

**CLEVELAND COUNTY
NORTH CAROLINA**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

Prepared by: Finance Department
Finance Director: Brian Epley
Deputy Finance Director: Lucas Jackson

CLEVELAND COUNTY, NORTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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INTRODUCTORY SECTION

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CLEVELAND COUNTY

FINANCE
DEPARTMENT

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

Phone: 704-484-4811

November 17, 2017

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, 2017 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, 2017 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, 2017 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 97,178. 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, generating cash receipts of \$134 million each year. There are 1,036 small family-owned farms producing food and fiber on 116,651 acres of fertile farmland, representing nearly 40 percent of the county's land mass. Broilers and beef cattle are leading commodities, generating a combined \$121 million in farm gate sales. Crops (grains, oilseeds, fruits & vegetables, nursery stock and forages) contribute an additional \$12 million. Cleveland County is home to a rapidly growing local food movement. Foothills Farmers' Market, located in Uptown Shelby, provides consumers with a direct connection to more than 50 food vendors with deep roots in Cleveland County and the surrounding region.

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 in excess of 600 in Cleveland County and ranks in the top 10 of North Carolina's 100 Counties. 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 \$106.95 million. This provides an annual tax savings of approximately \$110.06 to each County resident.

**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>
2017	319	\$ 23,611,367	4.4%
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%

The number of permits issued for new residential and commercial construction was up from FY 2017 and the total dollar value of those new permits increased by approximately \$500,000. 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 County Healthcare	Education & Health Services	1000+
Wal-Mart Associates Inc.	Trade, Transportation & Utilities	500-999
County of Cleveland	Public Administration	500-999
Gardner-Webb University	Education & Health Services	500-999
Baldor Electric Company	Manufacturing	500-999
PPG Industries Inc.	Manufacturing	500-999
Cleveland Community College	Education & Health Services	250-499
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 \$1.8m over the previous fiscal year or 1.65 percent. Total General Fund expenditures increased by approximately \$480,000 or .45 percent over FY 2016. Total General Fund Balance increased by \$1,109,560 to \$39,620,247 and the Unassigned Fund Balance amount was \$19,892,312. The net position of the County's only Enterprise Fund increased in FY 2017 by \$812,497.

The Commission continues to focus on a community wide economic development strategy and job creation. Unemployment in Cleveland County is 4.40% which ranks strongly across North Carolina peer Counties. In collaboration with the City of Shelby, a joint industrial park has been completed that is located in west Shelby. Economic Development and fiscal sustainability both continue to be a high priority of the Commissions strategic plan.

For FY 2016-2017, 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 2017-2018 brings unique challenges to Cleveland County that are results of past success. Unemployment is below five percent and the County is experiencing economic growth which creates a workforce development shortage and a shortage of housing stock. Following the January 1, 2016 mandatory revaluation which resulted in net value decrease of 3.6%, the County has fully recovered from the valuation loss and has maintained steady tax rate of .57 cents. The Board of Commissioners were able to adopt a balanced budget for FY 2017-2018 with no change to the tax rate and no service interruptions.

Cleveland County has poised itself for long-term sustainability with an external focus on a strong tax base and job creation. Moving into FY 2017-2018, the County is also focused on internal strategic planning. The Strategic Goals for FY 2017-2018 include, implementation of the Pay and Classification Study that was completed in FY 2016-2017. The County also has completed a facilities master plan, energy savings initiative plan, and is developing an enterprise resource planning strategy.

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 \$19.9 million in Unassigned General Fund Balance or 18.7 percent of total General Fund expenditures. 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

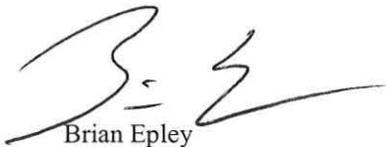
Standards, issued by the Comptroller General of the United States, were used by the auditors in conducting the engagement. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules are included in the financial section of this report. 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, 2016. This was the third 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
Deputy County Manager/Finance Director

CLEVELAND COUNTY, NORTH CAROLINA

List of Principal Officials

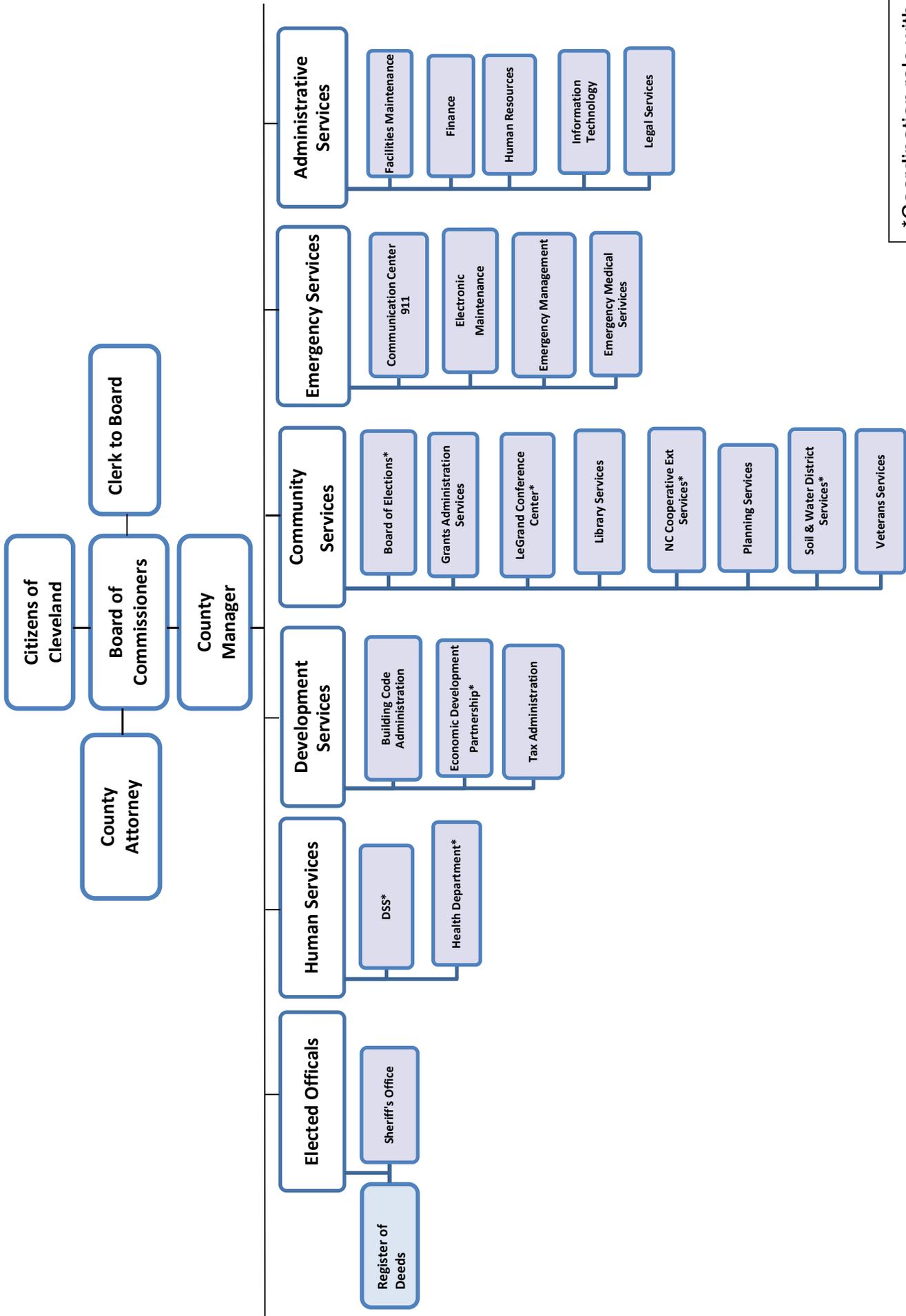
June 30, 2017

Board of Commissioners

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

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.....	Betsy Harnage
Sheriff	Alan Norman
Social Services Director.....	Karen Ellis
Soil and Water Conservation District	Stephen Bishop
Solid Waste & Animal Services	Nathan McNeilly
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, 2016

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, 2017, 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, 2017, 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 Other Post-Employment Benefits Schedule of Funding Progress and Employer Contributions, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension (Asset) Liability and County Contributions, the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, 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, budget and actual 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, budget and actual 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, budget and actual 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 17, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Cleveland County's 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 17, 2017

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CLEVELAND COUNTY, NORTH CAROLINA

Management's Discussion and Analysis

June 30, 2017

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, 2017. 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

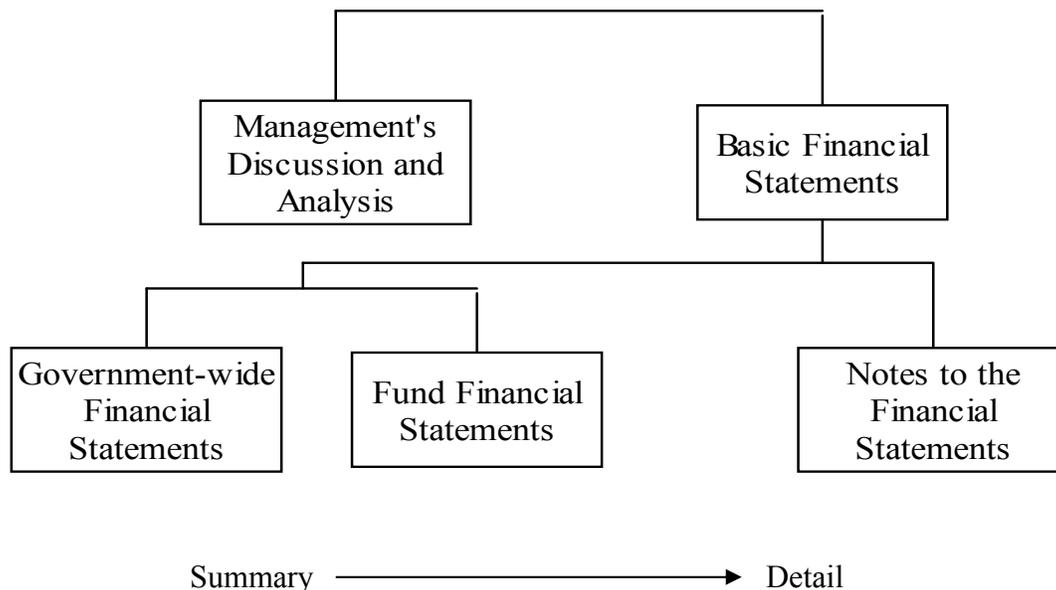
- The assets and deferred outflows of resources of Cleveland County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$128,975,099 (*net position*). In accordance with North Carolina law, liabilities of the County include approximately \$24,383,671 in long-term debt associated with assets which the County does not hold title. 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 \$4,679,981, primarily due the completion of the county health department capital project 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 \$82,895,382. That amount is an increase of \$34,485,349, in comparison with the prior year. Approximately 50.28 percent of this total amount, or \$41,678,607, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$19,892,312, or 18.8 percent, of total General Fund expenditures, not including transfers.
- Cleveland County's total general obligation, limited obligation, and installment note debt increased \$30,144,803 during the current fiscal year primarily from current year installment debt issuance.

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 three categories: governmental funds, proprietary funds, and fiduciary 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 employees. Required supplementary information can be found directly following the notes of this report.

Government-Wide Financial Analysis

Cleveland County's Net Position

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets:						
Current and other assets	\$ 88,351,364	\$ 54,653,678	\$ 2,901,955	\$ 6,183,447	\$ 91,253,319	\$ 60,837,125
Capital assets	111,322,497	110,247,913	22,236,046	17,184,372	133,558,543	127,432,285
Total assets	<u>199,673,861</u>	<u>164,901,591</u>	<u>25,138,001</u>	<u>23,367,819</u>	<u>224,811,862</u>	<u>188,269,410</u>
Deferred Outflows of Resources						
	<u>9,267,632</u>	<u>2,087,806</u>	<u>458,459</u>	<u>86,415</u>	<u>9,726,091</u>	<u>2,174,221</u>
Liabilities:						
Long-term liabilities	81,947,306	41,159,880	12,441,193	11,750,379	94,388,499	52,910,259
Other liabilities	9,367,048	9,723,570	1,170,678	491,579	10,537,726	10,215,149
Total liabilities	<u>91,314,354</u>	<u>50,883,450</u>	<u>13,611,871</u>	<u>12,241,958</u>	<u>104,926,225</u>	<u>63,125,408</u>
Deferred Inflows of Resources						
	<u>628,409</u>	<u>1,295,975</u>	<u>8,220</u>	<u>48,404</u>	<u>636,629</u>	<u>1,344,379</u>
Net Position:						
Net investment in capital assets	82,890,909	103,435,523	22,236,046	17,184,372	105,126,955	120,619,895
Restricted	29,407,653	19,071,426	-	-	29,407,653	19,071,426
Unrestricted	4,700,168	(7,696,977)	(10,259,677)	(6,020,500)	(5,559,509)	(13,717,477)
Total net position	<u>\$ 116,998,730</u>	<u>\$ 114,809,972</u>	<u>\$ 11,976,369</u>	<u>\$ 11,163,872</u>	<u>\$ 128,975,099</u>	<u>\$ 125,973,844</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 \$128,975,099 as of June 30, 2017. The County's net position increased by \$4,679,981 for the fiscal year ended June 30, 2017. Net position of the County is reported in three categories: net investment in capital assets of \$105,126,955; restricted net position of \$29,407,653; and unrestricted net position of \$(5,559,509).

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, economic and physical development, human services, cultural and recreational, 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. After the debt is completely serviced, the title of the asset is passed to the school system or community college.

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 98.56 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 \$3,867,484. Key elements of this increase are as follows:

- Increase tax collection rate to 98.56%
- Completion and capitalization the county health department
- Increase in key economic indicators such as investment income
- Expiration of several economic development incentive contracts
- Increase in local option sales tax collections

Business-Type Activities. Business-type activities increased the County's net position by \$812,497. 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
- Manageable post closure costs

Financial Analysis of the County's Funds

Cleveland County's Change in Net Position Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 9,785,034	\$ 11,213,038	\$ 5,996,327	\$ 5,746,746	\$ 15,781,361	\$ 16,959,784
Operating grants and contributions	19,725,708	23,848,088	-	-	19,725,708	23,848,088
Capital grants and contributions	7,115,734	8,022,326	-	3,700	7,115,734	8,026,026
General revenues:						
Property taxes	61,266,854	60,047,655	-	-	61,266,854	60,047,655
Other taxes	19,794,364	17,561,662	711,838	652,263	20,506,202	18,213,925
Other	1,164,261	278,704	31,524	13,557	1,195,785	292,261
Total revenues	<u>118,851,955</u>	<u>120,971,473</u>	<u>6,739,689</u>	<u>6,416,266</u>	<u>125,591,644</u>	<u>127,387,739</u>
Expenses:						
General government	11,852,530	11,020,394	-	-	11,852,530	11,020,394
Public safety	25,546,272	25,934,832	-	-	25,546,272	25,934,832
Environmental protection	179,350	2,792,358	-	-	179,350	2,792,358
Economic and physical development	7,896,716	2,998,654	-	-	7,896,716	2,998,654
Human services	36,826,648	38,328,743	-	-	36,826,648	38,328,743
Cultural and recreational	688,520	1,436,822	-	-	688,520	1,436,822
Education	30,252,460	30,170,441	-	-	30,252,460	30,170,441
Interest on long-term debt	1,741,975	1,904,752	-	-	1,741,975	1,904,752
Solid waste disposal	-	-	5,927,192	4,862,707	5,927,192	4,862,707
Total expenses	<u>114,984,471</u>	<u>114,586,996</u>	<u>5,927,192</u>	<u>4,862,707</u>	<u>120,911,663</u>	<u>119,449,703</u>
Change in net position before transfers	3,867,484	6,384,477	812,497	1,553,559	4,679,981	7,938,036
Transfers	-	432,320	-	(432,320)	-	-
Change in net position	<u>3,867,484</u>	<u>6,816,797</u>	<u>812,497</u>	<u>1,121,239</u>	<u>4,679,981</u>	<u>7,938,036</u>
Net Position:						
Beginning of year - July 1, previously reported	114,809,972	107,993,175	11,163,872	10,042,633	125,973,844	118,035,808
Restatement	(1,678,726)	-	-	-	(1,678,726)	-
Beginning of year - July 1, restated	<u>113,131,246</u>	<u>107,993,175</u>	<u>11,163,872</u>	<u>10,042,633</u>	<u>124,295,118</u>	<u>118,035,808</u>
End of year - June 30	<u>\$ 116,998,730</u>	<u>\$ 114,809,972</u>	<u>\$ 11,976,369</u>	<u>\$ 11,163,872</u>	<u>\$ 128,975,099</u>	<u>\$ 125,973,844</u>

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 \$31,972,297 while total fund balance was \$39,620,247. 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 25.9 percent of total General Fund expenditures and transfers out while total fund balance represents 32.1 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 18.8 percent.

At June 30, 2017, the governmental funds of the County reported a combined fund balance of \$82,895,382, a 71.2 percent increase from last year. The increase was primarily due to positive operations in the general fund, and installment debt financing in two major capital project funds. Unassigned fund balance grew for the fourth consecutive year.

General Fund Budgetary Highlights. The County's financial position increased during FY 2017 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 \$9.7 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, and investment earnings.

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 \$1,830,987, or 1.7 percent, and expenditures by \$3,986,884, or 3.6 percent, of the original budget. The County exceeded expected investment earnings by approximately \$344,000.

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 \$11,976,369. During the fiscal year 2017, proprietary fund net position increased \$812,497. The increase in total net position for the proprietary funds is primarily due to increased tonnage, stringent budget monitoring and manageable post closure costs.

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, 2017 totals \$133,361,995 (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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 17,191,698	\$ 16,480,194	\$ 13,473,356	\$ 13,470,906	\$ 30,665,054	\$ 29,951,100
Buildings	82,186,236	84,954,463	880,441	879,730	83,066,677	85,834,193
Plant and distribution systems	-	-	52,392	56,161	52,392	56,161
Equipment	6,259,360	3,670,185	2,604,381	6,383	8,863,741	3,676,568
Vehicles and motor equipment	3,207,184	4,833,823	5,832	2,360,311	3,213,016	7,194,134
Construction in progress	<u>2,281,471</u>	<u>309,248</u>	<u>5,219,644</u>	<u>410,881</u>	<u>7,501,115</u>	<u>720,129</u>
Total	<u>\$111,125,949</u>	<u>\$110,247,913</u>	<u>\$ 22,236,046</u>	<u>\$ 17,184,372</u>	<u>\$133,361,995</u>	<u>\$127,432,285</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, 2017, Cleveland County had total bonded debt outstanding of \$14,420,000. 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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Limited obligation bonds	14,420,000	15,505,000	-	-	14,420,000	15,505,000
Installment notes payable	48,849,671	17,519,868	-	-	48,849,671	17,519,868
Total	\$ 63,269,671	\$ 33,124,868	\$ -	\$ -	\$ 63,269,671	\$ 33,024,868

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 \$607,405,622.

