808</u>	<u>\$ 125,973,844</u>

**Schedule 2**  
**Cleveland County**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)

	Fiscal Year			
	2007	2008	2009	2010
<b>Expenses</b>				
Governmental activities:				
General government	\$ 8,102,560	\$ 8,681,365	\$ 9,133,792	\$ 9,067,110
Public safety	18,572,762	20,235,804	20,436,483	21,698,159
Human services	38,398,880	39,510,671	39,264,800	33,914,103
Education	23,309,846	24,943,842	26,670,648	25,446,822
Economic and physical development	3,527,997	2,118,255	3,042,821	2,348,461
Cultural and recreation	1,101,380	1,286,918	1,272,016	1,103,213
Interest on long term debt	662,667	669,490	697,162	643,989
Total governmental activities	<u>93,676,092</u>	<u>97,446,345</u>	<u>100,517,722</u>	<u>94,221,857</u>
Business-type activities:				
Solid Waste	4,567,905	5,285,293	8,267,583	3,613,290
Conference center	-	-	-	-
Total business-type activities	<u>4,567,905</u>	<u>5,285,293</u>	<u>8,267,583</u>	<u>3,613,290</u>
Total primary government expenses	<u>\$ 98,243,997</u>	<u>\$ 102,731,638</u>	<u>\$ 108,785,305</u>	<u>\$ 97,835,147</u>
<b>Program Revenues</b>				
Governmental activities				
Charges for services:				
General government	\$ 2,429,620	\$ 2,453,453	\$ 2,298,111	\$ 2,415,181
Public safety	4,413,692	6,124,163	5,097,275	5,134,699
Human services	4,407,313	4,800,258	4,845,865	5,175,178
Education	9,091,504	9,215,690	10,099,061	10,170,228
Economic and physical development	81,421	58,980	43,401	65,717
Cultural and recreation	29,949	118,385	49,164	43,813
Operating grants and contributions:				
General government	827,817	1,131,279	1,193,492	1,272,324
Public safety	2,035,114	2,515,297	1,993,543	1,076,840
Human services	16,411,564	16,200,691	18,102,895	18,147,393
Education	24,458	13,630	49,187	81,802
Economic and physical development	302,598	461,092	1,421,994	-
Cultural and recreation	385,314	349,022	225,228	263,787
Capital grants and contributions:				
General government	50,373	719,895	62,691	73,898
Public safety	88,538	91,643	123,190	-
Human services	5,153,258	19,928,365	364,626	601,747
Education	5,359,018	5,258,426	5,235,930	2,806,456
Economic and physical development	4,226	-	-	-
Cultural and recreation	-	-	1,024,268	450,000
Total governmental activities program revenues	<u>51,095,777</u>	<u>69,440,269</u>	<u>52,229,921</u>	<u>47,779,063</u>
Business-type activities:				
Charges for services	4,927,433	4,762,245	4,682,719	4,392,221
Operating grants and contributions	326,760	308,472	360,124	288,119
Capital grants and contributions	-	-	-	8,500
Total business-type activities program revenues	<u>5,254,193</u>	<u>5,070,717</u>	<u>5,042,843</u>	<u>4,688,840</u>
Total primary government program revenues	<u>\$ 56,349,970</u>	<u>\$ 74,510,986</u>	<u>\$ 57,272,764</u>	<u>\$ 52,467,903</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (42,580,315)	\$ (28,006,076)	\$ (48,287,801)	\$ (46,442,794)
Business-type activities	<u>686,288</u>	<u>(214,576)</u>	<u>(3,224,740)</u>	<u>1,075,550</u>
Total primary government net (expense)/revenue	<u>\$ (49,704,638)</u>	<u>\$ (49,704,638)</u>	<u>\$ (49,704,638)</u>	<u>\$ (49,704,638)</u>

		Fiscal Year									
		2011	2012	2013	2014	2015	2016				
\$	6,758,722	\$	8,691,798	\$	9,360,189	\$	10,940,284	\$	9,192,572	\$	11,020,394
	23,237,692		24,789,003		23,647,499		22,277,558		23,023,383		25,934,832
	36,593,375		35,480,842		36,533,683		39,910,173		37,343,610		38,328,743
	26,348,019		26,031,948		26,506,854		26,785,459		28,527,582		30,170,441
	3,882,363		2,780,339		6,394,017		3,825,642		4,887,922		5,791,012
	1,016,592		1,212,620		1,474,692		2,015,097		698,756		1,436,822
	2,283,810		2,209,258		2,110,131		1,494,721		1,791,022		1,904,752
	<u>100,120,573</u>		<u>101,195,808</u>		<u>106,027,065</u>		<u>107,248,934</u>		<u>105,464,847</u>		<u>114,586,996</u>
	8,640,661		5,789,166		10,243,838		5,145,318		4,679,344		4,862,707
	-		216,822		593,350		-		-		-
	<u>8,640,661</u>		<u>6,005,988</u>		<u>10,837,188</u>		<u>5,145,318</u>		<u>4,679,344</u>		<u>4,862,707</u>
\$	<u>108,761,234</u>	\$	<u>106,984,974</u>	\$	<u>116,270,903</u>	\$	<u>112,394,252</u>	\$	<u>110,144,191</u>	\$	<u>119,449,703</u>
\$	2,283,008	\$	2,395,705	\$	2,303,786	\$	2,634,580	\$	3,164,697	\$	3,537,614
	5,486,734		5,899,901		5,355,364		2,625,778		2,264,490		2,334,725
	5,470,082		7,050,168		6,441,109		11,883		-		-
	10,150,261		10,608,208		11,226,358		-		-		-
	48,357		38,150		28,732		4,000,223		3,939,136		5,340,699
	57,589		98,075		79,739		-		-		-
	1,084,642		1,000,766		1,728,852		3,889,131		3,058,427		2,284,872
	682,837		2,216,861		1,484,910		305,039		369,245		155,891
	18,590,542		18,363,979		16,980,332		17,987,419		20,024,711		20,176,304
	3,214,965		-		363,456		-		-		1,231,021
	559,339		1,840,163		1,850,639		739,658		107,025		-
	799,086		1,120,349		1,313,303		-		-		-
	33,680		14,141		47,223		1,044,258		450,760		40,542
	26,271		67,461		252,730		59,411		298,438		183,461
	5,020		-		3,492		3,663,827		4,311,346		4,140,732
	2,907,522		3,947,837		8,269,925		1,462,777		1,595,639		1,593,900
	404,846		1,268,978		76,272		1,008,897		-		2,063,691
	-		1,146,979		29,518		-		-		-
	<u>51,804,781</u>		<u>57,077,721</u>		<u>57,835,740</u>		<u>39,432,881</u>		<u>39,583,914</u>		<u>43,083,452</u>
	4,990,003		5,545,109		5,058,476		5,998,475		5,976,341		5,746,746
	2,261,812		2,239,632		393,444		54,445		108,734		-
	-		-		-		-		-		-
	<u>7,251,815</u>		<u>7,784,741</u>		<u>5,451,920</u>		<u>6,052,920</u>		<u>6,085,075</u>		<u>5,746,746</u>
\$	<u>59,056,596</u>	\$	<u>64,862,462</u>	\$	<u>63,287,660</u>	\$	<u>45,485,801</u>	\$	<u>45,668,989</u>	\$	<u>48,830,198</u>
\$	(48,315,792)	\$	(44,118,087)	\$	(48,191,325)	\$	(67,816,053)	\$	(65,880,933)	\$	(71,503,544)
	<u>(1,388,846)</u>		<u>1,778,753</u>		<u>(5,385,268)</u>		<u>907,602</u>		<u>1,405,731</u>		<u>884,039</u>
\$	<u>(49,704,638)</u>	\$	<u>(42,339,334)</u>	\$	<u>(53,576,593)</u>	\$	<u>(66,908,451)</u>	\$	<u>(64,475,202)</u>	\$	<u>(70,619,505)</u>

**Schedule 2**  
**Cleveland County**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Property taxes	\$ 35,297,651	\$ 35,815,553	\$ 38,618,389	\$ 38,289,687
Local option sales tax	12,037,091	12,002,826	9,694,634	7,429,274
Other taxes and licenses	844,704	921,337	348,147	378,380
Grants and contributions not restricted	2,270,000	2,200,000	-	-
Investment earnings	1,529,276	1,604,977	1,103,612	546,517
Special Item:				
Gain/(Loss) on sale of capital asset	-	-	-	-
Transfers	175,347	241,245	228,936	335,059
Total governmental activities:	<u>52,154,069</u>	<u>52,785,938</u>	<u>49,993,718</u>	<u>46,978,917</u>
Business-type activities:				
Investment earnings	702,957	616,174	160,189	14,553
Miscellaneous	-	-	-	-
Capital contribution	-	-	-	-
Transfers	(175,347)	(241,245)	(228,396)	(335,059)
Total business-type activities	<u>527,610</u>	<u>374,929</u>	<u>(68,207)</u>	<u>(320,506)</u>
Total primary government	<u>\$ 52,681,679</u>	<u>\$ 53,160,867</u>	<u>\$ 49,925,511</u>	<u>\$ 46,658,411</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 9,573,754	\$ 24,779,862	\$ 1,705,917	\$ 536,123
Business-type activities	<u>1,213,898</u>	<u>160,353</u>	<u>(3,292,947)</u>	<u>755,044</u>
Total primary government	<u>\$ 10,787,652</u>	<u>\$ 24,940,215</u>	<u>\$ (1,587,030)</u>	<u>\$ 1,291,167</u>