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, 2018

The FY 2017-18 budget was approved by the Cleveland County Board of Commission at an unchanged property tax rate of 57 cents per \$100 of property valuation. The FY 17-18 budget is the second budget post revaluation, and the County's tax base has recovered nicely primarily due growth in the manufacturing industry. The projected tax base for fiscal year 2017-18 is approximately \$8,400,000,000 which creates a projected revenue increase of \$2,000,000 at the approved 57 cents tax rate and a historically driven collection rate.

The FY 17-18 budget reflects the Board's continued investment in the workforce. The Board approved a 4% pay increase for all full time employees with more than one year of service. There are also appropriations included in the budget to finish a professional pay and classification study.

The Board also continues to keep a focus on internal operations and the budget includes funding for several organizational projects: facilities master plan, energy conservation initiative, and a system wide I.T. upgrade.

The FY 17-18 budget also reflects an unchanged rate for Cleveland County Schools at 15 cents per \$100 of property valuation.

The Board of Commissioners did approve a fire tax rate increase from 5 cents to 8.75 cents per \$100 and that change is reflected in the approved budget. The rate increase is primarily to fund paid staffing for day time coverage to be included in the performance contracts.

The Cleveland County Board of County Commissioners have developed strategic goals that are broken into four focus areas for the 2017-2018 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 FY2018 budget:

- Fiscal Sustainability :
 - Maintaining a minimum un-assigned fund balance percentage of 18-20%
 - Sales Tax Legislation changes
 - Creation of a Master Facility Plan
 - Operational Re-Engineering
- Economic Development :
 - Funding for future economic incentive projects and job creation.
 - 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 2018 budget year which included a 15% increase. Management has developed a 10-year rate schedule to offset rising operational and personnel costs as well as future post closure and expansion 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.

BASIC FINANCIAL STATEMENTS – OVERVIEW

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CLEVELAND COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 48,465,339	\$ 1,942,203	\$ 50,407,542
Taxes receivable, net	1,680,213	-	1,680,213
Receivables, net	8,809,298	708,963	9,518,261
Inventories	92,666	-	92,666
Prepaid items	891,119	-	891,119
Note receivable	18,352	-	18,352
Restricted cash	28,394,377	250,789	28,645,166
Total current assets	88,351,364	2,901,955	91,253,319
Non-current assets:			
Note receivable	73,412	-	73,412
Net pension asset	123,136	-	123,136
Capital assets:			
Land and construction in progress	19,473,169	18,693,000	38,166,169
Other capital assets, net of depreciation	91,652,780	3,543,046	95,195,826
Total capital assets	111,125,949	22,236,046	133,361,995
Total non-current assets	111,322,497	22,236,046	133,558,543
Deferred Outflows of Resources:			
Contributions to pension plan in current fiscal year	2,393,797	99,078	2,492,875
Pension deferrals	6,873,835	359,381	7,233,216
Total deferred outflows of resources	9,267,632	458,459	9,726,091
Liabilities:			
Current liabilities:			
Accounts payable and accrued expenses	3,510,941	903,622	4,414,563
Liabilities to be paid from restricted assets	-	250,789	250,789
Due within one year	5,856,107	16,267	5,872,374
Total current liabilities	9,367,048	1,170,678	10,537,726
Long-term liabilities:			
Net pension liability - LGERS	10,590,004	533,368	11,123,372
Total pension liability - LEOSSA	2,470,182	-	2,470,182
Due in more than one year	68,887,120	11,907,825	80,794,945
Total long-term liabilities	81,947,306	12,441,193	94,388,499
Total liabilities	91,314,354	13,611,871	104,926,225
Deferred Inflows of Resources:			
Prepaid taxes	179,337	-	179,337
Pension deferrals	449,072	8,220	457,292
Total deferred inflows of resources	628,409	8,220	636,629
Net Position:			
Net investment in capital assets	82,890,909	22,236,046	105,126,955
Restricted for:			
Stabilization for State statute	8,364,597	-	8,364,597
Register of Deeds	76,671	-	76,671
Register of Deeds' pension plan	159,773	-	159,773
Public safety - Sherriff	250,000	-	250,000
Public safety - Fire	331,460	-	331,460
Public safety - Emergency telephone	1,029,393	-	1,029,393
Economic and physical development	10,043,092	-	10,043,092
Education	6,969,825	-	6,969,825
Human services	2,000,000	-	2,000,000
Cultural and recreation	182,842	-	182,842
Unrestricted	4,700,168	(10,259,677)	(5,559,509)
Total net position	\$ 116,998,730	\$ 11,976,369	\$ 128,975,099

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

CLEVELAND COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs:	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 11,852,530	\$ 3,592,173	\$ 1,351,849	\$ -
Public safety	25,546,272	2,004,684	355,316	-
Environmental protection	179,350	-	-	-
Economic and physical development	7,896,716	370,675	-	1,670,321
Human services	36,826,648	3,817,502	17,834,543	4,351,935
Cultural and recreational	688,520	-	184,000	-
Education	30,252,460	-	-	1,093,478
Interest on long-term debt	1,741,975	-	-	-
Total governmental activities	<u>114,984,471</u>	<u>9,785,034</u>	<u>19,725,708</u>	<u>7,115,734</u>
Business-Type Activities:				
Solid Waste	<u>5,927,192</u>	<u>5,996,327</u>	-	-
Total business-type activities	<u>5,927,192</u>	<u>5,996,327</u>	-	-
Total primary government	<u>\$ 120,911,663</u>	<u>\$ 15,781,361</u>	<u>\$ 19,725,708</u>	<u>\$ 7,115,734</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, 2017

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs:			
Primary Government:			
Governmental Activities:			
General government	\$ (6,908,508)	\$ -	\$ (6,908,508)
Public safety	(23,186,272)	-	(23,186,272)
Environmental protection	(179,350)	-	(179,350)
Economic and physical development	(5,855,720)	-	(5,855,720)
Human services	(10,822,668)	-	(10,822,668)
Cultural and recreational	(504,520)	-	(504,520)
Education	(29,158,982)	-	(29,158,982)
Interest on long-term debt	(1,741,975)	-	(1,741,975)
Total governmental activities	<u>(78,357,995)</u>	<u>-</u>	<u>(78,357,995)</u>
Business-Type Activities:			
Landfill	-	69,135	69,135
Total business-type activities	<u>-</u>	<u>69,135</u>	<u>69,135</u>
Total primary government	<u>(78,357,995)</u>	<u>69,135</u>	<u>(78,288,860)</u>
General Revenues:			
Taxes:			
Property taxes, levied for general purpose	61,266,854	-	61,266,854
Local option sales tax	19,434,159	-	19,434,159
Other taxes and licenses	360,205	711,838	1,072,043
Investment earnings, unrestricted	595,379	31,524	626,903
Miscellaneous, unrestricted	568,882	-	568,882
Total general revenues	82,225,479	743,362	82,968,841
Change in net position	<u>3,867,484</u>	<u>812,497</u>	<u>4,679,981</u>
Net Position:			
Beginning of year - July 1, previously reported	114,809,972	11,163,872	125,973,844
Restatement	(1,678,726)	-	(1,678,726)
Beginning of year - July 1, restated	<u>113,131,246</u>	<u>11,163,872</u>	<u>124,295,118</u>
End of year - June 30	<u>\$ 116,998,730</u>	<u>\$ 11,976,369</u>	<u>\$ 128,975,099</u>

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

CLEVELAND COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	Major			Nonmajor		Total Governmental Funds
	General	Reimbursement Resolution Capital Project Fund	North Shelby School Capital Project Fund	School Capital Reserve Fund	Other Governmental Funds	
Assets:						
Cash and cash equivalents	\$ 34,955,514	\$ 9,817,215	\$ -	\$ -	\$ 3,692,610	\$ 48,465,339
Taxes receivable, net	1,635,643	-	-	-	44,570	1,680,213
Due from other governments	259,038	-	-	-	-	259,038
Other receivables, net	6,768,920	-	5,184	807,975	968,181	8,550,260
Due from other funds	199,789	-	-	-	-	199,789
Inventories	92,666	-	-	-	-	92,666
Prepaid items	880,263	-	-	-	10,856	891,119
Restricted assets:						
Cash and investments	15,426	10,043,092	11,366,034	6,969,825	-	28,394,377
Note receivable	91,764	-	-	-	-	91,764
Total assets	<u>\$ 44,899,023</u>	<u>\$ 19,860,307</u>	<u>\$ 11,371,218</u>	<u>\$ 7,777,800</u>	<u>\$ 4,716,217</u>	<u>\$ 88,624,565</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities:						
Accounts payable and accrued liabilities	\$ 2,821,917	\$ -	\$ -	\$ -	\$ 203,437	\$ 3,025,354
Due to other funds	-	-	-	-	199,789	199,789
Total liabilities	<u>2,821,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>403,226</u>	<u>3,225,143</u>
Deferred Inflows of Resources:						
Property taxes receivable	1,635,643	-	-	-	44,570	1,680,213
Prepaid taxes	176,726	-	-	-	2,611	179,337
Other receivables	644,490	-	-	-	-	644,490
Total deferred inflows of resources	<u>2,456,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,181</u>	<u>2,504,040</u>
Fund Balances:						
Non-spendable:						
Inventory	92,666	-	-	-	-	92,666
Note receivable	91,764	-	-	-	-	91,764
Prepaid items	880,263	-	-	-	10,856	891,119
Restricted:						
Stabilization for State statute	6,583,257	-	5,184	807,975	968,181	8,364,597
Restricted for Register of Deeds	76,671	-	-	-	-	76,671
Restricted, all other	2,432,842	10,043,092	11,366,034	6,969,825	1,349,997	32,161,790
Committed	15,426	9,817,215	-	-	15,731	9,848,372
Assigned for subsequent year's expenditures	4,555,046	-	-	-	-	4,555,046
Assigned, all other	5,000,000	-	-	-	2,269,942	7,269,942
Unassigned	19,892,312	-	-	-	(348,897)	19,543,415
Total fund balances	<u>39,620,247</u>	<u>19,860,307</u>	<u>11,371,218</u>	<u>7,777,800</u>	<u>4,265,810</u>	<u>82,895,382</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 44,899,023</u>	<u>\$ 19,860,307</u>	<u>\$ 11,371,218</u>	<u>\$ 7,777,800</u>	<u>\$ 4,716,217</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.	111,125,949
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.	2,324,703
Long-term liabilities and compensated absences are not due and payable in the current period, and therefore, are not reported in the funds.	(74,743,227)
Net pension asset	123,136
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	2,393,797
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.	83,590
Some liabilities, including accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	(485,587)
Net pension liability	(10,590,004)
Total pension liability	(2,470,182)
Pension related deferrals	6,341,173
Net position of governmental activities	<u>\$ 116,998,730</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, 2017

	Major				Nonmajor	Total Governmental Funds
	General Fund	Reimbursement Resolution Capital Project Fund	North Shelby School Capital Project Fund	School Capital Reserve Fund	Other Governmental Funds	
Revenues:						
Ad valorem taxes	\$ 59,723,183	\$ -	\$ -	\$ -	\$ 1,651,321	\$ 61,374,504
Local option sales taxes	15,364,747	-	-	3,264,424	804,988	19,434,159
Unrestricted intergovernmental revenues	360,205	-	-	-	-	360,205
Restricted intergovernmental revenues	23,442,112	-	-	1,093,478	1,873,258	26,408,848
Permits and fees	4,502,846	-	-	-	-	4,502,846
Sales and services	5,656,678	-	-	-	-	5,656,678
Investment earnings	484,347	31,538	28,168	35,362	15,964	595,379
Miscellaneous	657,689	-	-	-	3,700	661,389
Total revenues	<u>110,191,807</u>	<u>31,538</u>	<u>28,168</u>	<u>4,393,264</u>	<u>4,349,231</u>	<u>118,994,008</u>
Expenditures:						
Current:						
General government	9,381,617	-	-	-	1,686,189	11,067,806
Public safety	22,089,163	-	-	-	2,802,429	24,891,592
Environmental protection	172,686	-	-	-	-	172,686
Economic and physical development	7,333,327	147,064	-	-	1,013,882	8,494,273
Human services	34,917,523	-	-	-	-	34,917,523
Cultural and recreational	1,234,611	-	-	-	-	1,234,611
Education	29,977,035	-	2,031,117	-	-	32,008,152
Insurance settlements	616,847	-	-	-	-	616,847
Debt service:						
Principal retirement	117,045	-	-	-	3,226,613	3,343,658
Interest and other charges	154	-	-	-	1,536,502	1,536,656
Total expenditures	<u>105,840,008</u>	<u>147,064</u>	<u>2,031,117</u>	<u>-</u>	<u>10,265,615</u>	<u>118,283,804</u>
Revenues over (under) expenditures	<u>4,351,799</u>	<u>(115,526)</u>	<u>(2,002,949)</u>	<u>4,393,264</u>	<u>(5,916,384)</u>	<u>710,204</u>
Other Financing Sources (Uses):						
Installment financing issued	-	19,975,833	13,374,167	-	-	33,350,000
Capital lease financing issued	425,145	-	-	-	-	425,145
Transfers from other funds	13,833,631	-	-	-	-	13,833,631
From General Fund	-	-	-	-	5,184,225	5,184,225
From Capital Reserve Fund	-	-	-	-	1,648,689	1,648,689
From School Capital Reserve	-	-	-	-	1,959,474	1,959,474
Transfers to other funds	(17,501,015)	-	-	(3,409,474)	(1,715,530)	(22,626,019)
Total other financing sources (uses)	<u>(3,242,239)</u>	<u>19,975,833</u>	<u>13,374,167</u>	<u>(3,409,474)</u>	<u>7,076,858</u>	<u>33,775,145</u>
Net change in fund balances	1,109,560	19,860,307	11,371,218	983,790	1,160,474	34,485,349
Fund Balances:						
Beginning of year - July 1	<u>38,510,687</u>	<u>-</u>	<u>-</u>	<u>6,794,010</u>	<u>3,105,336</u>	<u>48,410,033</u>
End of year - June 30	<u>\$ 39,620,247</u>	<u>\$ 19,860,307</u>	<u>\$ 11,371,218</u>	<u>\$ 7,777,800</u>	<u>\$ 4,265,810</u>	<u>\$ 82,895,382</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, 2017

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	\$ 34,485,349
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.	(82,777)
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.	33,232
Expenses related to compensated absences and other post-employment benefits that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(128,578)
Expenses related to Law Enforcement Officers' Separation Allowance and Pension expense that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(764,562)
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position.	83,590
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.	5,742,301
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(4,771,758)
Net book value of capital assets disposed of during the year, not recognized on the modified accrual basis.	(92,507)
Accrued interest that does not require current financial resources are not reported as expenditures in the governmental funds statement.	(205,319)
The issuance of long-term debt provides current financial resources to governmental funds, but does not effect net assets.	(33,775,145)
Principal repayments and capital lease payments 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>3,343,658</u>
Total change in net position of governmental activities	<u><u>\$ 3,867,484</u></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, 2017

	General Fund			
	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 56,454,671	\$ 57,463,131	\$ 59,723,183	\$ 2,260,052
Local option sales taxes	15,101,886	15,135,301	15,364,747	229,446
Unrestricted intergovernmental revenues	11,000	11,000	360,205	349,205
Restricted intergovernmental revenues	26,232,352	26,898,279	23,442,112	(3,456,167)
Permits and fees	4,330,350	4,330,350	4,502,846	172,496
Sales and services	6,653,120	6,682,362	5,656,678	(1,025,684)
Investment earnings	140,000	140,000	484,347	344,347
Miscellaneous	582,241	676,184	657,689	(18,495)
Total revenues	<u>109,505,620</u>	<u>111,336,607</u>	<u>110,191,807</u>	<u>(1,144,800)</u>
Expenditures:				
Current:				
General government	9,847,601	10,382,325	9,381,617	1,000,708
Public safety	21,780,833	22,841,579	22,089,163	752,416
Environmental protection	203,345	205,983	172,686	33,297
Economic and physical development	7,140,977	8,328,149	7,333,327	994,822
Human services	40,646,589	41,194,225	34,917,523	6,276,702
Cultural and recreational	1,248,213	1,347,172	1,234,611	112,561
Intergovernmental:				
Education	29,273,938	30,306,638	29,977,035	329,603
Risk management	876,433	1,293,207	616,847	676,360
Contingency	1,000,000	424,730	-	424,730
Debt service:				
Principal retirement	45,000	150,950	117,045	33,905
Interest and other charges	5,000	5,000	154	4,846
Total expenditures	<u>112,067,929</u>	<u>116,479,958</u>	<u>105,840,008</u>	<u>10,639,950</u>
Revenues over (under) expenditures	<u>(2,562,309)</u>	<u>(5,143,351)</u>	<u>4,351,799</u>	<u>9,495,150</u>
Other Financing Sources (Uses):				
Capital lease financing issued	-	425,145	425,145	-
Transfers from other funds	15,557,001	15,848,778	13,833,631	(2,015,147)
Transfers to other funds	(17,804,587)	(17,966,086)	(17,501,015)	465,071
Appropriated fund balance	<u>4,809,895</u>	<u>6,835,514</u>	<u>-</u>	<u>(6,835,514)</u>
Total other financing sources (uses)	<u>2,562,309</u>	<u>5,143,351</u>	<u>(3,242,239)</u>	<u>(8,385,590)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,109,560</u>	<u>\$ 1,109,560</u>
Fund Balance:				
Beginning of year - July 1			<u>38,510,687</u>	
End of year - June 30			<u>\$ 39,620,247</u>	

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

CLEVELAND COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

	<u>Business-Type Activities</u>
	<u>Major</u>
	<u>Solid Waste Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,942,203
Accounts receivable, net	708,963
Restricted cash and cash equivalents	250,789
Total current assets	<u>2,901,955</u>
Non-current assets:	
Capital assets:	
Land and construction in progress	18,693,000
Other capital assets, net of depreciation	3,543,046
Total non-current assets	<u>22,236,046</u>
Total assets	<u>25,138,001</u>
Deferred Outflows of Resources:	
Contributions to pension plan in current fiscal year	99,078
Pension deferrals	359,381
Total deferred outflows of resources	<u>458,459</u>
Liabilities:	
Current liabilities:	
Accounts payable	890,978
Accrued payroll	12,644
Current portion of compensated absences	16,267
Total current liabilities	<u>919,889</u>
Non-current liabilities:	
Liabilities payable from restricted assets:	
Customer deposits	250,789
Other non-current liabilities:	
Accrued landfill closure and post-closure care costs	11,193,924
Compensated absences	146,398
Net pension liability	533,368
Other post-employment benefits	567,503
Total non-current liabilities	<u>12,691,982</u>
Total liabilities	<u>13,611,871</u>
Deferred Inflows of Resources	<u>8,220</u>
Net Position:	
Net investment in capital assets	22,236,046
Unrestricted	<u>(10,259,677)</u>
Total net position	<u>\$ 11,976,369</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, 2017

	Business-Type Activities
	Major
	Solid Waste Fund
Operating Revenues:	
Charges for services	\$ 5,996,327
Unrestricted intergovernmental	711,838
Total operating revenues	<u>6,708,165</u>
Operating Expenses:	
Salaries and employee benefits	2,681,174
Other operating expenses	2,610,555
Landfill closure and post-closure care costs	106,946
Depreciation	519,843
Total operating expenses	<u>5,918,518</u>
Operating income (loss)	<u>789,647</u>
Non-Operating Revenues (Expenses):	
Interest income	31,524
Gain/(loss) on sale of capital assets	<u>(8,674)</u>
Total non-operating revenues (expenses)	<u>22,850</u>
Change in net position	812,497
Net Position:	
Beginning of year - July 1	<u>11,163,872</u>
End of year - June 30	<u>\$ 11,976,369</u>

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

CLEVELAND COUNTY, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Enterprise Fund
	Major
	Solid Waste Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 6,741,627
Cash paid for goods and services	(1,843,639)
Cash paid to employees for services	(2,595,080)
Customer deposits	(2,271)
Net cash provided (used) by operating activities	2,300,637
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(5,589,515)
Proceeds from sale of long-term asset	9,324
Net cash provided (used) for capital and related financing activities	(5,580,191)
Cash Flows from Investing Activities:	
Interest on investments	31,524
Net increase (decrease) in cash and cash equivalents	(3,248,030)
Cash and Cash Equivalents:	
Beginning of year - July 1	5,441,022
End of year - June 30	\$ 2,192,992

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

CLEVELAND COUNTY, NORTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Enterprise Fund
	Major
	Solid Waste Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 789,647
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	519,843
Landfill closure and post-closure care costs	106,946
Changes in assets and liabilities:	
(Increase) decrease in customer deposits	2,271
(Increase) decrease in accounts receivable	33,462
Increase (decrease) in accounts payable and accrued liabilities	768,950
Increase (decrease) in accrued vacation pay	52,870
Increase (decrease) in other post-employment benefits	(3,288)
(Increase) decrease in deferred outflows of resources - pensions	(372,044)
Increase in net pension liability	442,164
Decrease in deferred inflows of resources - pension	(40,184)
Total adjustments	1,510,990
Net cash provided (used) by operating activities	\$ 2,300,637

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

CLEVELAND COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2017

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 288,488
Accounts receivable	<u>627,850</u>
Total assets	<u>\$ 916,338</u>
Liabilities:	
Intergovernmental payable	\$ 916,338
Total liabilities	<u>\$ 916,338</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, 2017

1. Summary of Significant Accounting Policies

The accounting policies of Cleveland County (the "County") and its discretely presented component unit 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, 2017

Fund Financial Statements. The fund financial statements provide information about the County's funds, including its fiduciary funds. 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.

Reimbursement Resolution Capital Project Fund. This fund accounts for reimbursement proceeds used to fund capital initiatives of the County.

North Shelby School Capital Project Fund. This fund accounts for installment proceeds and used to fund the construction of a new County school.

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.

Solid Waste Cell Construction Capital Project Fund – accounts for financial resources to be used for expansion of the solid waste disposal facilities. The Solid Waste Cell Construction Capital Project Fund has been consolidated into the Solid Waste Fund for reporting purposes.

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 two special revenue funds, Emergency Telephone System Fund (E-911) and Fire Districts Fund.

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

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 seven non-major capital project funds within the governmental fund types: County General Capital Projects Fund, Public Shooting Range, Foothills Commerce Center, Kings Mountain Gate Way Trail-Phase 5, Washburn Switch Road, Pinnacle Turn Lane, and the Capital Reserve Fund.

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

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

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 and certain intergovernmental revenues 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's General Fund, Emergency Telephone System Fund (E-911), Fire Districts Fund, General Capital Projects Fund, Capital Reserve Fund,

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

School Capital Reserve Fund, Solid Waste Fund, and 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.

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 Budget 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- Government 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 County 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, 2017

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 Reimbursement Resolution Capital Project Fund is classified as restricted assets due to being restricted through an interlocal agreement. Money for North Shelby School Capital Project Fund is classified as restricted assets because the funding is unspent debt proceeds. 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.

Governmental Activities		
Fund	Purpose	Amount
General Fund	Tax revaluation	\$ 15,426
Reimbursement Resolution Capital Project Fund	County capital initiatives	10,043,092
North Shelby School Capital Project Fund	Unspent debt proceeds	11,366,034
School Capital Reserve Fund	Restricted for school capital	<u>6,969,825</u>
Total		<u>\$ 28,394,377</u>
Business-Type Activities		
Solid Waste	Customer deposits	<u>\$ 250,789</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, 2016. 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.

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 items 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.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 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, 2017: 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 and vehicles	5 years
Firearms, furniture, and 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, 2017

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 law enforcement officers' pension obligations.

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

Note Receivable – portion of fund balance that is not an available resource because it represents the year-end balance of a long-term receivable, 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.

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Restricted for Economic and Physical Development – portion of fund balance restricted for economic development projects.

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.

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, 2017 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Reimbursement Resolution Capital Project Fund</u>	<u>North Shelby School Capital Project Fund</u>	<u>School Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted, all other:						
Public safety	\$ 250,000	\$ -	\$ -	\$ -	\$ 1,349,997	\$ 1,599,997
Economic and physical development	-	10,043,092	-	-	-	10,043,092
Human services	2,000,000	-	-	-	-	2,000,000
Cultural and recreation	182,842	-	-	-	-	182,842
Education	-	-	11,366,034	6,969,825	-	18,335,859
Total	<u>\$ 2,432,842</u>	<u>\$ 10,043,092</u>	<u>\$ 11,366,034</u>	<u>\$ 6,969,825</u>	<u>\$ 1,349,997</u>	<u>\$ 32,161,790</u>

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by ROD Pension Plan of \$159,773 and Unspent Debt Proceeds of \$11,366,034 for a net difference of \$11,206,261 on Exhibit C not on Exhibit A.

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.

CLEVELAND COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

Committed fund balance at June 30, 2017 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Reimbursement Resolution Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Committed:				
Tax revaluation	\$ 15,426	\$ -	\$ -	\$ 15,426
Economic and physical development	-	9,817,215	15,731	9,832,946
Total	<u>\$ 15,426</u>	<u>\$ 9,817,215</u>	<u>\$ 15,731</u>	<u>\$ 9,848,372</u>

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.

CLEVELAND COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Assigned fund balance at June 30, 2017 is as follows:

Purpose	General Fund	Other Governmental Funds	Total
Assigned:			
Subsequent year's expenditures	\$ 4,555,046	\$ -	\$ 4,555,046
General government	-	1,525,172	1,525,172
Risk management operations	2,000,000	-	2,000,000
Economic and physical development	3,000,000	-	3,000,000
Debt service	-	744,770	744,770
Total	\$ 9,555,046	\$ 2,269,942	\$ 11,824,988

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 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	\$ 39,620,247
Less:	
Inventories	(92,666)
Long-term receivable	(91,764)
Prepays	(880,263)
Stabilization by State statute	<u>(6,583,257)</u>
Total available fund balance	<u>\$ 31,972,297</u>

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 this 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 a legal requirement to provide the contributions. Benefits and refunds 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.

Net Investment in Capital Assets:

Net investment in capital assets at June 30, 2017 are computed as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets	\$ 111,125,949	\$ 22,236,046
Less: Long-term debt	(63,984,745)	-
Add: Unexpended debt proceeds	11,366,034	
Add: School debt for assets to which the County does not hold title	24,383,671	-
Total	<u>\$ 82,890,909</u>	<u>\$ 22,236,046</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

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, the County's deposits had a carrying amount of \$9,205,481 and a bank balance of \$10,745,501. Of the bank balance, \$628,390 was covered by federal depository insurance, and \$10,117,111 was covered by collateral held under the Pooling Method. At June 30, 2017, the County had \$24,146 cash on hand.

Investments

At June 30, 2017, the County had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>
U.S. government agencies	Fair Value - Level 2	\$ 2,051,940	\$ 200,006	\$ 701,156	\$1,150,778
NC Capital Management					
Trust - Government Portfolio	Amortized cost	39,654,771	-	-	-
Commercial paper	Fair Value - Level 2	28,404,858	9,000,000	19,404,858	-
Total		<u>\$70,111,569</u>	<u>\$9,200,006</u>	<u>\$20,106,014</u>	<u>\$1,150,778</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.

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, the County's investments in commercial paper were rated P-1 by Standard and Poor's and A-1 by Moody's Investment Service. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2017. 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, 2017.

Concentration of Credit Risk. 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. The county will diversify use of investment instruments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions or maturities as follows:

<u>Investment Type</u>	<u>Maximum % of Portfolio</u>
U.S. Government Agency	100%
U.S. Government Treasury	100%
Repurchase Agreements / CDs	25%
Commercial Bank Certificate of Deposit	25%
Commercial Paper	98%

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.

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</u> <u>Levied</u>	<u>Additional</u> <u>Tax</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,705,399	\$ 51,162	\$ 1,756,561
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	<u>1,491,482</u>	<u>219,993</u>	<u>1,711,475</u>
Total	<u>\$ 7,919,904</u>	<u>\$ 480,705</u>	<u>\$ 8,400,609</u>

CLEVELAND COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Receivables

Receivables at the government-wide level at June 30, 2017 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Note Receivable</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:					
General	\$ 7,788,588	\$ 2,330,886	\$ 91,764	\$ 259,038	\$ 10,470,276
North Shelby School	5,184	-	-	-	5,184
Special capital reserve	807,975	-	-	-	807,975
Other governmental	968,181	67,014	-	-	1,035,195
Total receivables	9,569,928	2,397,900	91,764	259,038	12,318,630
Allowance for doubtful accounts	(1,019,668)	(717,687)	-	-	(1,737,355)
Total governmental activities	<u>\$ 8,550,260</u>	<u>\$ 1,680,213</u>	<u>\$ 91,764</u>	<u>\$ 259,038</u>	<u>\$ 10,581,275</u>
Amounts not scheduled for collection during the subsequent year					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,412</u>	<u>\$ -</u>	<u>\$ 73,412</u>
Business-Type Activities:					
Solid waste	\$ 777,880	\$ -	\$ -	\$ -	\$ 777,880
Allowance for doubtful accounts	(68,917)	-	-	-	(68,917)
Total business-type activities	<u>\$ 708,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 708,963</u>

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

Sales and use tax	<u>\$ 259,038</u>
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Long-Term Note Receivable

At June 30, 2017, Cleveland County had an outstanding long-term receivable in the amount of \$91,764 with the City of Shelby for the City's portion of sewer expenses financed by the County in September 2012.

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 16,480,194	\$ 712,804	\$ (1,300)	\$ 17,191,698
Construction in progress	309,248	2,281,473	(309,250)	2,281,471
Total non-depreciable capital assets	16,789,442	2,994,277	(310,550)	19,473,169
Depreciable Capital Assets:				
Buildings	102,480,942	873,263	-	103,354,205
Vehicles and motor equipment	20,931,185	2,185,311	(665,789)	22,450,707
Leasehold improvements	425,178	-	-	425,178
Infrastructure	6,740,713	-	-	6,740,713
Total depreciable capital assets	130,578,018	3,058,574	(665,789)	132,970,803
Less Accumulated Depreciation:				
Buildings	18,549,347	2,618,622	-	21,167,969
Vehicles and motor equipment	15,074,494	1,690,135	(573,282)	16,191,347
Leasehold improvements	261,411	13,622	-	275,033
Infrastructure	3,234,295	449,379	-	3,683,674
Total accumulated depreciation	37,119,547	4,771,758	(573,282)	41,318,023
Total depreciable capital assets	93,458,471	(1,713,184)	(92,507)	91,652,780
Governmental activities capital assets, net	\$ 110,247,913	\$ 1,281,093	\$ (403,057)	\$ 111,125,949

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

General government	\$ 306,606
Public safety	2,145,527
Economic and physical development	175,780
Human services	1,883,546
Cultural and recreational	133,977
Education	126,322
Total	\$ 4,771,758

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Business-Type Activities:				
Solid Waste:				
Non-Depreciable Capital Assets:				
Land	\$ 13,470,906	\$ 2,450	\$ -	\$ 13,473,356
Construction in progress	410,881	4,808,763	-	5,219,644
Total non-depreciable capital assets	13,881,787	4,811,213	-	18,693,000
Depreciable Capital Assets:				
Buildings	1,207,480	31,383	-	1,238,863
Equipment and vehicles	6,783,852	746,919	(125,580)	7,405,191
Leasehold improvements	16,518	-	-	16,518
Infrastructure	4,187,168	-	-	4,187,168
Total depreciable capital assets	12,195,018	778,302	(125,580)	12,847,740
Less Accumulated Depreciation:				
Buildings	327,750	30,672	-	358,422
Equipment and vehicles	4,423,541	484,851	(107,582)	4,800,810
Leasehold improvements	10,135	551	-	10,686
Infrastructure	4,131,007	3,769	-	4,134,776
Total accumulated depreciation	8,892,433	519,843	(107,582)	9,304,694
Total depreciable capital assets, net	3,302,585	258,459	(17,998)	3,543,046
Solid Waste capital assets, net	\$ 17,184,372	\$ 5,069,672	\$ (17,998)	\$ 22,236,046

The County did not have any outstanding construction commitments as of June 30, 2017.

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2017 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Insurance Claims Incurred But Not Reported	Total
Governmental Activities:					
General	\$ 2,192,558	\$ 74,323	\$ 485,587	\$ 555,036	\$ 3,307,504
Other governmental	203,437	-	-	-	203,437
Total governmental activities	\$ 2,395,995	\$ 74,323	\$ 485,587	\$ 555,036	\$ 3,510,941
Business-Type Activities:					
Solid Waste	\$ 890,958	\$ 12,664	\$ -	\$ -	\$ 903,622

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Pension Plan and Other Post-Employment Obligations

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.

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, 2017

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, 2017, was 8.00% of compensation for law enforcement officers and 7.25% 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 \$2,403,167 for the year ended June 30, 2017.

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, 2017, the County reported a liability of \$11,123,372 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the County's proportion was .524%, which was an increase of .016% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$3,001,874. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 208,989	\$ 389,775
Changes of assumptions	761,852	-
Net difference between projected and actual earnings on pension plan investments	6,149,823	-
Changes in proportion and differences between County contributions and proportionate share of contributions	77,417	16,660
County contributions subsequent to the measurement date	2,403,167	-
Total	\$ 9,601,248	\$ 406,435

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$2,403,167 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, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 1,037,210
2019	1,038,140
2020	2,940,785
2021	1,775,511
2022	-
Total	<u>\$ 6,791,646</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 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:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
County's proportionate share of the net pension liability (asset)	\$ 26,400,946	\$ 11,123,372	\$ (1,637,597)

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. 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. A separate report was not issued for the plan.

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.

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 73.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2015 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases and productivity factor	3.50 to 7.35 percent, including inflation
Discount rate	3.86 percent

The discount rate used to measure the TPL is the weekly average of the Bond Buyer General Obligation 20-year Municipal Bond Index determined at the end of each month.

CLEVELAND COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Deaths After Retirement (Healthy): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 104% for males and 100% for females.

Deaths Before Retirement: RP-2014 Employee base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

Deaths After Retirement (Beneficiary): RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 123% for males and females.

Deaths After Retirement (Disabled): RP-2014 Disabled Retiree base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015. Rates are adjusted by 103% for males and 99% for females.

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 earned 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. Administration costs of the Separation Allowance are financed through investment earnings. The County paid \$132,799 as benefits came due for the reporting period.

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

At June 30, 2017, the County reported a total pension liability of \$2,470,182. The total pension liability was measured as of December 31, 2016 based on a December 31, 2015 actuarial valuation. The total pension liability was rolled forward to December 31, 2016 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2017, the County recognized pension expense of \$196,128.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 46,241
County benefit payments and plan administrative expense made subsequent to the measurement date	<u>83,590</u>	<u>-</u>
Total	<u><u>\$ 83,590</u></u>	<u><u>\$ 46,241</u></u>

CLEVELAND COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

\$83,590 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	\$ 8,910
2019	8,910
2020	8,910
2021	8,910
2022	8,910
Thereafter	<u>1,691</u>
Total	<u>\$ 46,241</u>

\$83,132 paid as benefits came due and \$458 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

Sensitivity of the County's Total Pension Liability to Changes in the Discount Rate. The following presents the County's total pension liability calculated using the discount rate of 3.86 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current rate:

	1% Decrease (2.86%)	Discount Rate (3.86%)	1% Increase (4.86%)
Total pension liability	\$ 2,666,085	\$ 2,470,182	\$ 2,290,145

Schedule of Changes in Total Pension Liability

Law Enforcement Officers' Special Separation Allowance

	2017
Beginning balance	\$ 2,454,014
Service cost	118,880
Interest on the total pension liability	85,238
Changes of assumptions or other inputs	(55,151)
Benefit payments	<u>(132,799)</u>
Ending balance of the total pension liability	<u>\$ 2,470,182</u>

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The plan currently uses mortality tables that vary by age, 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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, 2017 were \$167,860, which consisted of \$128,749 from the County and \$39,111 from the law enforcement officers. No amounts were forfeited.

Registers 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.

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

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 \$6,118 for the year ended June 30, 2017.

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

At June 30, 2017, the County reported an asset of \$123,136 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, the County's proportion was .659%, which was a decrease of .012% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$5,774. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 132	\$ 1,594
Changes of assumptions	32,806	-
Net difference between projected and actual earnings on pension plan investments	211	-
Changes in proportion and differences between County contributions and proportionate share of contributions	1,986	3,022
County contributions subsequent to the measurement date	6,118	-
Total	\$ 41,253	\$ 4,616

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

\$6,118 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, 2018. 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>
2018	\$ (11,444)
2019	(14,386)
2020	(6,062)
2021	1,373
2022	-
Total	<u>\$ (30,519)</u>

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 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, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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. 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, 2016 is 1.4%.

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 3.05%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 3.75%. 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 3.75 percent, 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 (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
County's proportionate share of the net pension liability (asset)	\$ (99,287)	\$ (123,136)	\$ (143,171)

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-retirement health benefits. For the fiscal year ended June 30, 2017, the County made payments for post-retirement health benefit premiums of \$1,347,122. 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.

CLEVELAND COUNTY, NORTH CAROLINA

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

	General Employees	Law Enforcement Officers
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 \$1,347,122, or 5.40% 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 \$731,973. 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, 2017

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:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 1,445,159	\$ 76,061	\$ 1,521,220
Interest on net OPEB obligation	263,783	13,883	277,666
Adjustments to annual required contribution	(366,696)	(19,300)	(385,996)
Annual OPEB cost (expense)	1,342,246	70,644	1,412,890
Contributions made	(1,279,766)	(67,356)	(1,347,122)
Increase (decrease) in net OPEB obligation	62,480	3,288	65,768
Net OPEB obligation:			
Beginning of year - July 1	6,377,426	564,215	6,941,641
End of year - June 30	<u>\$ 6,439,906</u>	<u>\$ 567,503</u>	<u>\$ 7,007,409</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 were as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 1,260,869	67.8%	\$ 6,802,003
2016	1,415,068	90.1%	6,941,641
2017	1,412,890	95.3%	7,007,409

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 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.