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	38,645,416	\$ 40,301,804	\$ 42,960,964	\$ 60,502,800	\$ 59,587,494	\$ 60,047,655
	7,405,889	8,077,072	8,211,061	12,625,637	17,202,034	17,561,662
	426,626	461,395	455,306	-	-	-
	190,000	380,000	38,000	-	-	-
	202,215	100,740	89,033	110,873	188,580	278,704
	-	-	(41,270,640)	-	-	-
	335,925	2,563,743	(565,944)	104,481	125,966	432,320
	<u>47,206,071</u>	<u>51,884,754</u>	<u>9,917,780</u>	<u>73,343,791</u>	<u>77,104,074</u>	<u>78,320,341</u>
	44,053	2,179	1,251	328	1,004	13,557
	-	-	-	-	515,482	652,263
	-	-	-	-	0	3,700
	<u>(335,925)</u>	<u>(2,563,743)</u>	<u>565,944</u>	<u>(104,481)</u>	<u>(125,967)</u>	<u>(432,320)</u>
	<u>(291,872)</u>	<u>(2,561,564)</u>	<u>567,195</u>	<u>(104,153)</u>	<u>390,519</u>	<u>237,200</u>
\$	<u>46,914,199</u>	<u>49,323,190</u>	<u>10,484,975</u>	<u>73,239,638</u>	<u>77,494,593</u>	<u>78,557,541</u>
\$	(1,109,721)	\$ 7,766,667	\$ (38,273,545)	\$ 5,527,738	\$ 11,223,141	\$ 6,816,797
	<u>(1,680,718)</u>	<u>(782,811)</u>	<u>(4,818,073)</u>	<u>803,449</u>	<u>1,796,250</u>	<u>1,121,239</u>
\$	<u>(2,790,439)</u>	<u>6,983,856</u>	<u>(43,091,618)</u>	<u>6,331,187</u>	<u>13,019,391</u>	<u>7,938,036</u>

**Schedule 3**  
**Cleveland County**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	<b>Fiscal Year</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
General Fund					
Non-spendable:					
Inventories	\$ 168,177	\$ 114,832	\$ 100,954	\$ 86,552	\$ 133,331
Prepaid items	196,714	98,152	196,854	143,292	152,370
Restricted:					
Stabilization for State statute	7,200,865	7,188,834	7,439,069	7,527,242	8,412,576
Restricted, all other	618,970	184,855	-	-	171,642
Committed:					
Construction	-	-	-	-	-
Assigned for subsequent year's expenditures	2,729,017	4,904,485	4,583,510	4,740,153	4,437,361
Assigned all other	1,244,589	1,591,412	1,150,866	807,155	2,650,117
Unassigned:	<u>16,862,079</u>	<u>14,456,095</u>	<u>11,250,395</u>	<u>10,291,084</u>	<u>6,324,242</u>
Total General Fund	<u>\$ 29,020,411</u>	<u>\$ 28,538,665</u>	<u>\$ 24,721,648</u>	<u>\$ 23,595,478</u>	<u>\$ 22,281,639</u>
All Other Governmental Funds					
Non-spendable:					
Prepaid items	\$ -	\$ 150	\$ -	\$ -	\$ 4,016
Restricted:					
Stabilization for State statute	1,138,877	1,131,745	1,211,037	1,238,853	22,964,923
Restricted, all other	-	543,780	-	-	-
Committed:					
Special revenue and debt service funds	1,897,086	1,189,800	568,852	641,730	465,966
Capital project funds	-	-	-	-	-
Assigned all other:	-	-	-	-	-
Unassigned:	<u>4,582,093</u>	<u>7,135,502</u>	<u>18,359,798</u>	<u>19,385,068</u>	<u>13,383,369</u>
Total all other governmental funds	<u>7,618,056</u>	<u>10,000,977</u>	<u>20,139,687</u>	<u>21,265,651</u>	<u>36,818,274</u>
Total Fund balances	<u>\$ 36,638,467</u>	<u>\$ 38,539,642</u>	<u>\$ 44,861,335</u>	<u>\$ 44,861,129</u>	<u>\$ 59,099,913</u>

\* The County sold the Hospital during the 2012-2013 fiscal year.

<b>Fiscal Year</b>				
<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
\$ 91,497	\$ 111,774	\$ 104,177	\$ 144,859	\$ 172,014
173,487	272,721	221,001	241,229	201,261
11,388,787	10,491,699	7,531,900	6,873,561	7,070,633
257,522	1,046,254	705,424	1,202,757	3,114,229
-	22,000,000	19,015,426	9,257,021	15,426
5,596,601	5,869,570	5,633,347	6,025,000	4,809,895
2,270,530	1,533,164	1,500,000	3,025,000	4,000,000
<u>5,285,290</u>	<u>5,941,744</u>	<u>14,345,778</u>	<u>17,516,639</u>	<u>19,127,229</u>
<u>\$ 25,063,714</u>	<u>\$ 47,266,926</u>	<u>\$ 49,057,053</u>	<u>\$ 44,286,066</u>	<u>\$ 38,510,687</u>

\$ 1,080	\$ 1,207	\$ 5,386	\$ -	\$ 43,573
22,674,006	1,586,536	1,422,178	1,254,152	1,238,907
(454,660)	(17,125,893)	3,298,716	5,809,555	7,647,657
-	-	-	15,675	15,675
-	-	-	-	-
-	-	-	-	953,534
<u>(643,370)</u>	<u>(66,517)</u>	<u>(1,979,061)</u>	<u>(126,577)</u>	<u>-</u>
<u>21,577,056</u>	<u>(15,604,667)</u>	<u>2,747,219</u>	<u>6,952,805</u>	<u>9,899,346</u>
<u>\$ 46,640,770</u>	<u>\$ 31,662,259</u>	<u>\$ 51,804,272</u>	<u>\$ 51,238,871</u>	<u>\$ 48,410,033</u>

**Schedule 4**  
**Cleveland County**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Revenues</b>					
Taxes:					
Property	\$ 45,093,388	\$ 45,717,409	\$ 49,505,781	\$ 49,833,593	\$ 49,785,232
Sales	15,845,539	15,837,377	13,124,777	10,111,795	10,067,729
Other	1,250,797	917,099	970,576	1,016,187	1,071,366
Total taxes	<u>62,189,724</u>	<u>62,471,885</u>	<u>63,601,134</u>	<u>60,961,575</u>	<u>60,924,327</u>
Intergovernmental	22,815,367	23,281,317	22,867,190	21,352,565	24,260,241
Permits and Fees	1,139,917	1,086,477	906,097	883,785	865,693
Sales and Services	8,351,036	9,497,364	9,529,871	9,709,237	10,479,805
Investment Earnings	2,000,774	2,265,167	1,595,774	875,926	266,555
Miscellaneous	642,769	1,024,394	1,898,522	750,285	551,634
Total Revenues	<u>97,139,587</u>	<u>99,626,604</u>	<u>100,398,588</u>	<u>94,533,373</u>	<u>97,348,255</u>
<b>Expenditures</b>					
General Government	7,814,607	7,730,600	8,505,191	8,325,455	8,297,537
Public Safety	16,419,086	16,690,549	17,962,171	18,025,869	19,404,100
Human Services	36,472,481	37,307,822	36,165,026	33,192,709	33,774,319
Education	19,959,846	20,264,032	21,849,965	21,918,571	21,973,653
Economic and physical development	3,389,623	1,733,675	2,464,437	1,454,212	3,286,202
Culture and Recreation	968,115	1,085,151	1,097,770	1,121,982	1,164,592
Capital Outlay	5,383,723	9,773,640	15,914,825	14,777,085	35,247,572
Debt Service:					
Principal	4,954,194	4,876,307	2,888,981	3,250,871	2,847,048
Interest	551,238	409,221	499,364	643,989	1,711,550
Total Expenditures	<u>95,912,913</u>	<u>99,870,997</u>	<u>107,347,730</u>	<u>102,710,743</u>	<u>127,706,573</u>
Excess of revenues over (under) expenditures	<u>1,226,674</u>	<u>(244,393)</u>	<u>(6,949,142)</u>	<u>(8,177,370)</u>	<u>(30,358,318)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	175,347	241,245	228,936	335,059	335,925
Transfers out	-	-	-	-	-
Installment financing proceeds	-	6,324,841	6,720,000	22,081,095	17,563,250
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>175,347</u>	<u>6,566,086</u>	<u>6,948,936</u>	<u>22,416,154</u>	<u>17,899,175</u>
Net change in fund balances	<u>\$ 1,402,021</u>	<u>\$ 6,321,693</u>	<u>\$ (206)</u>	<u>\$ 14,238,784</u>	<u>\$ (12,459,143)</u>
Debt Service / Operating Non Capital Ratio	6.48%	6.23%	3.85%	4.63%	5.19%