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 dollar amount on an open basis. The remaining amortization period at December 31, 2015 was 30 years.

As of June 30, 2017, 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 \$11,193,924 reported as landfill post-closure care liability at June 30, 2017 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 2017. 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, 2017

Deferred Outflows and Inflows of Resources

The balance in deferred outflows and inflows of resources in the governmental fund statements at year-end is composed of the following elements:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions - difference between expected and actual experience:		
LGERS	\$ 208,989	\$ 389,775
Register of Deeds	132	1,594
Pensions - net difference between projected and actual investment earnings	6,150,034	-
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	79,403	19,682
Contributions to pension plan subsequent to measurement date (LGERS, ROD)	2,409,285	-
Pensions- Changes in assumptions (LEOSSA, LGERS, ROD)	794,658	46,241
Benefit payments/administration costs paid subsequent to the measurement date (LEOSSA)	83,590	-
Prepaid taxes, not yet earned (General)	-	179,337
Taxes receivable, net less penalties (General)	-	1,635,643
Taxes receivable, net less penalties (Special Revenue)	-	44,570
Other receivable (General Fund)	-	644,490
Total	\$ 9,726,091	\$ 2,961,332

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 3rd party administrator for property and liability consultation.

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

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 3rd party administrator for workers compensation. The estimated liability for outstanding losses includes \$25,304 for incurred but unpaid claims as of June 30, 2017.

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 \$529,732 for incurred but unrecorded claims as of June 30, 2017. 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 Ending June 30	
	2016	2017
Health	\$ 487,119	\$ 529,732
Workers' compensation	315,078	25,304
Total	<u>\$ 802,197</u>	<u>\$ 555,036</u>

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

Claims and Judgments

At June 30, 2017, 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, 2017**

Long-Term Obligations

Capital Leases

The County has entered into a lease agreement to lease certain public safety equipment that qualifies as a capital lease for accounting purposes and, therefore, it has been recorded at the present value of the future minimum lease payments as of the date of their inception. The lease was executed in September 2016 and requires 5 annual payments between \$69,160 and \$105,950.

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

At June 30, 2017, the present value of future minimum lease payments for equipment leased by the County was:

Year Ending	Principal
June 30	
2018	\$ 69,160
2019	83,160
2020	83,160
2021	83,715
Total minimum lease payments	319,195
Less: amount representing interest	-
Present value of the minimum lease payments	<u>\$ 319,195</u>

Installment Financing Contracts

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

\$ 395,879

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Year Ending	Principal	Interest
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 25,892	\$ 17,034
2019	26,150	17,778
2020	27,445	16,472
2021	28,739	15,100
2022	30,293	13,662
2023-2027	175,284	44,426
2028-2029	<u>82,076</u>	<u>5,736</u>
Total	<u>\$ 395,879</u>	<u>\$ 130,208</u>

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, the costs of constructing a multi-use facility at Cleveland Community College through direct loans from a financial institution in 2010, and the costs of constructing a school and renovations of County buildings in 2017. 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 \$ 2,400,000

\$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 3,136,000

\$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 9,963,671

\$33,350,000 - County Buildings, Public Infrastructure & Schools Project;
due in semi-annual installments of \$2,224,000 through September 2031;
interest at 3.25%; payments are due to Capital One Public Finance 33,350,000

Total installment financing issued \$ 48,849,671

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 4,244,197	\$ 1,697,637
2019	4,244,197	1,499,836
2020	4,244,197	1,350,207
2021	4,244,197	1,200,578
2022	4,244,197	1,050,948
2023-2027	16,513,688	3,148,303
2028-2032	<u>11,115,000</u>	<u>903,094</u>
Total	<u>\$ 48,849,671</u>	<u>\$ 10,850,603</u>

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 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.

Governmental Activities:

Limited Obligation Bonds

\$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

\$ 14,420,000

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Annual debt service for the County's limited obligation bonds to maturity at June 30, 2017 are:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
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	1,135,000	586,289
2023-2027	5,690,000	1,978,865
2028-2030	<u>3,255,000</u>	<u>395,157</u>
Total	<u>\$ 14,420,000</u>	<u>\$ 5,806,736</u>

Debt Related to Capital Activities - Of the total governmental activities debt listed, only \$39,601,074 relates to assets the County holds title. The County has unspent debt proceeds in the amount of \$11,366,034 for the North Shelby School Capital Project Fund. The County also has capital proceeds that were reimbursed via installment financing in the Reimbursement Resolution Capital Project Fund. These funds are not considered unspent debt proceeds and are not restricted by debt covenants.

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

A summary of changes in long-term debt follows:

Long-Term Obligation Activity

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Current</u> <u>Portion of</u> <u>Balance</u>
Governmental Activities:					
General obligation bonds	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -
Limited obligation bonds	15,505,000	-	(1,085,000)	14,420,000	1,085,000
Installment contracts	17,519,868	33,350,000	(2,020,197)	48,849,671	4,244,197
Contractual obligations	417,295	-	(21,416)	395,879	25,892
Capital leases	11,095	425,145	(117,045)	319,195	69,160
Compensated absences	4,252,478	4,659,938	(4,593,840)	4,318,576	431,858
Other post-employment benefits	6,377,426	1,342,246	(1,279,766)	6,439,906	-
Net pension liability (LGERS)	2,188,894	8,401,110	-	10,590,004	-
Total pension liability (LEO)	<u>641,569</u>	<u>1,828,613</u>	<u>-</u>	<u>2,470,182</u>	<u>-</u>
Total governmental activities	<u>\$ 47,013,625</u>	<u>\$50,007,052</u>	<u>\$ (9,217,264)</u>	<u>\$ 87,803,413</u>	<u>\$ 5,856,107</u>
Business-Type Activities:					
Accrued landfill closure and post-closure care cost	\$ 11,086,978	\$ 106,946	\$ -	\$ 11,193,924	\$ -
Other post-employment benefits	564,215	70,644	(67,356)	567,503	-
Net pension liability (LGERS)	91,204	442,164	-	533,368	-
Compensated absences	<u>109,795</u>	<u>228,881</u>	<u>(176,011)</u>	<u>162,665</u>	<u>16,267</u>
Total business-type activities	<u>\$ 11,852,192</u>	<u>\$ 848,635</u>	<u>\$ (243,367)</u>	<u>\$ 12,457,460</u>	<u>\$ 16,267</u>

At June 30, 2017, the County had no bonds authorized, but unissued, and a legal debt margin of \$607,405,622.

Compensated absences, net pension obligation, and other post-employment benefits, typically have been liquidated in the General Fund. Compensated absences are accounted for on an FIFO basis.

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, 2017, there were three series of industrial revenue bonds outstanding, with an aggregate principal payable of \$18,755,000. 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, 2017**

Interfund Balances and Activity

Transfers to/from other funds at June 30, 2017 consist of the following:

	<u>Transfers</u>		<u>Purpose</u>
	<u>From</u>	<u>To</u>	
General Fund	\$ 8,519	\$ -	
Emergency Telephone System Fund (E-911)		8,519	Payback of capital expense
Emergency Telephone System Fund (E-911)	75,360		
General Fund		75,360	Implemental functions
General Fund	2,505,105		
Capital Reserve Fund		2,455,990	Fund capital expansion
County General Capital Project Fund		45,000	Fund capital expansion
Kings Mountain Gate Way Trail - Phase 5 Capital Project Fund		4,115	Fund capital expansion
Capital Reserve Fund	1,648,689		
County General Capital Project Fund		1,641,189	Fund capital expansion
Foothills Commerce Center Capital Project Fund		7,500	Fund capital expansion
School Capital Reserve	3,409,474		
Debt Service Fund		1,959,474	Debt service
General Fund		1,450,000	Capital allotment
General Fund	2,679,120		
Debt Service		2,679,120	Debt service
Solid Waste	4,765,152		
Solid Waste Cell Construction Capital Project Fund	<u>-</u>	<u>4,765,152</u>	Fund Solid Waste Expansion
Total	<u>\$ 15,091,419</u>	<u>\$ 15,091,419</u>	

CLEVELAND COUNTY, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. In addition, the County made debt service payments of \$1,318,468, including interest, during the year ended June 30, 2017, 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, 2017. 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 \$22,337 during the fiscal year ended June 30, 2017.

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, 2017

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.

	Federal	State
Temporary Assistance to Needy Families	\$ 809,872	\$ -
Medicaid	117,446,949	62,519,150
WIC	1,969,881	-
CHIP	1,661,283	9,207
Foster Care	750,180	186,664
Adoption Assistance	825,439	206,720
Chafee Foster Care Independence Program	12,863	-
State Foster Home	-	114,930
SFHF Maximization	-	203,395
CWS Adoption Subsidy & Vendor	-	306,511
Extended FC/Max Non IV-E	-	4,100
F/C At-Risk Maximization	-	12,250
SAA/SAD HB 1030	-	50,983
State/County Special Assistance Domiciliary Care	-	988,691
Total	\$ 123,476,467	\$ 64,602,601

7. Significant Effects of Subsequent Events

In July 2017, the County entered into an inter-local agreement with the City of Shelby to participate in the financing of public infrastructure associated with an economic development project. The County loaned the City \$11,064,000 to be repaid over a fifteen-year term at 3.25%. The financing was paid from the Reimbursement Resolution Capital Project Fund. This will be accounted for as a long term receivable by the County.

8. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, in the fiscal year ending June 30, 2017. The implementation of the statement required the County to record beginning total pension liability and the effects on net position of benefit payments and administrative expenses paid by the County to the Law Enforcement Officers' Special Separation Allowance during the measurement period. As a result, net position for the governmental activities decreased \$1,678,726.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

- Schedule of Funding Progress for Other-Post Employment Benefits - Retiree Health Plan
- Schedule of Employer Contributions – 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 (Asset) - Local Government Employees' Retirement System
- Schedule of Contributions - Local Government Employees' Retirement System
- Schedule of Proportionate Share of Net Pension Liability (Asset) - Register of Deeds' Supplemental Pension Fund
- Schedule of Contributions - Register of Deeds' Supplemental Pension Fund
- Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll - Law Enforcement Officers' Special Separation Allowance

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CLEVELAND COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2017

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued		Funded Ratio (A/B)	Unfunded AAL (UAAL) (B-A)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
		Liability (AAL) 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
2017	\$ 1,521,220	88.6%
2016	1,521,220	83.8%
2015	1,249,436	68.4%
2014	1,129,804	60.1%
2013	1,129,804	11.1%

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 FOUR FISCAL YEARS**

Local Government Employees' Retirement System				
	2017	2016	2015	2014
Cleveland County's proportion of the net pension liability (asset) (%)	0.524%	0.508%	0.505%	0.51%
Cleveland County's proportion of the net pension liability (asset) (\$)	\$ 11,123,372	\$ 2,280,098	\$ (2,980,225)	\$ 6,170,361
Cleveland County's covered-employee payroll	\$ 31,210,450	\$ 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	35.64%	7.03%	(10.34%)	21.69%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	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.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

CLEVELAND COUNTY, NORTH CAROLINA**CLEVELAND COUNTY'S SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST FOUR FISCAL YEARS**

Local Government Employees' Retirement System				
	2017	2016	2015	2014
Contractually required contribution	\$ 2,403,167	\$ 2,108,026	\$ 2,119,306	\$ 2,032,123
Contributions in relation to the contractually required contribution	<u>2,403,167</u>	<u>2,108,026</u>	<u>2,119,306</u>	<u>2,032,123</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cleveland County's covered-employee payroll	\$ 32,605,693	\$ 31,210,450	\$ 32,420,724	\$ 28,823,692
Contributions as a percentage of covered-employee payroll	7.37%	6.75%	6.54%	7.05%

This schedule is intended to show information for ten years.
Additional years' information will be displayed as it becomes available.

CLEVELAND COUNTY, NORTH CAROLINA

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

Registers of Deeds' Supplemental Pension Fund				
	2017	2016	2015	2014
Cleveland County's proportion of the net pension liability (asset) (%)	0.659%	0.670%	0.640%	0.70%
Cleveland County's proportion of the net pension liability (asset) (\$)	\$ (123,136)	\$ (155,352)	\$ (144,972)	\$ (130,260)
Cleveland County's covered-employee payroll*	\$ 53,328	\$ 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	230.90%	218.41%	203.81%	186.80%
Plan fiduciary net position as a percentage of the total pension liability**	160.17%	197.29%	193.88%	190.50%

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

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

CLEVELAND COUNTY, NORTH CAROLINA**CLEVELAND COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST FOUR FISCAL YEARS**

Registers of Deeds' Supplemental Pension Fund				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 6,118	\$ 5,381	\$ 5,364	\$ 5,222
Contributions in relation to the contractually required contribution	<u>6,118</u>	<u>5,381</u>	<u>5,364</u>	<u>5,222</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cleveland County's covered-employee payroll	\$ 57,374	\$ 53,328	\$ 71,130	\$ 69,732
Contributions as a percentage of covered-employee payroll	10.66%	10.09%	7.54%	7.49%

This schedule is intended to show information for ten years.
Additional years' information will be displayed as it becomes available.

CLEVELAND COUNTY, NORTH CAROLINA

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2017**

Law Enforcement Officers' Special Separation Allowance	
	2017
Beginning balance	\$ 2,454,014
Service cost	118,880
Interest on the total pension liability	85,238
Changes of assumptions or other inputs	(55,151)
Benefit payments	(132,799)
Ending balance of the total pension liability	<u>\$ 2,470,182</u>

The amounts presented for each fiscal year were determined as of the prior December 31.

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

CLEVELAND COUNTY, NORTH CAROLINA**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2017****Law Enforcement Officers' Special Separation Allowance**

	2017
Total pension liability	\$ 2,470,182
Covered payroll	4,568,949
Total pension liability as a percentage of covered payroll	54.06%

Notes to the Schedules:

Cleveland County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

This schedule is intended to show information for ten years.
Additional years' information will be displayed as it becomes available.

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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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
Revenues:				
Ad Valorem Taxes:				
Taxes - General Fund		\$ 47,672,024		\$ 46,653,743
Taxes - public schools		11,656,585		11,469,653
Penalties, interest, and advertising		394,574		398,328
Total	\$ 57,463,131	59,723,183	\$ 2,260,052	58,521,724
Other Taxes:				
Local option sales tax		10,925,664		9,654,376
Local option sales tax - schools		3,734,243		3,356,857
Other taxes		704,840		679,348
Total	15,135,301	15,364,747	229,446	13,690,581
Unrestricted Intergovernmental Revenues:				
Local revenue		378,557		-
Total	11,000	378,557	367,557	-
Restricted Intergovernmental Revenues:				
Federal and State grants		1,004,810		971,022
DSS grants		15,199,442		15,850,240
Health dept grants		7,237,860		7,885,836
Total	26,898,279	23,442,112	(3,456,167)	24,707,098
Permits and Fees:				
Register of Deeds		446,088		400,412
Carolina Health Care rent		3,038,868		3,040,768
Partners Behavioral Health		143,393		-
Other permits and fees		874,497		880,528
Total	4,330,350	4,502,846	172,496	4,321,708
Sales and Services:				
Rents - Legrand		696,277		607,599
EMS fees		1,547,955		2,112,639
Sherriff fees		320,761		279,251
Shooting complex fees		167,738		27,887
Health department fees		734,035		606,166
Ambulance fees		656,251		719,915
Court facility fees		160,149		143,671
Insurance fees		629,664		1,031,288
Wellness center fees		99,091		95,217
Other County fees		644,757		619,840
Total	6,682,362	5,656,678	(1,025,684)	6,243,473

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
Investment Earnings	140,000	484,347	344,347	253,733
Miscellaneous:				
Sale of materials		28,441		40,542
Other		629,248		639,699
Total	676,184	657,689	(18,495)	680,241
Total revenues	111,336,607	110,210,159	(1,126,448)	108,418,558
Expenditures:				
General Government:				
Governing Body:				
Salaries and employee benefits		116,757		113,604
Operating expenditures		257,425		242,796
Total	369,891	374,182	(4,291)	356,400
Administration:				
Salaries and employee benefits		596,570		720,082
Operating expenditures		145,441		104,827
Capital outlay		-		509
Total	771,580	742,011	29,569	825,418
Elections:				
Salaries and employee benefits		336,499		277,080
Operating expenditures		136,931		154,631
Total	449,500	473,430	(23,930)	431,711
Finance:				
Salaries and employee benefits		783,671		626,006
Operating expenditures		119,244		84,097
Capital outlay		3,391		2,662
Total	906,391	906,306	85	712,765
Taxes:				
Salaries and employee benefits		1,211,420		1,175,839
Operating expenditures		139,562		181,253
Capital outlay		17,989		-
Total	1,434,843	1,368,971	65,872	1,357,092

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
Legal:				
Salaries and employee benefits		158,004		-
Contracted services		86,611		83,447
Capital outlay - foreclosure		30,449		174
Total	266,892	275,064	(8,172)	83,621
Register of Deeds:				
Salaries and employee benefits		313,273		358,225
Operating expenditures		37,810		64,595
Capital outlay		12,742		875
Total	420,073	363,825	56,248	423,695
Human Resources:				
Salaries and employee benefits		468,553		439,386
Operating expenditures		104,903		32,352
Total	1,078,557	573,456	505,101	471,738
Facilities Maintenance:				
Salaries and employee benefits		433,441		415,334
Operating expenditures		1,100,739		1,032,615
Capital outlay		10,232		138,505
Total	1,620,991	1,544,412	76,579	1,586,454
Court Facilities:				
Salaries and employee benefits		113,499		102,846
Operating expenditures		268,818		263,753
Total	393,435	382,317	11,118	366,599
Information Technology:				
Salaries and employee benefits		622,075		587,567
Operating expenditures		176,729		181,373
Capital outlay		6,344		20,961
Total	806,590	805,148	1,442	789,901
Municipal Elections:				
Salaries and employee benefits		-		41,930
Operating expenditures		-		49,622
Total	-	-	-	91,552

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
Pass-Thru Grants:				
Operating expenditures		154,423		270,423
Capital outlay		34,041		-
Total	390,456	188,464	201,992	270,423
Wellness Clinic:				
Salaries and employee benefits		618,535		611,945
Operating expenditures		524,949		415,941
Total	1,232,579	1,143,484	89,095	1,027,886
Communities in Schools:				
Operating expenditures	148,025	148,025	-	145,608
Historic Courthouse:				
Operating expenditures		91,126		91,212
Capital outlay		1,396		-
Total	92,522	92,522	-	91,212
Total general government	10,382,325	9,381,617	1,000,708	9,032,075
Public Safety:				
Sheriff and Communications:				
Salaries and employee benefits		6,200,577		6,086,366
Operating expenditures		864,753		760,406
Capital outlay		870,988		430,522
Total	8,097,898	7,936,318	161,580	7,277,294
School Resource Officers:				
Salaries and employee benefits		429,769		415,426
Operating expenditures		28,592		29,597
Capital outlay		31,479		-
Total	492,004	489,840	2,164	445,023
Jail:				
Salaries and employee benefits		3,305,634		3,234,217
Operating expenditures		1,170,210		1,206,133
Capital outlay		-		53,155
Total	4,799,665	4,475,844	323,821	4,493,505

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>		<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
		<u>Variance</u>	
		<u>Over/Under</u>	
Emergency Management:			
Salaries and employee benefits		232,114	225,624
Operating expenditures		87,274	113,521
Capital outlay		99,657	47,923
Total	445,747	419,045	387,068
Emergency Communication:			
Salaries and employee benefits		1,066,946	1,087,382
Operating expenditures		20,761	19,304
Total	1,119,381	1,087,707	1,106,686
Electronic Maintenance:			
Salaries and employee benefits		288,080	287,351
Operating expenditures		145,386	131,359
Capital outlay		-	26,965
Total	456,399	433,466	445,675
Inspections:			
Salaries and employee benefits		349,072	433,107
Operating expenditures		21,180	24,801
Capital outlay		24,727	-
Total	422,545	394,979	457,908
Coroner:			
Salaries and employee benefits		25,724	25,634
Operating expenditures		96,284	118,983
Capital outlay		1,106	-
Total	159,819	123,114	144,617
HAZ-MAT Control:			
Operating expenditures		12,900	9,859
Total	18,002	12,900	9,859
Public Shooting Range:			
Salaries and employee benefits		309,878	62,620
Operating expenditures		124,941	151,824
Capital outlay		1,312	29,015
Total	435,866	436,131	243,459

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		2016
	Budget	Actual	Variance Over/Under
			Actual
Emergency Medical Services:			
Salaries and employee benefits		4,797,967	4,762,009
Operating expenditures		851,140	932,994
Capital outlay		509,532	394,981
Total	6,286,252	6,158,639	127,613
Rescue Squad:			
Operating expenditures	43,165	42,438	727
Federal/State Forfeited Property:			
Operating expenditures		47,987	39,670
Capital outlay		30,755	240,328
Total	64,836	78,742	(13,906)
Total public safety	22,841,579	22,089,163	752,416
Environmental Protection:			
Soil and Water Conservation:			
Salaries and employee benefits		91,047	91,692
Operating expenditures		17,890	83,333
Capital outlay		1,905	1,825
Total	113,712	110,842	2,870
Forestry Service:			
Operating expenditures	92,271	61,844	30,427
Total environmental protection	205,983	172,686	33,297
Economic and Physical Development:			
Planning:			
Salaries and employee benefits		301,475	317,832
Operating expenditures		54,444	76,958
Total	384,415	355,919	28,496
LeGrand Center:			
Salaries and employee benefits		337,658	340,131
Operating expenditures		808,152	763,685
Capital outlay		-	9,852
Total	1,182,931	1,145,810	37,121

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
Economic Development:				
Salaries and employee benefits		243,097		180,022
Operating expenditures		4,951,444		3,507,450
Capital outlay		48,141		733,772
Total	6,141,747	5,242,682	899,065	4,421,244
Cooperative Extension:				
Salaries and employee benefits		293,303		203,393
Operating expenditures		43,651		42,058
Capital outlay		1,482		2,472
Total	368,576	338,436	30,140	247,923
Transportation Admin:				
Operating expenditures		250,480		246,385
Total	250,480	250,480	-	246,385
Total economic and physical development	8,328,149	7,333,327	994,822	6,424,010
Human Services:				
Health:				
General and Administration:				
Salaries and employee benefits		934,885		924,840
Operating expenditures		803,932		973,114
Capital outlay		51,125		17,657
Total	2,015,433	1,789,942	225,491	1,915,611
Public Health:				
Salaries and employee benefits		569,456		480,436
Operating expenditures		330,397		332,192
Capital outlay		-		91,396
Total	992,329	899,853	92,476	904,024
AIDS Grant:				
Salaries and employee benefits		68,026		66,417
Operating expenditures		749		9,120
Total	69,038	68,775	263	75,537
Tuberculosis Clinic:				
Salaries and employee benefits		165,688		160,838
Operating expenditures		33,454		35,479
Total	206,338	199,142	7,196	196,317

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		2016
	Budget	Actual	Variance Over/Under
			Actual
School Health:			
Salaries and employee benefits		1,256,200	1,233,599
Operating expenditures		46,016	80,917
Total	1,401,266	1,302,216	99,050
Health Promotions:			
Salaries and employee benefits		46,153	66,043
Operating expenditures		9,468	19,652
Total	76,602	55,621	20,981
Maternal Health:			
Salaries and employee benefits		1,325,237	1,109,481
Operating expenditures		57,459	73,736
Total	1,388,817	1,382,696	6,121
Family Planning:			
Salaries and employee benefits		664,045	795,290
Operating expenditures		95,440	107,162
Total	861,461	759,485	101,976
Adolescent Pregnancy Prevention:			
Salaries and employee benefits		50,357	44,801
Operating expenditures		21,329	25,035
Total	75,953	71,686	4,267
Child Health:			
Salaries and employee benefits		514,973	528,913
Operating expenditures		25,407	29,506
Capital outlay		-	22,947
Total	622,118	540,380	81,738
WIC:			
Salaries and employee benefits		404,987	405,086
Operating expenditures		105,171	133,882
Total	584,098	510,158	73,940
Animal/Rabies Control:			
Salaries and employee benefits		593,549	629,714
Operating expenditures		199,869	164,431
Capital outlay		109,231	5,500
Total	965,347	902,649	62,698

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		2016
	Budget	Actual	Actual
		Variance	
		Over/Under	
Health Department Grants:			
Salaries and employee benefits		111,027	106,909
Operating expenditures		34,550	37,171
Total	148,984	145,577	144,080
Dental Clinic:			
Salaries and employee benefits		238,857	219,934
Operating expenditures		75,480	87,600
Capital outlay		-	92,543
Total	388,977	314,337	400,077
Nurse Family Partnerships:			
Salaries and employee benefits		358,462	275,213
Operating expenditures		53,664	59,431
Total	462,395	412,126	334,644
Carolina Access II:			
Salaries and employee benefits		1,770,330	1,782,714
Operating expenditures		325,470	341,012
Total	2,359,978	2,095,800	2,123,726
CC4C PCM:			
Salaries and employee benefits		467,546	472,400
Operating expenditures		26,425	38,113
Total	530,709	493,971	510,513
CODAP:			
Salaries and employee benefits		201,615	191,213
Operating expenditures		109,895	97,382
Total	375,414	311,510	288,595
Environmental Health:			
Salaries and employee benefits		116,303	635,775
Operating expenditures		54,240	48,181
Total	742,528	170,543	683,956

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
Veteran Services:				
Salaries and employee benefits		83,629		79,992
Operating expenditures		5,492		5,323
Total	89,677	89,121	556	85,315
Total public health	14,357,462	12,515,588	1,841,874	13,138,090
Social Services:				
Mental Health:				
Operating expenditures		469,777		447,369
Total	1,170,994	469,777	701,217	447,369
Administration:				
Salaries and employee benefits		1,179,388		1,132,192
Operating expenditures		566,940		622,258
Capital outlay		110,714		190,451
Total	2,080,309	1,857,042	223,267	1,944,901
Smart Start:				
Operating expenditures		4,093,864		4,632,406
Total	5,177,302	4,093,864	1,083,438	4,632,406
TANF Program:				
Salaries and benefits		4,807,390		4,794,315
County participation only		540,458		518,591
Total	5,741,729	5,347,848	-	5,312,906
Income Maintenance Program:				
Salaries and employee benefits		4,852,330		4,682,788
Operating expenditures		166,526		256,388
Total	5,363,797	5,018,856	344,941	4,939,176
Special Assistance:				
Special assistance	53,685	53,647	38	52,623
Foster Care:				
Salaries and employee benefits		1,148,243		1,192,813
Operating expenditures		4,782		7,397
Total	1,245,239	1,153,025	92,214	1,200,210

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		2016
	Budget	Actual	Actual
			Variance Over/Under
Smart Start:			
Salaries and employee benefits		99,752	97,117
Total	99,793	99,752	41
Other Assistance:			
Operating expenditures	5,388,955	4,096,614	1,292,341
Total social services	26,321,803	22,190,425	3,737,497
Council on Aging:			
Operating expenditures	514,960	211,510	303,450
Total human services	41,194,225	34,917,523	5,882,821
Cultural and Recreational:			
Library:			
Salaries and employee benefits		790,018	776,842
Operating expenditures		325,882	343,251
Capital outlay		10,914	95,163
Total	1,233,538	1,126,814	106,724
Parks and Recreation:			
Operating expenditures		107,797	106,378
Capital outlay		-	10,787
Total	113,634	107,797	5,837
Total cultural and recreational	1,347,172	1,234,611	112,561
Intergovernmental:			
Education:			
Public schools - current expense		24,999,012	25,341,553
Public schools - operational expense		89,708	90,198
Public schools - capital expense		2,850,000	2,700,000
Community colleges - capital expense		2,038,315	2,038,690
Total education	30,306,638	29,977,035	329,603
Debt Service:			
Capital lease principal		117,045	10,792
Capital lease interest		154	433
Total debt service	155,950	117,199	38,751

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
Risk Management:				
Operating expenditures	1,293,207	616,847	676,360	667,534
Contingency	424,730	-	424,730	-
Total expenditures	116,479,958	105,840,008	10,246,069	105,899,045
Revenues over (under) expenditures	(5,143,351)	4,370,151	9,513,502	2,519,513
Other Financing Sources (Uses):				
Capital lease financing issued	425,145	425,145	-	-
Transfers in	15,848,778	13,833,631	(2,015,147)	14,517,254
Transfers out	(17,966,086)	(17,501,015)	465,071	(22,812,146)
Appropriated fund balance	6,835,514	-	(6,835,514)	-
Total other financing sources (uses)	5,143,351	(3,242,239)	(8,385,590)	(8,294,892)
Net changes in fund balance	\$ -	1,127,912	\$ 1,127,912	(5,775,379)
Reconciliation from Budgetary Basis to Modified Accrual Basis:				
Long-term note receivable		(18,352)		-
Change in fund balance		1,109,560		(5,775,379)
Fund Balance:				
Beginning of year - July 1		38,510,687		44,286,066
End of year - June 30		\$ 39,620,247		\$ 38,510,687

Major Capital Project Funds

Reimbursement Resolution Capital Project Fund - This fund accounts for reimbursement proceeds used to fund capital initiatives of the County.

North Shelby School Capital Project Fund - This fund accounts for installment proceeds and used to fund the construction of a new County school.

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

**REIMBURSEMENT RESOLUTION CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Investment earnings	\$ -	\$ -	\$ 31,538	\$ 31,538
Total revenues	-	-	31,538	31,538
Expenditures:				
Capital outlay:				
Economic development	19,975,833	-	147,064	147,064
Total expenditures	19,975,833	-	147,064	147,064
Revenues over (under) expenditures	(19,975,833)	-	(115,526)	(115,526)
Other Financing Sources (Uses):				
Installment financing issued	19,975,833	-	19,975,833	19,975,833
Total other financing sources (uses)	19,975,833	-	19,975,833	19,975,833
Net change in fund balance	\$ -	\$ -	19,860,307	\$ 19,860,307
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			\$ 19,860,307	

CLEVELAND COUNTY, NORTH CAROLINA

**NORTH SHELBY SCHOOL CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Investment earnings	\$ -	\$ -	\$ 28,168	\$ 28,168
Total revenues	-	-	28,168	28,168
Expenditures:				
Capital outlay:				
Education	13,374,167	-	2,031,117	2,031,117
Total expenditures	13,374,167	-	2,031,117	2,031,117
Revenues over (under) expenditures	(13,374,167)	-	(2,002,949)	(2,002,949)
Other Financing Sources (Uses):				
Installment proceeds	13,374,167	-	13,374,167	13,374,167
Total other financing sources (uses)	13,374,167	-	13,374,167	13,374,167
Net change in fund balance	\$ -	\$ -	11,371,218	\$ 11,371,218
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			\$ 11,371,218	

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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental	\$ 1,600,000	\$ 1,093,478	\$ (506,522)	\$ 1,593,900
Unrestricted intergovernmental	1,848,986	3,264,424	1,415,438	3,101,677
Investment earnings	-	35,362	35,362	19,799
Total revenues	<u>3,448,986</u>	<u>4,393,264</u>	<u>944,278</u>	<u>4,715,376</u>
Revenues over (under) expenditures	<u>3,448,986</u>	<u>4,393,264</u>	<u>944,278</u>	<u>4,715,376</u>
Other Financing Sources (Uses):				
Transfers to:				
General Fund	(1,450,000)	(1,450,000)	-	(1,400,000)
Debt Service Fund	<u>(1,998,986)</u>	<u>(1,959,474)</u>	<u>39,512</u>	<u>(2,106,029)</u>
Total other financing sources (uses)	<u>(3,448,986)</u>	<u>(3,409,474)</u>	<u>39,512</u>	<u>(3,506,029)</u>
Net change in fund balance	<u>\$ -</u>	<u>983,790</u>	<u>\$ 983,790</u>	<u>1,209,347</u>
Fund Balance:				
Beginning of year - July 1		<u>6,794,010</u>		<u>5,584,663</u>
End of year - June 30		<u>\$ 7,777,800</u>		<u>\$ 6,794,010</u>

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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.

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

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

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.

Kings Mountain Gate Way Trail – Phase 5 Capital Project Fund – accounts for the progress and construction of phase 5 of the Kings Mountain Gateway Trail expansion.

Washburn Switch Road and Rail Capital Project Fund – accounts for the progress and construction of economic development road improvements at Washburn Switch Industrial Park.

Pinnacle Turn Lane Capital Project Fund – accounts for the progress and construction of an additional turn lane and Pinnacle Classical Academy.

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, 2017

	Nonmajor Governmental Funds			
	Special Revenue Funds	Capital Project Funds	Debt Service Fund	Totals June 30, 2017
Assets:				
Cash and investments	\$ 1,352,768	\$ 1,595,072	\$ 744,770	\$ 3,692,610
Accounts receivable, net	128,366	384,585	455,230	968,181
Taxes receivable, net	44,570	-	-	44,570
Prepaid items	10,856	-	-	10,856
Total assets	<u>\$ 1,536,560</u>	<u>\$ 1,979,657</u>	<u>\$ 1,200,000</u>	<u>\$ 4,716,217</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 160	\$ 203,277	\$ -	\$ 203,437
Due to other funds	-	199,789	-	199,789
Total liabilities	<u>160</u>	<u>403,066</u>	<u>-</u>	<u>403,226</u>
Deferred Inflows of Resources:				
Taxes receivable	44,570	-	-	44,570
Prepaid taxes	2,611	-	-	2,611
Total deferred inflows of resources	<u>47,181</u>	<u>-</u>	<u>-</u>	<u>47,181</u>
Fund Balances:				
Non-spendable:				
Prepays	10,856	-	-	10,856
Restricted:				
Stabilization for State statute	128,366	384,585	455,230	968,181
Restricted, all other	1,349,997	-	-	1,349,997
Committed	-	15,731	-	15,731
Assigned	-	1,525,172	744,770	2,269,942
Unassigned	-	(348,897)	-	(348,897)
Total fund balances	<u>1,489,219</u>	<u>1,576,591</u>	<u>1,200,000</u>	<u>4,265,810</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,536,560</u>	<u>\$ 1,979,657</u>	<u>\$ 1,200,000</u>	<u>\$ 4,716,217</u>

CLEVELAND COUNTY, NORTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Nonmajor Governmental Funds			
	Special Revenue Funds	Capital Projects Funds	Debt Service Fund	Totals June 30, 2017
Revenues:				
Ad valorem taxes	\$ 1,651,321	\$ -	\$ -	\$ 1,651,321
Other taxes and licenses	804,988	-	-	804,988
Restricted intergovernmental revenues	-	1,002,323	870,935	1,873,258
Investment earnings	14,122	1,842	-	15,964
Miscellaneous	-	3,700	-	3,700
Total revenues	<u>2,470,431</u>	<u>1,007,865</u>	<u>870,935</u>	<u>4,349,231</u>
Expenditures:				
Current:				
General government	-	1,686,189	-	1,686,189
Public safety	2,802,429	-	-	2,802,429
Economic and physical development	-	1,013,882	-	1,013,882
Debt service:				
Principal repayments	-	-	3,226,613	3,226,613
Interest	-	-	1,536,502	1,536,502
Total expenditures	<u>2,802,429</u>	<u>2,700,071</u>	<u>4,763,115</u>	<u>10,265,615</u>
Revenues over (under) expenditures	<u>(331,998)</u>	<u>(1,692,206)</u>	<u>(3,892,180)</u>	<u>(5,916,384)</u>
Other Financing Sources (Uses):				
Transfers from:				
General Fund	-	2,505,105	2,679,120	5,184,225
Capital Reserve Fund	-	1,648,689	-	1,648,689
School Capital Reserve Fund	-	-	1,959,474	1,959,474
Transfers to:				
Foothills Commerce Center Capital Project Fund	-	(7,500)	-	(7,500)
General Fund	(66,841)	-	-	(66,841)
County General Capital Projects Fund	-	(1,641,189)	-	(1,641,189)
Total other financing sources (uses)	<u>(66,841)</u>	<u>2,505,105</u>	<u>4,638,594</u>	<u>7,076,858</u>
Net change in fund balances	(398,839)	812,899	746,414	1,160,474
Fund Balances:				
Beginning of year - July 1	<u>1,888,058</u>	<u>763,692</u>	<u>453,586</u>	<u>3,105,336</u>
End of year - June 30	<u>\$ 1,489,219</u>	<u>\$ 1,576,591</u>	<u>\$ 1,200,000</u>	<u>\$ 4,265,810</u>

CLEVELAND COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	<u>Nonmajor Special Revenue Funds</u>		
	Emergency Telephone System Fund (E-911)	Fire Districts Fund	Totals June 30, 2017
Assets:			
Cash and investments	\$ 1,018,537	\$ 334,231	\$ 1,352,768
Accounts receivable, net	-	128,366	128,366
Taxes receivable, net	-	44,570	44,570
Prepaid items	10,856	-	10,856
Total assets	<u>\$ 1,029,393</u>	<u>\$ 507,167</u>	<u>\$ 1,536,560</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 160	\$ 160
Total liabilities	<u>-</u>	<u>160</u>	<u>160</u>
Deferred Inflows of Resources:			
Taxes receivable	-	44,570	44,570
Prepaid taxes	-	2,611	2,611
Total deferred inflows of resources	<u>-</u>	<u>47,181</u>	<u>47,181</u>
Fund Balances:			
Non-spendable:			
Prepays	10,856	-	10,856
Restricted:			
Stabilization for State statute	-	128,366	128,366
Restricted, all other	1,018,537	331,460	1,349,997
Total fund balances	<u>1,029,393</u>	<u>459,826</u>	<u>1,489,219</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,029,393</u>	<u>\$ 507,167</u>	<u>\$ 1,536,560</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, 2017**