		<b>Fiscal Year</b>				
		<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
\$		52,089,876	\$ 55,178,746	\$ 60,197,991	\$ 59,299,996	\$ 60,146,105
		10,918,854	11,099,827	11,927,085	17,202,034	17,561,662
		846,979	756,030	698,552	513,548	-
		<u>63,855,709</u>	<u>67,034,603</u>	<u>72,823,628</u>	<u>77,015,578</u>	<u>77,707,767</u>
		27,487,280	28,047,476	28,254,914	28,591,587	29,595,682
		943,235	968,754	4,662,137	4,218,683	4,321,708
		11,919,725	10,996,680	5,450,492	5,808,912	6,243,473
		167,909	172,905	110,873	188,579	278,704
		1,878,708	1,325,632	812,707	910,103	2,146,817
		<u>106,252,566</u>	<u>108,546,050</u>	<u>112,114,751</u>	<u>116,733,442</u>	<u>120,294,151</u>
		8,859,733	9,501,136	8,786,762	9,331,755	10,675,904
		20,357,264	20,234,641	20,626,911	23,276,410	23,462,335
		33,936,655	34,174,002	33,749,480	33,181,597	36,610,613
		22,431,550	23,197,513	26,785,458	28,404,757	30,170,441
		3,408,258	3,470,060	7,704,794	6,147,272	5,699,333
		1,128,074	1,178,071	1,721,106	1,330,274	1,332,421
		27,981,472	13,914,677	4,545,366	13,393,096	10,530,185
		3,435,998	3,412,140	3,473,237	3,456,376	3,389,291
		2,255,816	2,158,224	1,920,901	1,808,490	1,684,786
		<u>123,794,820</u>	<u>111,240,464</u>	<u>109,314,015</u>	<u>120,330,027</u>	<u>123,555,309</u>
		<u>(17,542,254)</u>	<u>(2,694,414)</u>	<u>2,800,736</u>	<u>(3,596,585)</u>	<u>(3,261,158)</u>
		2,563,743	-	24,865,333	31,866,480	28,979,447
		-	(565,944)	(24,760,852)	(31,740,513)	(28,547,127)
		-	52,633	-	-	-
		-	23,349,738	-	-	-
		<u>2,563,743</u>	<u>22,836,427</u>	<u>104,481</u>	<u>125,967</u>	<u>432,320</u>
\$		<u>(14,978,511)</u>	<u>20,142,013</u>	<u>2,905,217</u>	<u>(3,470,618)</u>	<u>(2,828,838)</u>
		6.32%	6.07%	5.43%	5.18%	4.70%

**Schedule 5**  
**Cleveland County**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year	Commercial Real Property	Real Personal Property	Industrial Property	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)
2006	\$ 4,235,213,856	\$ 1,442,246,979	\$ 229,147,077	\$ 5,906,607,912	0.7200	\$ 3,194,325,798
2007	4,360,134,267	1,423,645,599	236,954,915	6,020,734,781	0.7200	3,693,659,587
2008 (5)	4,439,802,142	1,435,203,908	236,754,791	6,111,760,841	0.7200	2,706,261,750
2009	4,913,217,141	1,451,890,284	292,601,507	6,657,708,932	0.7200	2,981,810,069
2010	4,983,714,807	1,334,442,491	326,924,856	6,645,082,154	0.7200	2,940,662,629
2011	5,008,320,561	1,293,716,402	374,726,300	6,676,763,263	0.7200	3,230,027,558
2012	5,035,338,075	1,348,627,630	604,756,377	6,988,722,082	0.7200	3,876,548,797
2013	5,100,510,697	1,686,009,784	650,972,983	7,437,493,464	0.7200	4,397,768,311
2014	5,599,410,349	1,725,042,756	705,256,339	8,029,709,444	0.7200	4,749,573,136
2015	5,649,212,457	1,675,189,181	741,430,862	8,065,832,500	0.7200	4,766,907,008
2016	5,949,760,852	1,464,352,946	813,084,179	8,227,197,977	0.7200	4,862,274,004

Source: County Assessor's Annual County Report of Valuation and Property Tax Levies

Notes:

- (1) Present use value property is agricultural, horticultural and forestland for which the owner has applied for the property to be taxed at its present use. The difference in taxes on the present use basis and the taxes that would have been payable is a lien on the property and is deferred. The taxes become due if the property ceases to qualify for present use value. The preceding three fiscal years taxes are then required to be paid.
  - (2) Public service companies valuations are provided to the County by the North Carolina Department of Revenue. These amounts include both real and personal property.
  - (3) Per \$100 of value.
  - (4) The estimated market value is calculated by dividing the assessed value by an assessment-to-sales ratio determined by the N.C. Department of Revenue. The ratio is based on actual property sales which took place during the fiscal year. The ratio for the most recent year is not yet available.
  - (5) Property in Cleveland County is typically reassessed every four years and never to exceed 8 years. The last reassessment was on January 1, 2008 and was the basis for FY2009 taxes.
- \* Indicates valuation was included in Commercial Property Valuation

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**Schedule 6**  
**Cleveland County**  
**Direct and Overlapping Property Tax Rates,**  
**Last Ten Fiscal Years**  
**(rate per \$100 of assessed value)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Cleveland County	\$ 0.0072	\$ 0.0072	\$ 0.0072	\$ 0.0072	\$ 0.0072
<b>Municipality Rates:</b>					
Town of Grover	0.0036	0.0038	0.0038	0.0038	0.0038
City of Kings Mountain	0.0036	0.0040	0.0040	0.0040	0.0040
Town of Lattimore	0.0018	0.0018	0.0018	0.0018	0.0018
Town of Kingstown	0.0035	0.0035	0.0035	0.0035	0.0035
Town of Fallston	0.0005	0.0005	0.0005	0.0005	0.0005
Town of Earl	0.0017	0.0017	0.0017	0.0017	0.0017
Town of Polkville	0.0005	0.0005	0.0005	0.0005	0.0005
Town of Lawndale	0.0023	0.0023	0.0023	0.0023	0.0023
Town of Casar	0.0005	0.0005	0.0005	0.0005	0.0005
Town of Waco	0.0012	0.0012	0.0012	0.0012	0.0015
<b>Fire Districts:</b>					
County Fire	0.0003	0.0003	0.0003	0.0003	0.0003
Fallston Fire	0.0005	0.0005	0.0005	0.0005	0.0005
Lattimore Fire	0.0002	0.0002	0.0002	0.0003	0.0003
Rippy Fire	0.0003	0.0003	0.0003	0.0005	0.0005

Source: Cleveland County Tax Collector

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	0.0072	\$ 0.0072	0.0072	0.0072	0.0072
	0.0038	0.0038	0.0038	0.0038	0.0039
	0.0040	0.0040	0.0040	0.0040	0.0043
	0.0018	0.0018	0.0018	0.0018	0.0022
	0.0035	0.0035	0.0035	0.0035	0.0035
	0.0005	0.0005	0.0005	0.0005	0.0005
	0.0017	0.0017	0.0017	0.0017	0.0017
	0.0005	0.0005	0.0005	0.0005	0.0005
	0.0023	0.0023	0.0023	0.0023	0.0023
	0.0005	0.0005	0.0005	0.0005	0.0005
	0.0017	0.0017	0.0017	0.0017	0.0020
	0.0003	0.0003	0.0003	0.0005	0.0005
	0.0005	0.0005	0.0005	0.0005	0.0005
	0.0003	0.0003	0.0003	0.0005	0.0005
	0.0005	0.0005	0.0005	0.0005	0.0005

Schedule 7  
 Cleveland County  
 Principal Property Tax Payers,  
 Current Year and Ten Years Ago

Taxpayer	Type of Business	Fiscal Year 2016		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy Corporation	Electric Utility	\$ 695,115,188	1	8.4%
Clearwater Paper Corporation	Paper products	259,213,658	2	3.2%
Southern Power Company	Electric Utility	254,107,258	3	3.1%
Bell South Telephone Company	Telecommunication	152,650,563	4	1.9%
Disney WorldWide Services Inc.	Entertainment	112,646,594	5	1.4%
T5 Management @ Kings Mountain	Data Center Storage	103,734,923	6	1.3%
PPG FiberGlass Products Inc.	Fiberglass Manufacturing	100,699,486	7	1.2%
Wal-Mart Stores East LP	Warehouse/Retail Store	97,723,194	8	1.2%
Info Crossing Inc.	Information Data Center	73,993,631	9	0.9%
Ticona Polymers Inc.	Polymers	<u>57,668,718</u>	10	0.7%
Totals		\$ <u>1,907,553,213</u>		23.19%

Source: Cleveland County Assessor

Note: N/A - information not available

**Fiscal Year 2006**

	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
\$	126,291,439	2	2.39%
	N/A	N/A	0.00%
	N/A	N/A	0.00%
	39,569,804	7	0.81%
	N/A	N/A	0.00%
	N/A	N/A	0.00%
	118,367,793	3	2.48%
	98,369,035	1	1.69%
	N/A	N/A	0.00%
	<u>56,309,080</u>	<u>5</u>	<u>1.21%</u>
\$	<u>438,907,151</u>		8.59%

**Schedule 8  
Cleveland County  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year (Original Levy)</b>		<b>Total Adjusted Levy</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>
	<b>(Original Levy)</b>	<b>Adjustments</b>		<b>Amount</b>	<b>Percentage of Original Levy</b>	
2007	\$ 45,118,371	\$ (8,652)	\$ 45,109,719	\$ 43,026,504	95.38%	\$ 1,996,651
2008	45,765,637	(12,503)	45,753,134	43,518,113	95.12%	2,131,698
2009	49,317,117	(16,731)	49,300,386	46,878,947	95.09%	2,316,693
2010	49,202,687	(34,242)	49,168,445	47,199,319	96.00%	1,847,559
2011	49,471,422	(72,829)	49,398,593	47,595,790	96.35%	1,647,112
2012	51,681,105	(1,463,467)	50,217,638	49,992,054	99.55%	-
2013	55,072,700	(1,247,947)	53,824,753	53,364,782	99.15%	-
2014	58,422,332	(392,434)	58,029,898	56,686,171	97.68%	-
2015	58,143,528	(69,534)	58,073,994	57,048,877	98.23%	-
2016	59,509,987	(274,162)	59,235,825	58,272,377	98.37%	-

**Source: Cleveland County Tax Collector**

<b>Total Collections to Date</b>		
<b>Amount</b>	<b>Percentage of Adjusted Levy</b>	<b>Uncollected</b>
\$ 45,023,155	99.81%	\$ 86,564
45,649,811	99.77%	103,323
49,195,640	99.79%	104,746
49,046,878	99.75%	121,567
49,242,902	99.68%	155,691
49,992,054	99.55%	225,584
53,364,782	99.15%	459,971
56,686,171	97.68%	1,343,727
57,048,877	98.23%	1,025,117
58,272,377	98.37%	963,448
		<u>\$ 4,670,347</u>

**Schedule 9**  
**Cleveland County**  
**Ratios of Outstanding Debt by Type,**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Governmental Activities</b>				
	<b>General Obligation Bonds</b>	<b>Limited Obligation Bonds</b>	<b>Installment Contracts</b>	<b>Installment Purchases</b>	<b>Other</b>
2007	\$ 11,065,000	\$ -	\$ 601,458	\$ -	\$ 116,353
2008	6,350,000	-	6,584,111	-	203,079
2009	3,925,000	-	12,886,245	-	156,964
2010	1,600,000	22,000,000	12,019,603	-	178,830
2011	1,350,000	20,920,000	28,148,778	-	115,556
2012	1,100,000	19,840,000	26,108,385	-	49,950
2013	850,000	18,760,000	24,067,216	-	61,613
2014	600,000	17,675,000	22,090,050	-	33,873
2015	350,000	16,590,000	19,980,662	-	21,887
2016	100,000	15,505,000	17,519,868	-	11,095

**Note:** Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

**Business - Type Activities**

<b>General Obligation Bonds</b>	<b>Limited Obligation Bonds</b>	<b>Installment Purchases</b>	<b>Total Primary Government</b>	<b>Per Capita (1)</b>	<b>Percentage of Personal Income (1)</b>
\$ -	\$ -	\$ -	\$ 11,782,811	123	0.41%
-	-	-	13,137,190	135	0.44%
-	-	-	16,968,209	174	0.59%
-	-	-	35,798,433	365	1.22%
-	-	-	50,534,334	512	1.67%
-	-	-	47,098,335	475	1.47%
-	-	-	43,738,829	439	1.34%
-	-	-	40,398,923	408	1.12%
-	-	-	36,942,549	376	0.96%
-	-	-	33,135,963	339	0.89%

**Schedule 10**  
**Cleveland County**  
**Ratios of General Bonded Debt Outstanding,**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Limited Obligation Bonds</b>	<b>Total</b>	<b>Percentage of Personal Income(1)</b>	<b>Percentage of Actual Taxable Value of Property(2)</b>	<b>Per Capita(1)</b>
2007	\$ 11,065,000	\$ -	\$ 11,065,000	0.39%	0.19%	115
2008	6,350,000	-	6,350,000	0.21%	0.11%	65
2009	3,925,000	-	3,925,000	0.14%	0.06%	40
2010	1,600,000	22,000,000	23,600,000	0.80%	0.35%	241
2011	1,350,000	20,920,000	22,270,000	0.74%	0.34%	225
2012	1,100,000	19,840,000	20,940,000	0.65%	0.31%	211
2013	850,000	18,760,000	19,610,000	0.60%	0.28%	197
2014	600,000	17,675,000	18,275,000	0.51%	0.25%	185
2015	350,000	16,590,000	16,940,000	0.44%	0.21%	172
2016	100,000	15,505,000	15,605,000	0.42%	0.19%	159

**Notes:** Details regarding the County's outstanding debt can be found in the notes to the Financial Statements.

- (1) See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- (2) See Schedule 5 for assessed property valuation data.

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**Schedule 11**  
**Cleveland County**  
**Legal Debt Margin Information,**  
**Last Ten Fiscal Years**

	<b>Fiscal Year</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Assessed Value of Property	\$ 6,020,734,781	\$ 6,111,760,841	\$ 6,657,708,932	\$ 6,645,082,154	\$ 6,676,763,263
Debt Limit, 8% of Assessed Value (Statutory Limitation)	481,658,782	488,940,867	532,616,715	531,606,572	534,141,061
Amount of Debt Applicable to Limit:					
Less: Gross debt	<u>11,782,811</u>	<u>13,137,190</u>	<u>16,968,209</u>	<u>35,798,433</u>	<u>50,534,334</u>
Total net debt applicable to limit	<u>11,782,811</u>	<u>13,137,190</u>	<u>16,968,209</u>	<u>35,798,433</u>	<u>50,534,334</u>
Legal Debt Margin	<u>\$ 469,875,971</u>	<u>\$ 475,803,677</u>	<u>\$ 515,648,506</u>	<u>\$ 495,808,139</u>	<u>\$ 483,606,727</u>
Total debt applicable to the limit as a percentage of debt limit	2.45%	2.69%	3.19%	6.73%	9.46%

**Note:** N.C. Statute G.S. 159-55 limits the county's outstanding debt to 8% of the appraised value of property subject to taxation. The following deductions are made from gross debt to arrive at net debt applicable to the limit: debt incurred for water, sewer, gas or electric power purposes; uncollected special assessments, refunding bonds not yet issued; and revenue bonds. The legal debt margin is the difference between the debt limit and the county's net debt outstanding applicable to the limit, and represents the county's legal borrowing authority.

<b>Fiscal Year</b>					
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	6,988,722,082	\$ 7,437,493,464	\$ 8,029,709,444	\$ 8,065,832,500	\$ 8,227,197,977
	559,097,767	594,999,477	642,376,756	645,266,600	658,175,838
	<u>47,098,335</u>	<u>43,738,829</u>	<u>40,398,923</u>	<u>36,942,549</u>	<u>33,553,258</u>
	<u>47,098,335</u>	<u>43,738,829</u>	<u>40,398,923</u>	<u>36,942,549</u>	<u>33,553,258</u>
\$	<u>511,999,432</u>	<u>551,260,648</u>	<u>601,977,833</u>	<u>608,324,051</u>	<u>624,622,580</u>
	8.42%	7.35%	6.29%	5.73%	5.10%

Schedule 12  
 Cleveland County  
 Direct and Overlapping Governmental Activities Debt  
 As of June 30, 2016

<u>Governmental Unit</u>	<u>Gross Non-Revenue Bonded Debt</u>	<u>Less Debt Payable from Other entity</u>	<u>Total Non-Revenue Bonded Debt</u>	<u>Percent Applicable to County</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Total County direct debt	\$ -	\$ -	\$ -	100%	\$ -
Overlapping:					
Public Schools	15,505,000	15,505,000	-	0%	-
Community College	100,000	-	100,000	100%	100,000
Total overlapping debt	<u>\$ 15,605,000</u>	<u>\$ 15,505,000</u>	<u>\$ 100,000</u>		<u>100,000</u>
Total direct and overlapping debt					<u>\$ 100,000</u>

**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those governments that is borne by the residents and businesses of the city or town reported. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**Schedule 13**  
**Cleveland County**  
**Demographic and Economic Statistics**  
**Last Ten Calendar Years**

<b>Year</b>	<b>Population(1)</b>	<b>Personal Income (2) (thousands of dollars)</b>	<b>Per Capita Personal Income (2)</b>	<b>Public School Enrollment(3)</b>	<b>Unemployment Rate(4)</b>	<b>Number of Commercial Public Food Inspections Performed(5)</b>	<b>Number of Building Inspections Performed(6)</b>
2007	96,077	\$ 2,860,669	\$ 29,775	17,873	7.06%	1,457	437
2008	96,968	2,980,088	30,733	17,672	7.92%	1,455	409
2009	97,588	2,873,475	29,445	17,497	15.38%	1,428	262
2010	98,078	2,939,629	29,972	17,325	13.19%	1,381	288
2011	98,760	3,026,601	30,646	16,762	12.07%	1,360	293
2012	99,230	3,202,220	32,852	16,557	10.94%	1,321	259
2013	99,660	3,268,534	33,680	16,492	10.49%	1,270	250
2014	98,953	3,618,414	36,567	16,374	6.80%	1,038	275
2015	98,224	3,829,655	38,989	15,103	6.80%	1192	262
2016	97,871	3,739,455	38,208	14,906	5.60%	1175	300

**Notes:**

- (1) N.C. State Data Center. Estimates are as of the beginning of the fiscal year
- (2) Bureau of Economic Analysis, U. S. Department of Commerce. Figures are for the prior calendar year
- (3) N.C. Department of Public Instruction, Final Average Daily Membership for fiscal year
- (4) N. C. Employment Security Commission, Unemployment Rate at end of fiscal year
- (5) Total number of inspections performed by Cleveland County Inspections Department. Does not include inspections by municipalities

\* Information not yet available.