	<u>Nonmajor Special Revenue Funds</u>		
	<u>Emergency Telephone System Fund (E-911)</u>	<u>Fire Districts Fund</u>	<u>Totals June 30, 2017</u>
Revenues:			
Ad valorem taxes	\$ -	\$ 1,651,321	\$ 1,651,321
Other taxes and licenses	350,417	454,571	804,988
Investment earnings	4,156	9,966	14,122
Total revenues	<u>354,573</u>	<u>2,115,858</u>	<u>2,470,431</u>
Expenditures:			
Current:			
Public safety	<u>193,027</u>	<u>2,609,402</u>	<u>2,802,429</u>
Total expenditures	<u>193,027</u>	<u>2,609,402</u>	<u>2,802,429</u>
Revenues over (under) expenditures	<u>161,546</u>	<u>(493,544)</u>	<u>(331,998)</u>
Other Financing Sources (Uses):			
Transfers from (to):			
General Fund	<u>(66,841)</u>	<u>-</u>	<u>(66,841)</u>
Total other financing sources (uses)	<u>(66,841)</u>	<u>-</u>	<u>(66,841)</u>
Net change in fund balances	94,705	(493,544)	(398,839)
Fund Balances:			
Beginning of year - July 1	<u>934,688</u>	<u>953,370</u>	<u>1,888,058</u>
End of year - June 30	<u>\$ 1,029,393</u>	<u>\$ 459,826</u>	<u>\$ 1,489,219</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, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
User fees	\$ 382,273	\$ 350,417	\$ (31,856)	\$ 332,732
Investment income	-	4,156	4,156	530
Total revenues	<u>382,273</u>	<u>354,573</u>	<u>(27,700)</u>	<u>333,262</u>
Expenditures:				
Public safety:				
Operations	400,058	175,123	224,935	165,460
Capital expenditures	<u>19,874</u>	<u>17,904</u>	<u>1,970</u>	<u>62,206</u>
Total expenditures	<u>419,932</u>	<u>193,027</u>	<u>226,905</u>	<u>227,666</u>
Revenues over (under) expenditures	<u>(37,659)</u>	<u>161,546</u>	<u>199,205</u>	<u>105,596</u>
Other Financing Sources (Uses):				
Transfers out:				
To General Fund	(189,659)	(75,360)	114,299	(75,360)
Transfers in:				
From General Fund	113,659	8,519	(105,140)	511,942
Appropriated fund balance	<u>113,659</u>	<u>-</u>	<u>(113,659)</u>	<u>-</u>
Total other financing sources (uses)	<u>37,659</u>	<u>(66,841)</u>	<u>(104,500)</u>	<u>436,582</u>
Net change in fund balance	<u>\$ -</u>	<u>94,705</u>	<u>\$ 94,705</u>	<u>542,178</u>
Fund Balance:				
Beginning of year - July 1		<u>934,688</u>		<u>392,510</u>
End of year - June 30		<u>\$ 1,029,393</u>		<u>\$ 934,688</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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017		Variance Over/Under	2016
	Budget	Actual		Actual
Revenues:				
Ad valorem taxes	\$ 1,684,082	\$ 1,651,321	\$ (32,761)	\$ 1,624,381
Unrestricted intergovernmental	475,525	454,571	(20,954)	436,672
Investment income	150	9,966	9,816	2,395
Total revenues	<u>2,159,757</u>	<u>2,115,858</u>	<u>(43,899)</u>	<u>2,063,448</u>
Expenditures:				
Capital outlay:				
Public safety	<u>2,609,757</u>	<u>2,609,402</u>	<u>355</u>	<u>1,825,761</u>
Total expenditures	<u>2,609,757</u>	<u>2,609,402</u>	<u>355</u>	<u>1,825,761</u>
Revenues over (under) expenditures	<u>(450,000)</u>	<u>(493,544)</u>	<u>(43,544)</u>	<u>237,687</u>
Other Financing Sources (Uses):				
Appropriated fund balance	<u>450,000</u>	-	<u>(450,000)</u>	-
Total other financing sources (uses)	<u>450,000</u>	-	<u>(450,000)</u>	-
Net change in fund balance	<u>\$ -</u>	<u>(493,544)</u>	<u>\$ (493,544)</u>	<u>237,687</u>
Fund Balance:				
Beginning of year, July 1		<u>953,370</u>		<u>715,683</u>
End of year, June 30		<u>\$ 459,826</u>		<u>\$ 953,370</u>

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CLEVELAND COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL CAPITAL PROJECT FUNDS
JUNE 30, 2017

	<u>Nonmajor Capital Project Funds</u>			
	<u>General Capital Projects Fund</u>	<u>Public Shooting Range Capital Project Fund</u>	<u>Foothills Commerce Center - West Shelby Capital Project Fund</u>	<u>Capital Reserve Fund</u>
Assets:				
Cash and investments	\$ 1,047	\$ 15,731	\$ -	\$ 1,578,294
Accounts receivable, net	-	-	-	35,688
Total assets	<u>\$ 1,047</u>	<u>\$ 15,731</u>	<u>\$ -</u>	<u>\$ 1,613,982</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,047	\$ -	\$ -	\$ 53,122
Due to other funds	-	-	-	-
Total liabilities	<u>1,047</u>	<u>-</u>	<u>-</u>	<u>53,122</u>
Fund Balances:				
Restricted				
Stabilization for State statute	-	-	-	35,688
Committed	-	15,731	-	-
Assigned	-	-	-	1,525,172
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>15,731</u>	<u>-</u>	<u>1,560,860</u>
Total liabilities and fund balances	<u>\$ 1,047</u>	<u>\$ 15,731</u>	<u>\$ -</u>	<u>\$ 1,613,982</u>

CLEVELAND COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL CAPITAL PROJECT FUNDS
JUNE 30, 2017

	<u>Nonmajor Capital Project Funds</u>			
	<u>Kings Mountain Gate Way Trail - Phase 5 Capital Project Fund</u>	<u>Washburn Switch Road Capital Project Fund</u>	<u>Pinnacle Turn Lane Capital Project Fund</u>	<u>Totals June 30, 2017</u>
Assets:				
Cash and investments	\$ -	\$ -	\$ -	\$ 1,595,072
Accounts receivable, net	-	145,410	203,487	384,585
Total assets	<u>\$ -</u>	<u>\$ 145,410</u>	<u>\$ 203,487</u>	<u>\$ 1,979,657</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 149,108	\$ 203,277
Due to other funds	-	145,410	54,379	199,789
Total liabilities	<u>-</u>	<u>145,410</u>	<u>203,487</u>	<u>403,066</u>
Fund Balances:				
Restricted				
Stabilization for State statute	-	145,410	203,487	384,585
Committed	-	-	-	15,731
Assigned	-	-	-	1,525,172
Unassigned	-	(145,410)	(203,487)	(348,897)
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,576,591</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 145,410</u>	<u>\$ 203,487</u>	<u>\$ 1,979,657</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, 2017

	<u>Nonmajor Capital Projects Fund</u>			
	<u>General Capital Projects Fund</u>	<u>Public Shooting Range Capital Project Fund</u>	<u>Foothills Commerce Center - West Shelby Capital Project Fund</u>	<u>Capital Reserve Fund</u>
Revenues:				
Restricted intergovernmental revenues	\$ -	\$ 653,976	\$ -	\$ -
Investment earnings	-	-	-	1,842
Miscellaneous	-	-	-	3,700
Total revenues	<u>-</u>	<u>653,976</u>	<u>-</u>	<u>5,542</u>
Expenditures:				
Current:				
General government	1,686,189	-	-	-
Economic and physical development	-	653,920	7,500	-
Total expenditures	<u>1,686,189</u>	<u>653,920</u>	<u>7,500</u>	<u>-</u>
Revenues over (under) expenditures	<u>(1,686,189)</u>	<u>56</u>	<u>(7,500)</u>	<u>5,542</u>
Other Financing Sources (Uses):				
Transfers from:				
General Fund	45,000	-	-	2,455,990
Capital Reserve Fund	1,641,189	-	7,500	-
Transfers to:				
County General Capital Projects Fund	-	-	-	(1,648,689)
Total other financing sources (uses)	<u>1,686,189</u>	<u>-</u>	<u>7,500</u>	<u>807,301</u>
Net change in fund balances	-	56	-	812,843
Fund Balances:				
Beginning of year - July 1	-	15,675	-	748,017
End of year - June 30	<u>\$ -</u>	<u>\$ 15,731</u>	<u>\$ -</u>	<u>\$ 1,560,860</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, 2017

	<u>Nonmajor Capital Projects Fund</u>			
	<u>Kings Mountain Gate Way Trail - Phase 5 Capital Project Fund</u>	<u>Washburn Switch Road Capital Project Fund</u>	<u>Pinnacle Turn Lane Capital Project Fund</u>	<u>Totals June 30, 2017</u>
Revenues:				
Restricted intergovernmental revenues	\$ -	\$ 145,410	\$ 202,937	\$ 1,002,323
Investment earnings	-	-	-	1,842
Miscellaneous	-	-	-	3,700
Total revenues	<u>-</u>	<u>145,410</u>	<u>202,937</u>	<u>1,007,865</u>
Expenditures:				
Current:				
General government	-	-	-	1,686,189
Economic and physical development	<u>4,115</u>	<u>145,410</u>	<u>202,937</u>	<u>1,013,882</u>
Total expenditures	<u>4,115</u>	<u>145,410</u>	<u>202,937</u>	<u>2,700,071</u>
Revenues over (under) expenditures	<u>(4,115)</u>	<u>-</u>	<u>-</u>	<u>(1,692,206)</u>
Other Financing Sources (Uses):				
Transfers from:				
General Fund	4,115	-	-	2,505,105
Capital Reserve Fund	-	-	-	1,648,689
Transfers to:				
County General Capital Projects Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,648,689)</u>
Total other financing sources (uses)	<u>4,115</u>	<u>-</u>	<u>-</u>	<u>2,505,105</u>
Net change in fund balances	-	-	-	812,899
Fund Balances:				
Beginning of year - July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>763,692</u>
End of year - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,576,591</u>

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Expenditures:				
Capital outlay:				
General government	\$ 2,432,123	\$ 1,686,189	\$ 745,934	\$ 1,643,829
Revenues over (under) expenditures	<u>(2,432,123)</u>	<u>(1,686,189)</u>	<u>(745,934)</u>	<u>(1,643,829)</u>
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	45,000	45,000	90,000	-
From Capital Reserve Fund	<u>2,387,123</u>	<u>1,641,189</u>	<u>745,934</u>	<u>1,643,829</u>
Total other financing sources (uses)	<u>2,432,123</u>	<u>1,686,189</u>	<u>835,934</u>	<u>1,643,829</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ -</u>	-
Fund Balance:				
Beginning of year - July 1		-		-
End of year - June 30		<u>\$ -</u>		<u>\$ -</u>

CLEVELAND COUNTY, NORTH CAROLINA

**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, 2017**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 2,667,038	\$ 2,013,063	\$ 653,976	\$ 2,667,039
Total revenues	<u>2,667,038</u>	<u>2,013,063</u>	<u>653,976</u>	<u>2,667,039</u>
Expenditures:				
Capital outlay:				
Economic development	<u>4,485,621</u>	<u>3,193,341</u>	<u>653,920</u>	<u>3,847,261</u>
Total expenditures	<u>4,485,621</u>	<u>3,193,341</u>	<u>653,920</u>	<u>3,847,261</u>
Revenues over (under) expenditures	<u>(1,818,583)</u>	<u>(1,180,278)</u>	<u>56</u>	<u>(1,180,222)</u>
Other Financing Sources (Uses):				
Transfers in:				
From Capital Reserve Fund	<u>1,818,583</u>	<u>1,195,953</u>	<u>-</u>	<u>1,195,953</u>
Total other financing sources (uses)	<u>1,818,583</u>	<u>1,195,953</u>	<u>-</u>	<u>1,195,953</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 15,675</u>	<u>56</u>	<u>\$ 15,731</u>
Fund Balance:				
Beginning of year - July 1			<u>15,675</u>	
End of year - June 30			<u>\$ 15,731</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, 2017

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Local revenue	\$ -	\$ 375,367	\$ -	\$ 375,367
Total revenues	-	375,367	-	375,367
Expenditures:				
Capital outlay:				
Economic development	3,166,848	2,174,427	7,500	2,181,927
Total expenditures	3,166,848	2,174,427	7,500	2,181,927
Revenues over (under) expenditures	(3,166,848)	(1,799,060)	(7,500)	(1,806,560)
Other Financing Sources (Uses):				
Transfers in:				
From Capital Reserve Fund	3,338,281	1,970,493	7,500	1,977,993
Transfers out:				
To Capital Reserve Fund	(171,433)	(171,433)	-	(171,433)
Total other financing sources (uses)	3,166,848	1,799,060	7,500	1,806,560
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			\$ -	

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Local revenues	\$ 100,000	\$ 3,700	\$ (96,300)	\$ 260,076
Investment income	-	1,842	1,842	2,247
Total revenues	<u>100,000</u>	<u>5,542</u>	<u>(94,458)</u>	<u>262,323</u>
Revenues over (under) expenditures	<u>100,000</u>	<u>5,542</u>	<u>(94,458)</u>	<u>262,323</u>
Other Financing Sources (Uses):				
Transfers from:				
General Fund	2,526,112	2,455,990	(70,122)	2,052,146
Foothills Commerce - West Shelby	-	-	-	171,433
Transfers to:				
Capital Projects Funds	(2,694,074)	(1,648,689)	1,045,385	(1,982,159)
Appropriated fund balance	<u>67,962</u>	<u>-</u>	<u>(67,962)</u>	<u>-</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>807,301</u>	<u>907,301</u>	<u>241,420</u>
Net change in fund balance	<u>\$ -</u>	<u>812,843</u>	<u>\$ 812,843</u>	<u>503,743</u>
Fund Balance:				
Beginning of year - July 1		<u>748,017</u>		<u>244,274</u>
End of year - June 30		<u>\$ 1,560,860</u>		<u>\$ 748,017</u>

CLEVELAND COUNTY, NORTH CAROLINA

KINGS MOUNTAIN GATE WAY TRAIL - PHASE 5 CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Project	Actual		
	<u>Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 32,500	\$ -	\$ -	\$ -
Total revenues	<u>32,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Capital outlay:				
Economic development	36,615	-	4,115	4,115
Total expenditures	<u>36,615</u>	<u>-</u>	<u>4,115</u>	<u>4,115</u>
Revenues over (under) expenditures	<u>(4,115)</u>	<u>-</u>	<u>(4,115)</u>	<u>(4,115)</u>
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	4,115	-	4,115	4,115
Total other financing sources (uses)	<u>4,115</u>	<u>-</u>	<u>4,115</u>	<u>4,115</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			<u>\$ -</u>	

CLEVELAND COUNTY, NORTH CAROLINA

WASHBURN SWITCH ROAD AND RAIL CAPITAL PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental	\$ 611,566	\$ -	\$ 145,410	\$ 145,410
Total revenues	<u>611,566</u>	<u>-</u>	<u>145,410</u>	<u>145,410</u>
Expenditures:				
Capital outlay:				
Economic development	<u>611,566</u>	<u>-</u>	<u>145,410</u>	<u>145,410</u>
Total expenditures	<u>611,566</u>	<u>-</u>	<u>145,410</u>	<u>145,410</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

CLEVELAND COUNTY, NORTH CAROLINA

**PINNACLE TURN LANE CAPITAL PROJECT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
Revenues:				
Restricted intergovernmental	\$ 403,455	\$ -	\$ 202,937	\$ 202,937
Total revenues	<u>403,455</u>	<u>-</u>	<u>202,937</u>	<u>202,937</u>
Expenditures:				
Capital outlay:				
Economic development	403,455	-	202,937	202,937
Total expenditures	<u>403,455</u>	<u>-</u>	<u>202,937</u>	<u>202,937</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Restricted intergovernmental	\$ 1,270,250	\$ 870,935	\$ (399,315)	\$ 1,231,021
Local revenue	-	-	-	831,133
Total revenues	<u>1,270,250</u>	<u>870,935</u>	<u>(399,315)</u>	<u>2,062,154</u>
Expenditures:				
Debt service:				
Principal repayments	3,450,197	3,226,613	223,584	3,378,499
Interest and fees	<u>1,555,937</u>	<u>1,536,502</u>	<u>19,435</u>	<u>1,684,353</u>
Total expenditures	<u>5,006,134</u>	<u>4,763,115</u>	<u>243,019</u>	<u>5,062,852</u>
Revenues over (under) expenditures	<u>(3,735,884)</u>	<u>(3,892,180)</u>	<u>(156,296)</u>	<u>(3,000,698)</u>
Other Financing Sources (Uses):				
Transfers in:				
From General Fund	1,776,410	2,679,120	902,710	1,348,255
From School Capital Reserve Fund	<u>1,959,474</u>	<u>1,959,474</u>	<u>-</u>	<u>2,106,029</u>
Total other financing sources (uses)	<u>3,735,884</u>	<u>4,638,594</u>	<u>902,710</u>	<u>3,454,284</u>
Net change in fund balance	<u>\$ -</u>	746,414	<u>\$ 746,414</u>	453,586
Fund Balance:				
Beginning of year - July 1		<u>453,586</u>		<u>-</u>
End of year - June 30		<u>\$ 1,200,000</u>		<u>\$ 453,586</u>

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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.

Solid Waste Cell Construction Capital Project Fund – accounts for financial resources to be used for expansion of solid waste disposal facilities.