**Schedule 14**  
**Cleveland County**  
**Principal Employers**  
**Current Year and Nine Years Ago**

Employer	2016			2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Cleveland County Board of Education	2100	1	4.50%	2400	1	5.14%
Cleveland County Healthcare	1410	2	3.02%	1286	2	2.75%
Walmart Distribution	972	3	2.08%	1000	3	2.14%
County of Cleveland	825	4	1.77%	721	4	1.54%
Gardner Webb University	547	5	1.17%	350	7	0.75%
Baldor Electric Company	601	6	1.29%	503	6	1.08%
PPG Industries Inc.	550	7	1.18%	740	5	1.59%
Hanesbrand	420	8	0.90%	-		0.00%
Cleveland Community College	375	9	0.80%	174	8	0.37%
Ingles Markets Inc.	255	10	0.55%	-		0.00%

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**Schedule 15**  
**Cleveland County**  
**Full-Time Equivalent County Government Employees by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>Full-Time Equivalent</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
General government	82	82	84	84	84
Public safety	236	236	235	238	254
Environmental protection	32	32	36	36	36
Economic and physical development	14	14	16	16	16
Human Services	361	367	380	373	379
Cultural and recreation	16	16	16	16	16
<b>Total</b>	<b>741</b>	<b>747</b>	<b>767</b>	<b>763</b>	<b>785</b>

**Source:** Human Resources Department

**Note:** This schedule represents number of persons employed as of June 30 of each year.  
 Full-time personnel work from 1950 to 2080 base hours per year (less vacation and sick leave).

**Employees As of June 30**

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
85	85	85	88	89
271	272	266	279	286
36	36	36	36	39
17	17	17	18	18
385	386	403	410	417
16	16	21	23	24
<u>810</u>	<u>812</u>	<u>828</u>	<u>854</u>	<u>873</u>

**Schedule 16  
Cleveland County  
Operating Indicators by Function  
Last Ten Fiscal Years**

<b>Function</b>	<b>Fiscal Year</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b><u>General Government</u></b>					
# of Registered Voters	55,330	61,776	61,239	61,566	60,376
<b><u>Public Safety</u></b>					
# of building permits issued	437	409	262	288	293
# of calls dispatched	72,390	68,391	67,544	67,153	77,196
<b><u>Human Services</u></b>					
# of food & lodging sites inspected	1,457	1,455	1,428	1,381	1,360
# of Health clients served (clinical)	26,603	24,582	26,228	31,684	23,937
<b><u>Economic and Physical Development</u></b>					
Number of major subdivision plan reviews	10	5	2	0	0
<b><u>Cultural and Recreation</u></b>					
Library:					
Book Volumes Per Capita	1.19	1.29	1.28	1.42	1.44
Library Income Per Capita (Local)	6.52	7.64	8.58	9.00	8.49
Library Income Per Capita (Total)	9.81	11.13	11.54	12.84	12.08
Library Visits Per Capita	1.52	1.52	1.65	1.69	1.71
Turnover Rate (Circulation per Book)	2.25	1.93	1.78	2.02	2.10
<b><u>Education</u></b>					
Total \$ spent per ADM	\$ 1,568	\$ 1,603	\$ 1,650	\$ 1,655	\$ 1,680
<b><u>Enterprise Fund - Landfill</u></b>					
Solid waste generated # tons/day	418	383	341	398	417

**Source:** Fiscal year data for various governmental and business-type functions.

\*The decline in major subdivision plan reviews is related to the downturn in the economy that began in late 2008.

\*\* Per capita information based on most recent US Census.

<b>Fiscal Year</b>				
<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
63,889	61,676	62,000	58,771	61,180
259	250	275	262	300
90,430	95,502	90,588	90,154	95,769
1,321	1,270	1,171	1,192	1,192
22,370	22,964	18,226	18,627	16,796
0	0	0	0	0
1.48	1.44	1.54	1.14	1.19
8.71	8.74	8.64	9.41	9.81
11.90	11.07	10.02	13.27	12.41
1.60	1.70	1.62	1.86	1.86
1.46	1.44	1.51	1.88	1.72
\$ 1,715	\$ 1,761	\$ 1,736	\$ 1,751	\$ 1,817
489	431	468	477	446

Schedule 17  
 Cleveland County  
 Capital Asset Statistics by Function  
 Last Ten Fiscal Years

<b>Function</b>	<b>Fiscal Year</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b><u>Public Safety</u></b>					
Sheriff's Department:					
Stations	1	1	1	1	1
Vehicles	118	120	117	123	138
Emergency Medical Services					
Stations	9	9	9	9	9
Vehicles	23	27	29	32	31
<b><u>Cultural and Recreation</u></b>					
Park Acreage	435	435	1,433	1,460	1,460
Parks	1	1	1	1	1
Libraries	2	2	2	2	2
Total Government Wide Assets Value	\$ 117,560,227	\$ 144,954,245	\$ 157,463,930	\$ 169,432,071	\$203,494,186

Source: Various County Departments

<b>Fiscal Year</b>				
<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
1	1	1	1	1
128	128	128	154	165
9	9	9	9	9
29	28	30	30	34
1,461	1,468	1,468	1,468	1,468
2	2	2	2	2
2	2	2	2	2
\$ 231,646,536	\$ 146,076,511	\$ 147,872,060	\$ 161,888,551	\$ 127,432,285

**Schedule 18**  
**Cleveland County**  
**Principal Industry Sectors -**  
**Current versus 3 and 6 years ago.**

Industry NAICS Sector*	**2015		
	Annual Wages Paid	Annual Average Number of Employees	% Percentage of Total Labor Force or Employed
1. Manufacturing (31)	\$ 340,813,036	6,558	20.47%
2. Health Care and Social Assistance (62)	210,432,196	5,303	16.55%
3. Educational Services (61)	131,338,673	3,835	11.97%
4. Retail Trade (44)	105,739,236	3,926	12.26%
5. Transportation and Warehousing (48)	88,577,904	2,304	7.19%
6. Public Administration (92)	75,369,237	2,004	6.26%
7. Construction (23)	60,763,847	1,494	4.66%
8. Administrative and Waste Services (56)	44,488,753	1,723	5.38%
9. Wholesale Trade (42)	42,289,995	982	3.07%
10. Accommodation and Food Services (72)	39,326,924	2,808	8.77%
11. Finance and Insurance (52)	23,151,059	525	1.64%
12. Professional and Technical Services (54)	27,678,249	573	1.79%
	<u>\$ 1,189,969,109</u>	<u>32,035</u>	<u>100.00%</u>

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

\*\* All data is on calendar year end basis.

<b>**2012</b>			<b>**2009</b>		
<u>Annual Wages Paid</u>	<u>Annual Average Number of Employees</u>	<u>% Percentage of Total Labor Force or Employed</u>	<u>Annual Wages Paid</u>	<u>Annual Average Number of Employees</u>	<u>% Percentage of Total Labor Force or Employed</u>
\$ 276,572,279	5,657	19.15%	\$ 229,328,877	5,115	17.83%
186,873,018	5,188	17.56%	187,750,856	5,209	18.16%
125,671,232	3,891	13.17%	124,056,173	3,949	13.76%
99,042,933	3,812	12.90%	94,972,356	3,791	13.21%
71,878,736	1,983	6.71%	45,485,758	1,438	5.01%
17,917,569	874	2.96%	71,381,766	2,013	7.02%
51,257,852	1,421	4.81%	39,475,282	1,228	4.28%
46,680,396	1,921	6.50%	22,508,767	1,056	3.68%
42,173,238	1,119	3.79%	41,396,862	1,167	4.07%
32,742,030	2,506	8.48%	29,423,239	2,434	8.48%
24,968,007	606	2.05%	27,044,909	690	2.40%
22,069,785	565	1.91%	22,730,574	601	2.09%
<b>\$ 997,847,075</b>	<b>29,543</b>	<b>100.00%</b>	<b>\$ 935,555,419</b>	<b>\$ 28,691</b>	<b>100.00%</b>

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# 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, 2016, and the related notes to the financial statements, which collectively comprise Cleveland County's basic financial statements, and have issued our report thereon dated November 21, 2016.

### **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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Cleveland County in a separate letter dated November 21, 2016.

## **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, North Carolina  
November 21, 2016

# 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 Federal Program; Report On Internal Control Over Compliance; In Accordance With OMB Uniform Guidance; 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 Cleveland County, North Carolina's compliance with the types of compliance requirements described in the OMB *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 Cleveland County's major federal programs for the year ended June 30, 2016. 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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, 2016.

### **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 the Uniform Guidance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness.

*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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002, 2016-003, 2016-2004, and 2016-005 that we consider to be significant deficiencies.

Cleveland County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Cleveland County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
November 21, 2016

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# 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; Report On Internal Control Over Compliance; In Accordance With OMB Uniform Guidance; 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's 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, 2016. 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 Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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, 2016.

### **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 the Uniform Guidance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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, noncompliance 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 noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-006 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002, 2016-003, 2016-004, and 2016-005 to be significant deficiencies.

Cleveland County's responses to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. Cleveland County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
November 21, 2016

**CLEVELAND COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

---

**Section I. Summary of Auditor's Results**

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**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes     X  no
- Significant deficiency(s) identified? \_\_\_ yes     X  none reported

Non-compliance material to financial statements noted \_\_\_ yes     X  no

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?  X  yes    \_\_\_ no
- Significant deficiency(s) identified?  X  yes    \_\_\_ 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 2 CFR 200.516(a)?  X  yes    \_\_\_ no

Identification of major federal programs:

<b>Program Name</b>	<b>CFDA #</b>
Medicaid Cluster	93.775, 93.777, 93.778
Children's Health Insurance Program	93.767

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

Auditee qualified as low-risk auditee? \_\_\_ yes     X  no



**CLEVELAND COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**Section III – Federal Award Findings and Questioned Costs**

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**US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA # 93.778

Grant Number: WC 302, 1161-4101C3

**Finding: 2016-001**

**Material Weakness**

**Eligibility**

**Criteria:** Management should have an adequate system of internal control procedures in place to properly review and assess the eligibility of individuals to ensure the accuracy of the benefits being provided is within program requirements. Verification of accuracy of information used in determining eligibility should be performed by management. Evidence of the review should be documented and include authorized signatures.

**Condition:** The County Department of Social Services did not have adequate review controls in place to ensure the proper eligibility determinations were being made and documented. Of the casefiles examined, one did not have evidence that a review was performed.

**Questioned Costs:** The finding represents an internal control issue; therefore, no questioned costs are applicable.

**Context:** Of the casefiles examined for evidence of second party review, one did not have written documentation of the review.

**Effect:** Casefiles could be missing the required eligibility determination documentation which could allow benefits to be provided to individuals who are not eligible.

**Cause:** Management weakness in implementation of controls over second party review procedures.

**Recommendation:** Management should adhere to the County's policy in implementing second party reviews. Evidence of documentation of reviews should be retained and include signatures of all parties involved during the review. Any deficiencies noted during the review should be corrected within a timely manner and documented as such.

**Views of Responsible Officials and Planned Corrective Actions:** Management concurs with this finding. Please refer to the Corrective Action Plan.

**CLEVELAND COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**Section III – Federal Award Findings and Questioned Costs**

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**US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services

Program Name: Medical Assistance Program (Medicaid; Title XIX)

CFDA # 93.778

Grant Number: WC 302, 1161-4101C3

**Finding: 2016-002**

**Significant Deficiency**

**Eligibility**

**Criteria:** Management should have an adequate system of internal control procedures in place to ensure verification of citizenship/alien status is obtained from applicants during eligibility review process and such documentation is retained in the applicants' case file.

**Condition:** One applicant received benefits during the fiscal year without the proper documentation of verification of citizenship/alien status.

**Questioned Costs:** None. The finding represents an internal control issue. Applicant was still eligible for benefits as a result of other documentation for current period; therefore, no questioned costs are applicable.

**Context:** Of the 14,451 casefiles, we examined 60 and determined that evidence of documentation for one applicant verifying citizenship/alien status was not obtained.

**Effect:** Casefiles could be missing the required documentation of verification of citizenship/alien status which would allow benefits to be provided to individuals who are not eligible.

**Cause:** Caseworker failed to obtain the required documentation.

**Recommendation:** Caseworkers should look over their eligibility determinations and go back through their checklist of items required before approving benefits.

**Views of Responsible Officials and Planned Corrective Actions:** Management concurs with this finding. Please refer to the Corrective Action Plan.

**CLEVELAND COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Section III – Federal Award Findings and Questioned Costs**

---

**US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services

Program Name: Children’s Health Insurance Program

CFDA # 93.767

Grant Number: WC 302, 1271-5376H1

**Finding: 2016-003**

**Significant Deficiency**

**Eligibility**

**Criteria:** Management should have an adequate system of internal control procedures in place to ensure an applicant is not considered verified as eligible for approval or recertification unless the caseworker performs an automated income and resources match verification for the applicant, which retrieves and verifies applicant information from several federal and State benefit and reporting systems.

**Condition:** The County Department of Social Services failed to provide evidence of documentation of caseworker performing the automated income and resource match verification for two applicants.

**Questioned Costs:** None. The finding represents an internal control issue. Applicant was still eligible for benefits as a result of other documentation for the current period; therefore, no questioned costs are applicable.

**Context:** Of the 215 casefiles, we examined 43 and determined that two applicants received benefits during the fiscal year without their information verified using the automated income and resources match verification systems.

**Effect:** Casefiles were missing the required documentation of verification of automated income and resource match verification which would allow benefits to be provided to individuals who are not eligible.

**Cause:** Caseworker failed to perform the required verification procedures.

**Recommendation:** Caseworkers should process all new and recertifying applicants through the automated income and resource match verification systems as stated by program requirements and retain documentation of such in the applicant’s casefile.

**Views of Responsible Officials and Planned Corrective Actions:** Management concurs with this finding. Please refer to the Corrective Action Plan.

**CLEVELAND COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**Section III – Federal Award Findings and Questioned Costs**

---

**US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services

Program Name: Children's Health Insurance Program

CFDA # 93.767

Grant Number: WC 302, 1271-5376H1

**Finding: 2016-004**

**Significant Deficiency**

**Eligibility**

**Criteria:** Management should have an adequate system of internal control procedures in place to ensure an applicant is properly redetermined for benefits with documentation of the redetermination in the casefiles. Ex parte reviews do not have a standard signed application done for redetermination. Rather, caseworkers perform a review internally by running automated matches through the State systems and obtaining support for changes from applicant if needed. Caseworkers document their review through case narratives.

**Condition:** The County Department of Social Services failed to provide evidence of documentation for two ex parte reviews performed.

**Questioned Costs:** None. The finding represents an internal control issue. Applicants were still eligible for benefits as a result of other documentation for the current period; therefore, no questioned costs are applicable.

**Context:** Of the 215 casefiles, we examined 43 and determined that two applicants were redetermined for benefits during the fiscal year through ex parte reviews but supporting documentation of the review performed by the caseworker were not found within the applicant's file.

**Effect:** Casefiles were missing the required documentation of a completed ex parte review.

**Cause:** Caseworker failed to obtain the required documentation.

**Recommendation:** Caseworkers should obtain the required documentation for ex parte reviews for each applicant. A checklist of items to process an ex parte review could be put in place to standardize the review process.

**Views of Responsible Officials and Planned Corrective Actions:** Management concurs with this finding. Please refer to the Corrective Action Plan.

**CLEVELAND COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**Section III – Federal Award Findings and Questioned Costs**

---

**US Department of Health and Human Services**

Passed through the NC Dept. of Health and Human Services

Program Name: Children’s Health Insurance Program

CFDA # 93.767

Grant Number: WC 302, 1271-5376H1

**Finding: 2016-005**

**Significant Deficiency**

**Eligibility**

**Criteria:** Management should have an adequate system of internal control procedures in place to ensure an applicant’s eligibility determination may only be overridden and forced for approval of benefits with proper supporting documentation or as a result of NC FAST job aide correspondence.

**Condition:** The County Department of Social Services failed to provide evidence of documentation of authorization to force applicant eligibility.

**Questioned Costs:** None. The finding represents an internal control issue. Applicants were still eligible for benefits as a result of other documentation for the current period; therefore, no questioned costs are applicable.

**Context:** Of the 215 casefiles, we examined 43 and determined that two applicants received benefits during the fiscal year, each having been provided forced eligibility without the caseworker obtaining and retaining adequate supporting documentation of approval to force the eligibility.

**Effect:** Casefiles were missing the required supporting documentation of authorization to force eligibility approval.

**Cause:** Caseworker failed to obtain and retain evidence of documentation of authorization to force eligibility approval.

**Recommendation:** Caseworkers should obtain proper documentation, such as NC FAST job aide correspondence, before forcing eligibility approvals for applicants. Evidence of authorization should be retained in the casefile.

**Views of Responsible Officials and Planned Corrective Actions:** Management concurs with this finding. Please refer to the Corrective Action Plan.

**CLEVELAND COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**Section IV – State Award Findings and Questioned Costs**

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**N.C. Department of Health and Human Services**

Program Name: Medical Assistance Program (Medicaid; Title XIX)

**Finding: 2016-001** – Management should have an adequate system of internal control procedures in place to properly review and assess the eligibility of individuals to ensure the accuracy of the benefits being provided is within program requirements. Verification of accuracy of information used in determining eligibility should be performed by management. Evidence of the review should be documented and include authorized signatures. See more details at Finding 2016-001 in Section III – Federal Award Findings and Questioned Costs.

**Finding: 2016-002** – Management should have an adequate system of internal control procedures in place to ensure verification of citizenship/alien status is obtained from applicants during eligibility review process and such documentation is retained in the applicants’ case file. See more details at Finding 2016-002 in Section III – Federal Award Findings and Questioned Costs.

**N.C. Department of Health and Human Services**

Program Name: Children’s Health Insurance Program

**Finding: 2016-003** – Management should have an adequate system of internal control procedures in place to ensure an applicant is not considered verified as eligible for approval or recertification unless the caseworker performs an automated income and resources match verification for the applicant, which retrieves and verifies applicant information from several federal and State benefit and reporting systems. See Finding 2016-003 in Section III – Federal Award Findings and Questioned Costs.

**Finding: 2016-004** – Management should have an adequate system of internal control procedures in place to ensure an applicant is properly redetermined for benefits with documentation of the redetermination in the casefiles. Ex parte reviews do not have a standard signed application done for redetermination. Rather, caseworkers perform a review internally by running automated matches through the State systems and obtaining support for changes from applicant if needed. Caseworkers document their review through case narratives. See Finding 2016-004 in Section III – Federal Award Findings and Questioned Costs.

**Finding: 2016-005** – Management should have an adequate system of internal control procedures in place to ensure an applicant’s eligibility determination may only be overridden and forced for approval of benefits with proper supporting documentation or as a result of NC FAST job aide correspondence. See Finding 2016-005 in Section III – Federal Award Findings and Questioned Costs.