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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, 2017

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2016

	2017			2016
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Fees for service	\$ 6,272,964	\$ 5,996,327	\$ (276,637)	\$ 5,746,746
Non-operating revenues:				
Other taxes and fees	395,678	702,514	306,836	617,888
Sale of capital asset	-	9,324	9,324	34,375
Interest income	-	31,524	31,524	13,557
Total revenues	<u>6,668,642</u>	<u>6,739,689</u>	<u>71,047</u>	<u>6,412,566</u>
Expenditures:				
Salaries and employee benefits	2,148,918	2,595,080	(446,162)	2,013,430
Other operating expenditures	3,160,452	2,610,555	549,897	2,459,677
Capital outlay	924,393	824,363	100,030	783,849
Total expenditures	<u>6,233,763</u>	<u>6,029,998</u>	<u>203,765</u>	<u>5,256,956</u>
Revenue over (under) expenditures	<u>434,879</u>	<u>709,691</u>	<u>(132,718)</u>	<u>1,155,610</u>
Other Financing Sources (Uses):				
Transfers out	(6,044,543)	(4,765,152)	1,279,391	(843,201)
Appropriated retained earnings	5,609,664	-	(5,609,664)	-
Total other financing sources (uses)	<u>(434,879)</u>	<u>(4,765,152)</u>	<u>(4,330,273)</u>	<u>(843,201)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>(4,055,461)</u>	<u>\$ (4,055,461)</u>	<u>\$ 312,409</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Change in other post-employment benefits		(3,288)		
Capital outlay, capitalized		824,363		
Transfer to Solid Waste Cell Capital Project		4,765,152		
Change in accrued vacation		(52,870)		
Loss on sale of capital asset		(8,674)		
Post-closure care costs		(106,946)		
Increase in deferred outflows of resources - pensions		372,044		
Increase in net pension liability		(442,164)		
Decrease in deferred inflows of resources - pensions		40,184		
Depreciation		(519,843)		
Total reconciling items		<u>4,867,958</u>		
Change in net position		<u>\$ 812,497</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, 2017**

	Project Authorization	Actual		Total to Date
		Prior Years	Current Year	
Expenditures:				
Engineering and administration	\$ 300,000	\$ 156,100	\$ -	\$ 156,100
Construction	5,200,000	254,781	4,765,152	5,019,933
Total expenditures	<u>5,500,000</u>	<u>410,881</u>	<u>4,765,152</u>	<u>5,176,033</u>
Revenues over (under) expenditures	<u>(5,500,000)</u>	<u>(410,881)</u>	<u>(4,765,152)</u>	<u>(5,176,033)</u>
Other Financing Sources (Uses):				
Transfers in:				
From Solid Waste Fund	5,500,000	410,881	4,765,152	5,176,033
Total other financing sources (uses)	<u>5,500,000</u>	<u>410,881</u>	<u>4,765,152</u>	<u>5,176,033</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance:				
Beginning of year - July 1			-	
End of year - June 30			<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, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Fines and Forfeitures Fund:				
Assets:				
Intergovernmental receivable	\$ 26,370	\$ 439,832	\$ (466,202)	\$ -
Liabilities:				
Intergovernmental payable	\$ 26,370	\$ 439,832	\$ (466,202)	\$ -
Inmate Fund:				
Assets:				
Cash	\$ 12,817	\$ 560,668	\$ (564,404)	\$ 9,081
Liabilities:				
Intergovernmental payable	\$ 12,817	\$ 560,668	\$ (564,404)	\$ 9,081
Property Tax Fund:				
Assets:				
Cash	\$ 204,081	\$ 3,550	\$ -	\$ 207,631
Accounts receivable	602,398	25,452	-	627,850
Total assets	\$ 806,479	\$ 29,002	\$ -	\$ 835,481
Liabilities:				
Intergovernmental payable	\$ 806,479	\$ 29,002	\$ -	\$ 835,481
Rescue Squad Fund:				
Assets:				
Cash	\$ 4,208	\$ 2,762	\$ (2,745)	\$ 4,225
Liabilities:				
Intergovernmental payable	\$ 4,208	\$ 2,762	\$ (2,745)	\$ 4,225
Social Services Fund:				
Assets:				
Cash and cash equivalents	\$ 80,765	\$ 462,415	\$ (475,629)	\$ 67,551
Liabilities:				
Intergovernmental payable	\$ 80,765	\$ 462,415	\$ (475,629)	\$ 67,551
Totals - All Agency Funds:				
Assets:				
Cash	\$ 301,871	\$ 1,029,395	\$ (1,042,778)	\$ 288,488
Account receivable	628,768	465,284	(466,202)	627,850
Totals - All Agency Funds:	\$ 930,639	\$ 1,494,679	\$ (1,508,980)	\$ 916,338
Liabilities:				
Intergovernmental payable	\$ 930,639	\$ 1,494,679	\$ (1,508,980)	\$ 916,338

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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, 2017.

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CLEVELAND COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND
JUNE 30, 2017

Fiscal Year	Uncollected Balance July 1, 2016	Additions	Collections and Credits	Uncollected Balance June 30, 2017
2016-2017	\$ -	\$ 60,425,133	\$ 59,552,304	\$ 872,829
2015-2016	963,448	-	589,054	374,394
2014-2015	404,931	-	153,534	251,397
2013-2014	256,906	-	70,786	186,120
2012-2013	193,580	-	33,149	160,431
2011-2012	136,240	-	23,906	112,334
2010-2011	111,788	-	9,989	101,799
2009-2010	101,521	-	7,487	94,034
2008-2009	92,744	-	4,247	88,497
2007-2008	93,679	-	4,628	89,051
2006-2007	80,019	-	80,019	-
Total	<u>\$ 2,434,856</u>	<u>\$ 60,425,133</u>	<u>\$ 60,529,103</u>	<u>2,330,886</u>
Less: allowance for uncollectible accounts: General Fund				<u>(695,243)</u>
Ad valorem taxes receivable net: General Fund				<u>\$ 1,635,643</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 59,723,183
Reconciling items:				
Interest				(394,574)
Adjustments and abatements				587,915
Other miscellaneous adjustments				(356,263)
Incentivized paybacks				888,823
Amounts written off per Statute of Limitations				<u>80,019</u>
Total collections and credits				<u>\$ 60,529,103</u>

CLEVELAND COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2017

	County-Wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 7,545,410,000	0.72	\$ 54,326,952	\$ 49,059,477	\$ 5,267,475
Total	<u>7,545,410,000</u>		<u>54,326,952</u>	<u>49,059,477</u>	<u>5,267,475</u>
Discoveries:					
Current year taxes	928,624,444	0.72	6,686,096	6,686,096	-
Total	<u>928,624,444</u>		<u>6,686,096</u>	<u>6,686,096</u>	<u>-</u>
Abatements	<u>(81,654,861)</u>	0.72	<u>(587,915)</u>	<u>(587,915)</u>	<u>-</u>
Total property valuation	<u>\$ 8,392,379,583</u>				
Net Levy			60,425,133	55,157,658	5,267,475
Uncollected taxes at June 30, 2017			<u>(872,829)</u>	<u>(872,829)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 59,552,304</u>	<u>\$ 54,284,829</u>	<u>\$ 5,267,475</u>
Current Levy Collection Percentage			<u>98.56%</u>	<u>98.42%</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)

	Fiscal Year			
	2008	2009	2010	2011
Governmental activities				
Net investment in capital assets	\$ 85,741,754	\$ 86,285,668	\$ 73,352,330	\$ 85,694,014
Restricted	11,915,459	11,130,562	13,033,908	39,629,067
Unrestricted	<u>27,008,318</u>	<u>28,955,215</u>	<u>40,521,330</u>	<u>474,766</u>
Total governmental activities	<u>\$ 124,665,531</u>	<u>\$ 126,371,445</u>	<u>\$ 126,907,568</u>	<u>\$ 125,797,847</u>
Business-type activities				
Net investment in capital assets	\$ 11,004,690	\$ 13,483,249	\$ 13,200,191	\$ 15,039,747
Unrestricted	<u>5,865,103</u>	<u>93,057</u>	<u>1,130,529</u>	<u>(2,389,745)</u>
Total business-type activities	<u>\$ 16,869,793</u>	<u>\$ 13,576,306</u>	<u>\$ 14,330,720</u>	<u>\$ 12,650,002</u>
Primary government				
Net investment in capital assets	\$ 96,746,444	\$ 99,768,917	\$ 86,552,521	\$ 100,733,761
Restricted	11,915,459	11,130,562	13,033,908	39,629,067
Unrestricted	<u>32,873,421</u>	<u>29,048,272</u>	<u>41,651,859</u>	<u>(1,914,979)</u>
Total primary government net position	<u>\$ 141,535,324</u>	<u>\$ 139,947,751</u>	<u>\$ 141,238,288</u>	<u>\$ 138,447,849</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 112,383,657	\$ 53,300,808	\$ 85,821,431	\$ 96,884,891	\$ 103,435,523	\$ 82,890,909
20,948,015	23,947,192	14,779,333	14,935,402	18,719,625	29,407,653
<u>232,842</u>	<u>18,042,969</u>	<u>6,497</u>	<u>(3,827,118)</u>	<u>(7,345,176)</u>	<u>4,700,168</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>	<u>\$ 116,998,730</u>
\$ 16,169,340	\$ 16,390,005	\$ 16,036,546	\$ 16,448,095	\$ 17,184,372	\$ 22,236,046
<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>(10,259,677)</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>	<u>\$ 11,976,369</u>
\$ 128,552,997	\$ 69,690,813	\$ 101,857,977	\$ 113,332,986	\$ 120,619,895	\$ 105,126,955
20,948,015	23,947,192	14,779,333	14,935,402	18,719,625	29,407,653
<u>(4,069,307)</u>	<u>8,702,082</u>	<u>(7,618,136)</u>	<u>(10,232,580)</u>	<u>(13,365,676)</u>	<u>(5,559,509)</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>	<u>\$ 128,975,099</u>

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

	Fiscal Year			
	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	\$ 8,681,365	\$ 9,133,792	\$ 9,067,110	\$ 6,758,722
Public safety	20,235,804	20,436,483	21,698,159	23,237,692
Human services	39,510,671	39,264,800	33,914,103	36,593,375
Education	24,943,842	26,670,648	25,446,822	26,348,019
Economic and physical development	2,118,255	3,042,821	2,348,461	3,882,363
Cultural and recreation	1,286,918	1,272,016	1,103,213	1,016,592
Interest on long term debt	669,490	697,162	643,989	2,283,810
Total governmental activities	<u>97,446,345</u>	<u>100,517,722</u>	<u>94,221,857</u>	<u>100,120,573</u>
Business-type activities:				
Landfill	5,285,293	8,267,583	3,613,290	8,640,661
Conference center	-	-	-	-
Total business-type activities	<u>5,285,293</u>	<u>8,267,583</u>	<u>3,613,290</u>	<u>8,640,661</u>
Total primary government expenses	<u>\$ 102,731,638</u>	<u>\$ 108,785,305</u>	<u>\$ 97,835,147</u>	<u>\$ 108,761,234</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 2,453,453	\$ 2,298,111	\$ 2,415,181	\$ 2,283,008
Public safety	6,124,163	5,097,275	5,134,699	5,486,734
Human services	4,800,258	4,845,865	5,175,178	5,470,082
Education	9,215,690	10,099,061	10,170,228	10,150,261
Economic and physical development	58,980	43,401	65,717	48,357
Cultural and recreation	118,385	49,164	43,813	57,589
Operating grants and contributions:				
General government	1,131,279	1,193,492	1,272,324	1,084,642
Public safety	2,515,297	1,993,543	1,076,840	682,837
Human services	16,200,691	18,102,895	18,147,393	18,590,542
Education	13,630	49,187	81,802	3,214,965
Economic and physical development	461,092	1,421,994	-	559,339
Cultural and recreation	349,022	225,228	263,787	799,086
Capital grants and contributions:				
General government	719,895	62,691	73,898	33,680
Public safety	91,643	123,190	-	26,271
Human services	19,928,365	364,626	601,747	5,020
Education	5,258,426	5,235,930	2,806,456	2,907,522
Economic and physical development	-	-	-	404,846
Cultural and recreation	-	1,024,268	450,000	-
Total governmental activities program revenues	<u>69,440,269</u>	<u>52,229,921</u>	<u>47,779,063</u>	<u>51,804,781</u>
Business-type activities:				
Charges for services	4,762,245	4,682,719	4,392,221	4,990,003
Operating grants and contributions	308,472	360,124	288,119	2,261,812
Capital grants and contributions	-	-	8,500	-
Total business-type activities program revenues	<u>5,070,717</u>	<u>5,042,843</u>	<u>4,688,840</u>	<u>7,251,815</u>
Total primary government program revenues	<u>\$ 74,510,986</u>	<u>\$ 57,272,764</u>	<u>\$ 52,467,903</u>	<u>\$ 59,056,596</u>
Net (Expense)/Revenue				
Governmental activities	\$ (28,006,076)	\$ (48,287,801)	\$ (46,442,794)	\$ (48,315,792)
Business-type activities	<u>(214,576)</u>	<u>(3,224,740)</u>	<u>1,075,550</u>	<u>(1,388,846)</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					
							2012	2013	2014	2015	2016	2017
\$	8,691,798	\$	9,360,189	\$	10,940,284	\$	9,192,572	\$	11,020,393	\$	11,852,530	
	24,789,003		23,647,499		22,277,558		23,023,383		25,934,833		25,546,272	
	35,480,842		36,533,683		39,910,173		37,343,610		38,328,743		36,826,648	
	26,031,948		26,506,854		26,785,459		28,527,582		30,170,441		30,252,460	
	2,780,339		6,394,017		3,825,642		4,887,922		5,553,981		8,076,066	
	1,212,620		1,474,692		2,015,097		698,756		1,673,852		688,520	
	2,209,258		2,110,131		1,494,721		1,791,022		1,904,752		1,741,975	
	<u>101,195,808</u>		<u>106,027,065</u>		<u>107,248,934</u>		<u>105,464,847</u>		<u>114,586,995</u>		<u>114,984,471</u>	
	5,789,166		10,243,838		5,145,318		4,679,344		4,862,707		5,927,192	
	216,822		593,350		-		-		-		-	
	<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>5,927,192</u>	
\$	<u>106,984,974</u>	\$	<u>116,270,903</u>	\$	<u>112,394,252</u>	\$	<u>110,144,191</u>	\$	<u>119,449,702</u>	\$	<u>120,911,663</u>	
\$	2,395,705	\$	2,303,786	\$	2,634,580	\$	3,164,697	\$	3,537,614	\$	3,592,173	
	5,899,901		5,355,364		2,625,778		2,264,490		2,334,725		2,004,684	
	7,050,168		6,441,109		11,883		-		-		3,817,502	
	10,608,208		11,226,358		-		-		-		-	
	38,150		28,732		4,000,223		3,939,136		5,340,699		370,675	
	98,075		79,739		-		-		-		-	
	1,000,766		1,728,852		3,889,131		3,058,427		2,284,872		1,351,849	
	2,216,861		1,484,910		305,039		369,245		155,891		355,316	
	18,363,979		16,980,332		17,987,419		20,024,711		20,176,304		17,834,543	
	-		363,456		-		-		1,231,021		-	
	1,840,163		1,850,639		739,658		107,025		-		-	
	1,120,349		1,313,303		-		-		-		184,000	
	14,141		47,223		1,044,258		450,760		40,542		-	
	67,461		252,730		59,411		298,438		183,461		-	
	-		3,492		3,663,827		4,311,346		4,140,732		4,351,935	
	3,947,837		8,269,925		1,462,777		1,595,639		1,593,900		1,093,478	
	1,268,978		76,272		1,008,897		-		2,063,691		1,670,321	
	1,146,979		29,518		-		-		-		-	
	<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>		<u>36,626,476</u>	
	5,545,109		5,058,476		5,998,475		5,976,341		5,746,746		5,996,327	
	2,239,632		393,444		54,445		108,734		-		-	
	-		-		-		-		3,700		-	
	<u>7,784,741</u>		<u>5,451,920</u>		<u>6,052,920</u>		<u>6,085,075</u>		<u>5,750,446</u>		<u>5,996,327</u>	
\$	<u>64,862,462</u>	\$	<u>63,287,660</u>	\$	<u>45,485,801</u>	\$	<u>45,668,989</u>	\$	<u>48,833,898</u>	\$	<u>42,622,803</u>	
\$	(44,118,087)	\$	(48,191,325)	\$	(67,816,053)	\$	(65,880,933)	\$	(71,503,543)	\$	(78,357,995)	
	<u>1,778,753</u>		<u>(5,385,268)</u>		<u>907,602</u>		<u>1,405,731</u>		<u>887,739</u>		<u>69,135</u>	
\$	<u>(42,339,334)</u>	\$	<u>(53,576,593)</u>	\$	<u>(66,908,451)</u>	\$	<u>(64,475,202)</u>	\$	<u>(70,615,804)</u>	\$	<u>(78,288,860)</u>	

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

	Fiscal Year			
	2008	2009	2010	2011
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 35,815,553	\$ 38,618,389	\$ 38,289,687	\$ 38,645,416
Local option sales tax	12,002,826	9,694,634	7,429,274	7,405,889
Other taxes and licenses	921,337	348,147	378,380	426,626
Grants and contributions not restricted	2,200,000	-	-	190,000
Investment earnings	1,604,977	1,103,612	546,517	202,215
Miscellaneous	-	-	-	-
Special item:				
Gain/(loss) on sale of capital asset	-	-	-	-
Transfers	241,245	228,936	335,059	335,925
Total governmental activities:	<u>52,785,938</u>	<u>49,993,718</u>	<u>46,978,917</u>	<u>47,206,071</u>
Business-type activities:				
Investment earnings	616,174	160,189	14,553	44,053
Miscellaneous	-	-	-	-
Transfers	<u>(241,245)</u>	<u>(228,396)</u>	<u>(335,059)</u>	<u>(335,925)</u>
Total business-type activities	<u>374,929</u>	<u>(68,207)</u>	<u>(320,506)</u>	<u>(291,872)</u>
Total primary government	<u>\$ 53,160,867</u>	<u>\$ 49,925,511</u>	<u>\$ 46,658,411</u>	<u>\$ 46,914,199</u>
Change in Net Position				
Governmental activities	\$ 24,779,862	\$ 1,705,917	\$ 536,123	\$ (1,109,721)
Business-type activities	<u>160,353</u>	<u>(3,292,947)</u>	<u>755,044</u>	<u>(1,680,718)</u>
Total primary government	<u>\$ 24,940,215</u>	<u>\$ (1,587,030)</u>	<u>\$ 1,291,167</u>	<u>\$ (2,790,439)</u>

		Fiscal Year									
		2012	2013	2014	2015	2016	2017				
\$	40,301,804	\$	42,960,964	\$	60,502,800	\$	59,587,494	\$	60,047,655	\$	61,266,854
	8,077,072		8,211,061		12,625,637		17,202,034		17,561,662		19,434,159
	461,395		455,306		-		-		-		360,205
	380,000		38,000		-		-		-		-
	100,740		89,033		110,873		188,580		278,703		595,379
	-		-		-		-		-		568,882
	-		(41,270,640)		-		-		-		-
	2,563,743		(565,944)		104,481		125,966		432,320		-
	<u>51,884,754</u>		<u>9,917,780</u>		<u>73,343,791</u>		<u>77,104,074</u>		<u>78,320,340</u>		<u>82,225,479</u>
	2,179		1,251		328		1,004		13,557		31,524
	-		-		-		515,482		652,263		711,838
	<u>(2,563,743)</u>		<u>565,944</u>		<u>(104,481)</u>		<u>(125,967)</u>		<u>(432,320)</u>		<u>-</u>
	<u>(2,561,564)</u>		<u>567,195</u>		<u>(104,153)</u>		<u>390,519</u>		<u>233,500</u>		<u>743,362</u>
\$	<u>49,323,190</u>	\$	<u>10,484,975</u>	\$	<u>73,239,638</u>	\$	<u>77,494,593</u>	\$	<u>78,553,840</u>	\$	<u>82,968,841</u>
\$	7,766,667	\$	(38,273,545)	\$	5,527,738	\$	11,223,141	\$	6,816,797	\$	3,867,484
	<u>(782,811)</u>		<u>(4,818,073)</u>		<u>803,449</u>		<u>1,796,250</u>		<u>1,121,239</u>		<u>812,497</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>	\$	<u>4,679,981</u>

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

	Fiscal Year			
	2008	2009	2010	2011
General Fund				
Non-spendable:				
Inventories	\$ 114,832	\$ 100,954	\$ 86,552	\$ 133,331
Long-Term receivable	-	-	-	-
Prepaid items	98,152	196,854	143,292	152,370
Restricted:				
Stabilization for State statute	7,188,834	7,439,069	7,527,242	8,412,576
Register of Deeds	-	-	-	-
Restricted, all other	184,855	-	-	171,642
Committed:				
Construction	-	-	-	-
Other	-	-	-	-
Assigned for subsequent year's expenditures	4,904,485	4,583,510	4,740,153	4,437,361
Assigned all other	1,591,412	1,150,866	807,155	2,650,117
Unassigned:	<u>14,456,095</u>	<u>11,250,395</u>	<u>10,291,084</u>	<u>6,324,242</u>
Total General Fund	<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	1,131,745	1,211,037	1,238,853	22,964,923
Restricted, all other	543,780	-	-	-
Committed:				
Special revenue and debt service funds	1,189,800	568,852	641,730	465,966
Capital project funds	-	-	-	-
Assigned all other:	-	-	-	-
Unassigned:	<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>10,000,977</u>	<u>20,139,687</u>	<u>21,265,651</u>	<u>36,818,274</u>
Total fund balances	<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.