**CLEVELAND COUNTY, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**Section IV – State Award Findings and Questioned Costs**

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**N.C. Department of Health and Human Services**

Program Name: State/County Special Assistance Domiciliary Care

**Finding: 2016-006**

**Material Weakness**

**Eligibility**

**Criteria:** Management should have an adequate system of internal control procedures in place to properly review and assess the eligibility of individuals to ensure the accuracy of the benefits being provided is within program requirements. Verification of accuracy of information used in determining eligibility should be performed by management. Evidence of the review should be documented and include authorized signatures.

**Condition:** The County Department of Social Services did not have a system in place to perform second party reviews for the Special Assistance program.

**Questioned Costs:** None. The finding represents an internal control issue; therefore, no questioned costs are applicable.

**Context:** While performing tests of internal control over compliance on the Special Assistance program, we noted the above condition.

**Effect:** Casefiles could be missing the required eligibility determination documentation which would allow benefits to be provided to individuals who are not eligible.

**Cause:** Second party review procedures are not being performed by management for this program.

**Recommendation:** Management should strengthen the County's policy for performing second party reviews to include all DHHS programs. Evidence of documentation of reviews should be retained and include signatures of all parties involved during the review. Any deficiencies noted during the review should be corrected within a timely manner and documented as such.

**Views of Responsible Officials and Planned Corrective Actions:** Management concurs with this finding. Please refer to the Corrective Action Plan.

# CLEVELAND COUNTY, NORTH CAROLINA

## CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2016

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### Section III – Federal Award Findings and Questioned Costs

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**Finding: 2016-001**

**Name of Contact Person:** Karen Ellis, DSS Director

**Corrective Action:** Management concurs and will ensure future proper review procedures over eligibility determination. Management has already strengthened their second party review process and procedures with the adoption of a formal Second Party Quality Analysis Policy on June 1, 2016.

**Proposed Completion Date:** Immediately

**Finding: 2016-002**

**Name of Contact Person:** Karen Ellis, DSS Director

**Corrective Action:** Management concurs and will ensure caseworkers are obtaining all required evidence of documentation of applicants' proof of citizenship/alien status before approving benefits.

**Proposed Completion Date:** Immediately

**Finding: 2016-003**

**Name of Contact Person:** Karen Ellis, DSS Director

**Corrective Action:** Management concurs and will ensure caseworkers are obtaining evidence of documentation of an automated income and resources match verification inquiry before approving benefits.

**Proposed Completion Date:** Immediately

**Finding: 2016-004**

**Name of Contact Person:** Karen Ellis, DSS Director

**Corrective Action:** Management concurs and will ensure caseworkers are obtaining evidence and documentation of performance of an ex parte review for each applicant before approving benefits.

**Proposed Completion Date:** Immediately

**CLEVELAND COUNTY, NORTH CAROLINA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2016**

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**Section III – Federal Award Findings and Questioned Costs**

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**Finding: 2016-005**

**Name of Contact Person:** Karen Ellis, DSS Director

**Corrective Action:** Management concurs and will ensure caseworkers are obtaining evidence of documentation of approval of forced cases via email or NC FAST job aide correspondence before approving benefits.

**Proposed Completion Date:** Immediately

# CLEVELAND COUNTY, NORTH CAROLINA

## CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2016

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### Section IV – State Award Findings and Questioned Costs

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**Finding: 2016-001**

See Finding 2016-001 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

**Finding: 2016-002**

See Finding 2016-002 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

**Finding: 2016-003**

See Finding 2016-003 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

**Finding: 2016-004**

See Finding 2016-004 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

**Finding: 2016-005**

See Finding 2016-005 in Section III – Federal Award Findings and Questioned Costs of the Corrective Action Plan.

**Finding: 2016-006**

**Name of Contact Person:** Karen Ellis, DSS Director

**Corrective Action:** Management concurs and will ensure future proper review procedures over eligibility determination. Management has already strengthened their second party review process and procedures with the adoption of a formal Second Party Quality Analysis Policy on June 1, 2016.

**Proposed Completion Date:** Immediately

**CLEVELAND COUNTY, NORTH CAROLINA**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

**Cleveland County, North Carolina  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2016**

<b>Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>State/ Pass-through Grantor Number</b>	<b>Federal (Direct and Pass-Through) Expenditures</b>	<b>State Expenditures</b>	<b>Passed- through to Subrecipients</b>
<b>Federal Awards:</b>					
<u>U.S. Dept. of Agriculture</u>					
<u>Passed-Through N.C. Dept. of Health and Human Services:</u>					
<u>Division of Public Health</u>					
<u>Administration:</u>					
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	13A2-5403-GG	\$ 532,499	\$ -	\$ -
<u>Direct Benefit Payments:</u>					
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	13A2-5403-GU	2,080,958	-	-
<u>Total Division of Public Health</u>			<u>2,613,457</u>	<u>-</u>	<u>-</u>
<u>Division of Social Services:</u>					
<u>Administration:</u>					
<u>Supplemental Nutrition Assistance Program Cluster:</u>					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - Admin	10.561	WC 302	1,064,694	-	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - Fraud Admin	10.561	WC 302	44,094	-	-
<u>Total Supplemental Nutrition Assistance Program Cluster</u>			<u>1,108,788</u>	<u>-</u>	<u>-</u>
<u>Total U.S. Department of Agriculture</u>			<u>3,722,245</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>					
<u>Administration for Children and Families</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>					
<u>Aging Cluster:</u>					
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers - In Home Services	93.044	1264-2679EN	52,143	78,215	-
<u>Total Aging Cluster</u>			<u>52,143</u>	<u>78,215</u>	<u>-</u>
<u>Total Division of Aging</u>			<u>52,143</u>	<u>78,215</u>	<u>-</u>
<u>Division of Child Development and Early Education:</u>					
<u>Subsidized Child Care Cluster:</u>					
<u>Child Care Development Fund Cluster:</u>					
<u>Division of Social Services:</u>					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund -- Administration	93.596	WC 302	104,765	-	-
<u>Division of Child Development:</u>					
Child Care and Development Block Grant	93.575	List Pay2	608,468	-	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund -- Mandatory	93.596	List Pay2	161,432	-	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund -- Matching	93.596	List Pay2	955,427	448,544	-
<u>Total Child Care Development Fund Cluster</u>			<u>1,830,092</u>	<u>448,544</u>	<u>-</u>
<u>Division of Child Development:</u>					
<u>Subsidized Child Care Cluster: (note 3)</u>					
Temporary Assistance for Needy Families	93.558	13A1-5151	151,918	-	-
Foster Care Title IV-E	93.658	13A1-5151	12,309	6,316	-
State Appropriations	-	13A1-5151	-	202,776	-
TANF-MOE	-	13A1-5151	-	200,668	-
<u>Total Subsidized Child Care Cluster</u>			<u>1,994,319</u>	<u>858,304</u>	<u>-</u>
<u>Centers for Medicare and Medicaid Services</u>					
<u>Division of Medical Assistance:</u>					
<u>Division of Social Services:</u>					
Medical Assistance Program - Adult Care Home CM	93.778	WC 302	40,413	16,550	-
Medical Assistance Program - Expansion	93.778	WC 302	15,177	-	-
Medical Assistance Program - Direct Benefit Payments	93.778	1161-4101C3	116,838,483	63,185,902	-
Medical Assistance Program - Administration	93.778	WC 302	2,208,351	-	-
Medical Assistance Program - Transportation Services	93.778	WC 302	83,212	-	-
Medical Assistance Program - DMA Equipment	93.778	WC 302	59,963	-	-
Medical Assistance Program - Special Adult Home	93.778	WC 302	76,477	-	-
<u>Total Medicaid Cluster</u>			<u>119,322,076</u>	<u>63,202,452</u>	<u>-</u>

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**Cleveland County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2016**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Passed- through to Subrecipients
<b>Federal Awards: (continued from previous page)</b>					
<u>Centers for Disease Control and Prevention</u>					
<u>Passed through NC Dept. of Health and Human Services</u>					
<u>Division of Public Health</u>					
Public Health Emergency Preparedness Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.069	1264-2679EU	47,511	-	-
Well-Integrated Screening and Evaluation for Women Across the Nation	93.074	1264-2680ER	15,000	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Program	93.094	1264-2784ER	22,860	-	-
Promoting Safe and Stable Families	93.116	1460-272ANF	21	-	-
Immunization Cooperative Agreements	93.556	WC 302	41,096	-	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.268	1331-623EVJ	23,246	-	-
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.758	1311-4536PF	46,991	-	-
	93.919	1320-310BEK	2,763	-	-
<u>HIV Cluster:</u>					
HIV Prevention Activities - Health Department Based Preventive Health Service - Sexually Transmitted Diseases Control Grants	93.940	1311-425DNC	30,000	-	-
	93.977	1311-4540NB	510	-	-
<u>Total HIV Cluster</u>			30,510	-	-
<u>Office of Population Affairs</u>					
<u>Passed through NC Dept. of Health and Human Services</u>					
<u>Office of Population Affairs</u>					
Family Planning - Services	93.217	13A1-592AFP	20,515	-	-
<u>Total Division of Public Health</u>			250,513	-	-
Administration of Children and Families passed through NC Dept. of Health and Human Services					
<u>Division of Social Services:</u>					
<u>Child Support Enforcement:</u>					
Child Support Enforcement	93.563	WC 302	5,300	-	-
<u>Total Child Support Enforcement Funds</u>			5,300	-	-
<u>Foster Care and Adoption Assistance Cluster: (note 3)</u>					
Foster Care Title IV-E Admin to CCI - direct benefit payment	93.658	WC 302	5,931	2,966	-
Foster Care Title IV-E Child Protective Services - Admin	93.658	WC 302	160,933	107,088	-
Foster Care Title IV-E Family Max - direct benefit payment	93.658	WC 302	2,013	-	-
Foster Care Title IV-E Training - Admin	93.658	WC 302	3,121	-	-
Foster Care Title IV-E Foster Care/Off TRN - Admin	93.658	WC 302	605,888	-	-
Foster Care Title IV-E - direct benefit payment	93.658	WC 302	418,225	106,891	-
Foster Care Title IV-E - Admin	93.658	WC 302	132,778	-	-
Foster Care Title IV-E Max in Excess - direct benefit payment	93.658	WC 302	476,924	121,832	-
Foster Care Title IV-E Max Level III - direct benefit payment	93.658	WC 302	26,961	-	-
Adoption Assistance Adoption Subsidy - Admin	93.659	WC 302	183	-	-
Adoption Assistance Adoption/OFF Trm - Admin	93.659	WC 302	6,057	-	-
Adoption Assistance Adopt Subsidy & Vend - direct benefit payment	93.659	WC 302	793,819	206,073	-
<u>Total Foster Care and Adoption Assistance Cluster</u>			2,632,833	544,850	-
<u>Temporary Assistance for Needy Families Cluster:</u>					
Temporary Assistance for Needy Families - Direct Benefit Payment	93.558	WC 302	754,855	-	-
Temporary Assistance for Needy Families - Work First Administration	93.558	WC 302	138,592	-	-
Temporary Assistance for Needy Families	93.558	G1602NCTANF	81,629	-	-
Temporary Assistance for Needy Families - Special Children Adoption	93.558	WC 302	120,000	-	-
Temporary Assistance for Needy Families - Work First Services	93.558	WC 302	1,375,957	-	-
<u>Total Temporary Assistance for Needy Families Cluster</u>			2,471,033	-	-
Family Support Payments to States - Direct Benefit Payments	93.560	WC 302	(415)	(114)	-
Child Support Enforcement	93.563	WC 302	1,054,537	-	-
Refugee and Entant Assistant - State Administered Programs	93.566	WC 302	7,708	-	-
AFDC Incentives / Program Integrity		WC 302	-	784	-
Low-Income Home Energy Assistance - Crisis Intervention Planning Services	93.568	WC 302	527,283	-	-
Low-Income Home Energy Assistance	93.568	WC 302	523,800	-	-
Low-Income Home Energy Assistance - Admin	93.568	WC 302	84,387	-	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	WC 302	24,231	-	-
Social Services Block Grant - Special ADC	93.667	WC 302	10,609	16,061	-
Maternal and Child Health Services Block Grant to the States	93.994	1161-1613AP	82,791	62,100	-
Social Services Block Grant - Adult Protective Service	93.667	WC 302	50,261	-	-
Social Services Block Grant - In-Home Services	93.667	WC 302	6,840	-	-
Social Services Block Grant - In-Home Services Over 60	93.667	WC 302	14,314	-	-
Social Services Block Grant - Other SVCS & TRNG	93.667	WC 302	342,098	37,623	-
Chafee Foster Care Independence Program	93.674	WC 302	34,094	8,523	-
Chafee Foster Care Independence Program - direct benefit payments	93.674	WC 302	9,010	-	-
Children's Health Insurance Program	93.767	WC 302	52,087	1,571	-
Children's Health Insurance Program - Direct Benefit	93.767	1271-5376H1	1,864,791	101,571	-
<u>Total U.S. Department of Health and Human Services</u>			131,416,643	64,911,940	-

continued on next page

**Cleveland County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2016**

<b>Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>State/ Pass-through Grantor Number</b>	<b>Federal (Direct and Pass-Through) Expenditures</b>	<b>State Expenditures</b>	<b>Passed- through to Subrecipients</b>
<b>Federal Awards: (continued from previous page)</b>					
<u>U.S. Department of Homeland Security</u>					
<u>Passed-through N.C. Dept. of Public Safety</u>					
Emergency Management Performance Grants	97.042	EMPG-2015-37045	52,917	-	-
Homeland Security Grant Program	97.067	N/A	76,022	-	-
<u>Total U.S. Department of Homeland Security</u>			<u>128,939</u>	<u>-</u>	<u>-</u>
<u>Institute of Museum and Library Services</u>					
<u>Passed-through N.C. Dept. of Cultural and Natural Resources</u>					
Grants to States	45.310	RFID, EDGE, TRNG	68,105	-	-
<u>Total Institute of Museum and Library Services</u>			<u>68,105</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Justice</u>					
<u>Passed-through N.C. Dept. of Justice</u>					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	PROJ009855	3,338	-	-
<u>Total U.S. Department of Justice</u>			<u>3,338</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>					
<u>Passed-Through N.C. Dept. of Commerce,</u>					
<u>thru Isothermal Planning and Development</u>					
Community Development Block Grant/State's program and Non-Entitlement Grant in Hawaii	14.228	1460-5555	42,070	-	-
<u>Total U.S. Department of Housing and Urban Development</u>			<u>42,070</u>	<u>-</u>	<u>-</u>
<u>Total Federal Awards</u>			<u>135,381,340</u>	<u>64,911,940</u>	<u>-</u>
<b>State Awards:</b>					
<u>N.C. Department of Cultural and Natural Resources</u>					
<u>Division of State Library:</u>					
State Aid to Public Libraries		06600	-	140,995	-
<u>Total N.C. Department of Cultural and Natural Resources</u>			<u>-</u>	<u>140,995</u>	<u>-</u>
<u>N.C. Department of Environmental Quality:</u>					
Funds for Soil and Water Conservation District			-	31,339	-
<u>Total N.C. Department of Environmental Quality</u>			<u>-</u>	<u>31,339</u>	<u>-</u>
<u>N.C. Department of Health and Human Services</u>					
<u>Division of Child Development:</u>					
Smart Start Day Care		WC 302	-	67,279	-
<u>Division of Public Health:</u>					
Food and Lodging Fees		1161-4112-0023	-	17,762	-
General Aid to Counties		1161-4110-0023	-	149,650	-
Public Health Nursing		1161-4301-0023	-	800	-
General Communicable Disease Control		1175-4510-0023	-	5,465	-
Tuberculosis		1460-4551-0023	-	19,568	-
School Nurse Funding Initiative		1332-5358-0023	-	200,000	-
TB Medical Service		1460-4554-0023	-	1,529	-
Breast and Cervical Cancer Program		1460-5335-1121	-	8,712	-
HMHC-Family Planning		1460-4558-0023	-	18,278	-
Child Health		1460-5225-0023	-	3,970	-
Maternal Health (HMHC)		1410-4179-0023	-	5,387	-
Women's Health Service Fund		1410-4179-0023	-	8,991	-
Sexually Transmitted Diseases		1311-4620-0023	-	3,903	-
<u>Total Division of Public Health</u>			<u>-</u>	<u>444,015</u>	<u>-</u>
<u>Division of Social Services:</u>					
Direct benefit payments:					
St Child Welfare/CPS/CS LD		WC 302	-	112,644	-
State Foster Home		WC 302	-	97,499	-
State Max		WC 302	-	114,712	-
CWS Adoption Subsidy		WC 302	-	324,877	-
At-Risk Max		WC 302	-	7,906	-
State/County Special Assistance Domiciliary Care		WC 302	-	1,021,310	-
<u>Total Division of Social Services</u>			<u>-</u>	<u>1,678,948</u>	<u>-</u>
<u>Total N. C. Department of Health and Human Services</u>			<u>-</u>	<u>2,190,242</u>	<u>-</u>
<u>N.C. Department of Transportation</u>					
Employment Transportation		26236.11.5.1	-	26,168	-
Rural General Public Transportation		36228.22.6.1	-	101,693	-
EDTAP Transportation		36220.10.6.1	-	81,429	-
<u>Total N.C. Department of Transportation</u>			<u>-</u>	<u>209,290</u>	<u>-</u>

continued on next page

**Cleveland County, North Carolina**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2016**

<b>Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>State/ Pass-through Grantor Number</b>	<b>Federal (Direct and Pass-Through) Expenditures</b>	<b>State Expenditures</b>	<b>Passed- through to Subrecipients</b>
<b>State Awards: (continued from previous page)</b>					
<u>N.C. Department of Public Instruction:</u>					
Public School Building Capital Fund - Lottery Proceeds			-	1,593,900	-
<u>Total N.C. Department of Public Instruction</u>			-	1,593,900	-
<u>N.C. Department of Public Safety</u>					
NC FEMA 90123/127 Reimbursement for payroll and mileage			-	4,544	-
Community-Based Violence Prevention Program			-	185,361	-
<u>Total N.C. Department of Public Safety</u>			-	189,905	-
<u>N.C. Department of Administration Veterans Affairs:</u>					
State match for Veterans Department			-	1,907	-
<u>Total N.C. Department of Administration Veterans Affairs</u>			-	1,907	-
<u>Total State Awards</u>			-	4,357,578	-
<u>Total Federal and State Awards</u>			\$ 135,381,340	\$ 69,269,518	\$ -

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of Cleveland County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Cleveland County, it is not intended to and does not present the financial position, changes in net position or cash flows of Cleveland County.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Cleveland County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3: Cluster of Programs**

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Subsidized Child Care and Foster Care and Adoption