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 91,497	\$ 111,774	\$ 104,177	\$ 144,859	\$ 172,014	\$ 92,666	
-	-	-	-	-	91,764	
173,487	272,721	221,001	241,229	201,261	880,263	
11,388,787	10,491,699	7,531,900	6,873,561	7,070,633	6,583,257	
-	-	-	-	-	76,671	
257,522	1,046,254	705,424	1,202,757	3,114,229	2,432,842	
-	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	4,555,046	
2,270,530	1,533,164	1,500,000	3,025,000	4,015,426	5,000,000	
<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>19,892,312</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>	<u>\$ 39,620,247</u>	
\$ 1,080	\$ 1,207	\$ 5,386	\$ -	\$ 43,573	\$ 10,856	
22,674,006	1,586,536	1,422,178	1,254,152	1,238,907	1,781,340	
(454,660)	(17,125,893)	3,298,716	5,809,555	8,548,950	29,728,948	
-	-	-	15,675	469,261	-	
-	-	-	-	499,948	9,832,946	
-	-	-	-	-	2,269,942	
<u>(643,370)</u>	<u>(66,517)</u>	<u>(1,979,061)</u>	<u>(126,577)</u>	<u>(901,293)</u>	<u>(348,897)</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>43,275,135</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>	<u>\$ 82,895,382</u>	

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

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

Fiscal Year						
	2012	2013	2014	2015	2016	2017
\$	52,089,876	\$ 55,178,746	\$ 60,197,991	\$ 59,299,996	\$ 60,146,105	\$ 61,374,504
	10,918,854	11,099,827	11,927,085	17,202,034	17,561,662	19,434,159
	846,979	756,030	698,552	513,548	-	360,205
	63,855,709	67,034,603	72,823,628	77,015,578	77,707,767	81,168,868
	27,487,280	28,047,476	28,254,914	28,591,587	29,595,682	26,408,848
	943,235	968,754	4,662,137	4,218,683	4,321,708	4,502,846
	11,919,725	10,996,680	5,450,492	5,808,912	6,243,473	5,656,678
	167,909	172,905	110,873	188,579	278,704	595,379
	1,878,708	1,325,632	812,707	910,103	2,346,817	661,389
	106,252,566	108,546,050	112,114,751	116,733,442	120,494,151	118,994,008
	8,859,733	9,501,136	8,786,762	9,331,755	10,675,904	11,067,806
	20,357,264	20,234,641	20,626,911	23,276,410	23,462,335	24,891,592
	33,936,655	34,174,002	33,749,480	33,181,597	36,610,613	32,917,523
	22,431,550	23,197,513	26,785,458	28,404,757	30,170,441	32,008,152
	3,408,258	3,470,060	7,704,794	6,147,272	5,699,333	5,541,505
	1,128,074	1,178,071	1,721,106	1,330,274	1,332,421	1,234,611
	27,981,472	13,914,677	4,545,366	13,393,096	10,530,185	5,742,301
	3,435,998	3,412,140	3,473,237	3,456,376	3,589,291	3,343,658
	2,255,816	2,158,224	1,920,901	1,808,490	1,684,786	1,536,656
	123,794,820	111,240,464	109,314,015	120,330,027	123,755,309	118,283,804
	(17,542,254)	(2,694,414)	2,800,736	(3,596,585)	(3,261,158)	710,204
	2,563,743	-	24,865,333	31,866,480	28,979,447	22,626,019
	-	(565,944)	(24,760,852)	(31,740,513)	(28,547,127)	(22,626,019)
	-	-	-	-	-	425,145
	-	52,633	-	-	-	33,350,000
	-	23,349,738	-	-	-	-
	2,563,743	22,836,427	104,481	125,967	432,320	33,775,145
\$	(14,978,511)	\$ 20,142,013	\$ 2,905,217	\$ (3,470,618)	\$ (2,828,838)	\$ 34,485,349
	6.32%	6.07%	5.43%	5.18%	4.89%	4.53%

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)
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	5,635,533,405	1,725,042,756	705,256,339	8,065,832,500	0.7200	4,770,939,924
2015	5,810,577,935	1,675,189,181	741,430,862	8,227,197,978	0.7200	4,862,274,005
2016 (5)	5,949,760,853	1,464,352,946	813,084,179	8,227,197,978	0.7200	4,862,274,005
2017	5,861,131,608	1,500,961,770	1,030,286,205	8,392,379,583	0.7200	4,959,896,334

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

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. January 1, 2016 was the last revaluation. Prior to 2016 the last revaluation was in 2008. The current cycle is set for five years. (2021)
- * 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)**

	Fiscal Year				
	2008	2009	2010	2011	2012
Cleveland County	\$ 0.0072	\$ 0.0072	\$ 0.0072	\$ 0.0072	\$ 0.0072
Municipality Rates:					
Town of Grover	0.0038	0.0038	0.0038	0.0038	0.0038
City of Kings Mountain	0.0040	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	0.0015	0.0017
Fire Districts:					
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	0.0003	0.0003	0.0003
Rippy Fire	0.0003	0.0003	0.0005	0.0005	0.0005

Source: Cleveland County Tax Collector

Fiscal Year				
2013	2014	2015	2016	2017
\$ 0.0072	\$ 0.0072	\$ 0.0072	\$ 0.0072	\$ 0.0072
0.0038	0.0038	0.0038	0.0039	0.0039
0.0040	0.0040	0.0040	0.0043	0.0043
0.0018	0.0018	0.0018	0.0022	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	0.0020	0.0020
0.0003	0.0003	0.0005	0.0005	0.0005
0.0005	0.0005	0.0005	0.0005	0.0005
0.0003	0.0003	0.0005	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 Nine Years Ago

Taxpayer	Type of Business	Fiscal Year 2017		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy Corporation	Electric Utility	\$ 612,905,012	1	7.4%
Clearwater Paper Corporation	Paper products	241,775,881	2	2.9%
Southern Power Company	Electric Utility	239,250,104	3	2.9%
Bell South Telephone Company	Telecommunication	132,792,947	4	1.6%
Disney WorldWide Services Inc.	Entertainment	103,816,439	5	1.3%
Wal-Mart Stores East LP	Warehouse/Retail Store	99,630,854	8	1.2%
PPG FiberGlass Products Inc	Fiberglass Manufacturing	96,674,366	7	1.2%
T5 Management @ Kings Mountain	Data Center Storage	93,111,023	6	1.1%
Info Crossing Inc	Information Data Center	86,933,801	9	1.1%
Ticona Polymers Inc	Polymers	55,765,583	10	0.7%
Totals		\$ <u>1,762,656,010</u>		<u>21.42%</u>

Source: Cleveland County Assessor

Note: N/A - information not available due to company history in Cleveland County.

Fiscal Year 2008

	<u>Assessed Valuation</u>	<u>Rank</u>	<u>Percentage of Total Assessed Valuation</u>
\$	135,020,288	1	2.21%
	N/A	N/A	0.00%
	N/A	N/A	0.00%
	36,223,845	6	0.59%
	N/A	N/A	0.00%
	96,052,626	3	1.57%
	97,942,650	2	1.60%
	N/A	N/A	0.00%
	N/A	N/A	0.00%
	<u>46,942,814</u>	5	<u>0.77%</u>
\$	<u><u>412,182,223</u></u>		<u><u>6.75%</u></u>

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

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
	Amount	Percentage of Original Levy					
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%	-	
2017	61,013,048	(587,915)	60,425,133	59,552,304	98.56%	-	

Source: Cleveland County Tax Collector

Total Collections to Date		
Amount	Percentage of Adjusted Levy	Uncollected
\$ 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
59,552,304	98.56%	872,829
		<u>\$ 5,456,612</u>

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

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Limited Obligation Bonds	Installment Contracts	Installment Purchases	Other
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
2017	-	14,420,000	49,245,550	-	319,195

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			Total Primary Government	Per Capita (1)	Percentage of Personal Income (1)
General Obligation Bonds	Limited Obligation Bonds	Installment Purchases			
\$ -	\$ -	\$ -	\$ 13,137,190	\$ 137	0.46%
-	-	-	16,968,209	175	0.57%
-	-	-	35,798,433	367	1.25%
-	-	-	50,534,334	515	1.72%
-	-	-	47,098,335	477	1.56%
-	-	-	43,738,829	441	1.37%
-	-	-	40,398,923	405	1.24%
-	-	-	36,942,549	373	1.02%
-	-	-	33,135,963	337	0.87%
-	-	-	63,984,745	650	1.70%

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

Fiscal Year	General Obligation Bonds	Limited Obligation Bonds	Total	Percentage of Personal Income(1)	Percentage of Actual Taxable Value of Property(2)	Per Capita(1)
2008	\$ 11,065,000	\$ -	\$ 11,065,000	0.39%	0.19%	\$ 115
2009	6,350,000	-	6,350,000	0.21%	0.11%	65
2010	3,925,000	-	3,925,000	0.14%	0.06%	40
2011	1,600,000	22,000,000	23,600,000	0.80%	0.35%	241
2012	1,350,000	20,920,000	22,270,000	0.74%	0.34%	225
2013	1,100,000	19,840,000	20,940,000	0.65%	0.31%	211
2014	850,000	18,760,000	19,610,000	0.60%	0.28%	197
2015	350,000	16,590,000	16,940,000	0.47%	0.23%	171
2016	100,000	15,505,000	15,605,000	0.41%	0.19%	159
2017	-	14,420,000	14,420,000	0.39%	0.18%	147

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**

	Fiscal Year			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Assessed Value of Property	\$ 6,111,760,841	\$ 6,657,708,932	\$ 6,645,082,154	\$ 6,676,763,263
Debt Limit, 8% of Assessed Value (Statutory Limitation)	488,940,867	532,616,715	531,606,572	534,141,061
Amount of Debt Applicable to Limit:				
Less: Gross debt	<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>13,137,190</u>	<u>16,968,209</u>	<u>35,798,433</u>	<u>50,534,334</u>
Legal Debt Margin	<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	2.69%	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.

Fiscal Year

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$	6,988,722,082	\$ 7,437,493,464	\$ 8,029,709,444	\$ 8,065,832,500	\$ 8,227,197,978	\$ 8,392,379,583
	559,097,767	594,999,477	642,376,756	645,266,600	658,175,838	671,390,367
	<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>63,984,745</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>63,984,745</u>
\$	<u><u>511,999,432</u></u>	<u><u>551,260,648</u></u>	<u><u>601,977,833</u></u>	<u><u>608,324,051</u></u>	<u><u>624,622,580</u></u>	<u><u>607,405,622</u></u>
	8.42%	7.35%	6.29%	5.73%	5.10%	9.53%

Schedule 12
 Cleveland County
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2017

<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	\$ 63,984,745	\$ (37,757,839)	\$ 26,226,906	100%	\$ -
Overlapping:					
Public Schools	14,420,000	14,420,000	-	0%	-
Community College	-	-	-	100%	-
Total overlapping debt	\$ 14,420,000	\$ 14,420,000	\$ -		-
Total direct and overlapping debt					\$ -

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those governments that is borne by the residents and businesses of Cleveland County 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**

<u>Year</u>	<u>Population(1)</u>	<u>Personal Income (2) (thousands of dollars)</u>	<u>Median Household Income (2)</u>	<u>Public School Enrollment(3)</u>	<u>Unemployment Rate(4)</u>	<u>Number of Commercial Public Food Inspections Performed(5)</u>	<u>Number of Building Inspections Performed(6)</u>
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%	1,192	262
2016	97,871	3,739,455	38,208	14,906	5.60%	1,175	300
2017	97,178	3,892,854	40,059	14,761	4.40%	1,187	319

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
<https://bea.gov/regional/> Local Area Personal Income & Employment
- (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	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Cleveland County Board of Education	2076	1	4.45%	2412	1	5.17%
Cleveland County Healthcare	1410	2	3.02%	1295	2	2.77%
Walmart Distribution	972	3	2.08%	987	3	2.11%
County of Cleveland	873	4	1.87%	721	5	1.54%
Gardner Webb University	547	5	1.17%	501	8	1.07%
Baldor Electric Company	601	6	1.29%	507	6	1.09%
PPG Industries Inc	505	7	1.08%	725	4	1.55%
Cleveland Community College	407	8	0.87%	389	9	0.83%
Ingles Markets Inc	447	9	0.96%	252	12	0.54%
Hanesbrands, Inc	420	10	0.90%	504	7	1.08%

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

Function/Program	Full-Time Equivalent				
	2008	2009	2010	2011	2012
General government	82	84	84	84	85
Public safety	236	235	238	254	271
Environmental protection	32	36	36	36	36
Economic and physical development	14	16	16	16	17
Human services	367	380	373	379	385
Cultural and recreation	16	16	16	16	16
Total	747	767	763	785	810

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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
85	85	88	89	92
272	266	279	286	287
36	36	36	39	39
17	17	18	18	19
386	403	410	417	420
16	21	23	24	24
<u>812</u>	<u>828</u>	<u>854</u>	<u>873</u>	<u>881</u>

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

Function	Fiscal Year				
	2008	2009	2010	2011	2012
<u>General Government</u>					
# of registered voters	61,776	61,239	61,566	60,376	63,889
<u>Public Safety</u>					
# of building permits issued	409	262	288	293	259
# of calls dispatched	68,391	67,544	67,153	77,196	90,430
<u>Human Services</u>					
# of food & lodging sites inspected	1,455	1,428	1,381	1,360	1,321
# of Health clients served (clinical)	24,582	26,228	31,684	23,937	22,370
<u>Economic and Physical Development</u>					
Number of major subdivision plan reviews	5	2	0	0	0
<u>Cultural and Recreation</u>					
Library:					
Book volumes per capita	1.29	1.28	1.42	1.44	1.48
Library income per capita (local)	7.64	8.58	9.00	8.49	8.71
Library income per capita (total)	11.13	11.54	12.84	12.08	11.90
Library visits per capita	1.52	1.65	1.69	1.71	1.60
Turnover rate (circulation per book)	1.93	1.78	2.02	2.10	1.46
<u>Education</u>					
Total \$ spent per ADM	\$ 1,603	\$ 1,650	\$ 1,655	\$ 1,680	\$ 1,715
<u>Enterprise Fund - Landfill</u>					
Solid waste generated # tons/day	383	341	398	417	489

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.

Fiscal Year				
2013	2014	2015	2016	2017
61,676	62,000	58,771	61,180	63,435
250	275	262	300	319
95,502	90,588	90,154	95,769	94,568
1,270	1,171	1,192	1,192	1,187
22,964	18,226	18,627	16,796	15,813
0	0	0	0	0
1.44	1.54	1.14	1.19	0.98
8.74	8.64	9.41	9.81	10.41
11.07	10.02	13.27	12.41	12.71
1.70	1.62	1.86	1.86	1.79
1.44	1.51	1.88	1.72	1.77
\$ 1,761	\$ 1,736	\$ 1,751	\$ 1,817	\$ 1,903
431	468	477	446	470

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

Function	Fiscal Year			
	2008	2009	2010	2011
<u>Public Safety</u>				
Sheriff's Department:				
Stations	1	1	1	1
Vehicles	120	117	123	138
Emergency Medical Services:				
Stations	9	9	9	9
Vehicles	27	29	32	31
<u>Cultural and Recreation</u>				
Park acreage	435	1,433	1,460	1,460
Parks	1	1	1	1
Libraries	2	2	2	2
Total government-wide assets value	\$ 144,954,245	\$ 157,463,930	\$ 169,432,071	\$ 203,494,186

Source: Various County Departments

Fiscal Year						
2012	2013	2014	2015	2016	2017	
1	1	1	1	1	1	1
128	128	128	154	165	169	
9	9	9	9	9	9	9
29	28	30	30	34	34	
1,461	1,468	1,468	1,468	1,468	1,468	1,468
2	2	2	2	2	2	2
2	2	2	2	2	2	2
\$ 231,646,536	\$ 146,076,511	\$ 147,872,060	\$ 161,888,551	\$ 173,506,273	\$ 182,857,144	

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

Industry NAICS Sector*	2017		
	Annual Wages Paid	Annual Average Number of Employees	% Percentage of Total Labor Force or Employed
1. Manufacturing (31)	\$ 337,128,248.00	6,369	22.46%
2. Health Care and Social Assistance (62)	\$ 213,146,946.00	4,999	17.63%
3. Educational Services (61)			0.00%
4. Retail Trade (44)	\$ 107,403,308.00	4,086	14.41%
5. Transportation and Warehousing (48)	\$ 95,494,931.00	2,464	8.69%
6. Public Administration (92)	\$ 76,094,701.00	2,014	7.10%
7. Construction (23)	\$ 64,180,191.00	1,483	5.23%
8. Administrative and Waste Services (56)	\$ 49,595,872.00	1,867	6.59%
9. Wholesale Trade (42)	\$ 41,817,755.00	974	3.44%
10. Accommodation and Food Services (72)	\$ 41,719,701.00	2,932	10.34%
11. Finance and Insurance (52)	\$ 25,585,662.00	534	1.88%
12. Professional and Technical Services (54)	\$ 33,209,104.00	629	2.22%
	\$ 1,085,376,419	28,351	100.00%

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

** All data is on calendar year end basis.

2014			2011		
Annual Wages Paid	Annual Average Number of Employees	% Percentage of Total Labor Force or Employed	Annual Wages Paid	Annual Average Number of Employees	% Percentage of Total Labor Force or Employed
\$ 310,599,629.00	6,101	22.19%	\$ 230,303,532.00	4,872	19.44%
\$ 186,296,435.00	5,168	18.80%	\$ 189,728,818.00	5,179	20.67%
		0.00%			0.00%
\$ 102,152,517.00	3,939	14.33%	\$ 95,315,617.00	3,694	14.74%
\$ 77,801,936.00	2,161	7.86%	\$ 70,557,110.00	2,035	8.12%
\$ 72,840,665.00	2,038	7.41%	\$ 72,517,087.00	2,074	8.28%
\$ 56,392,511.00	1,468	5.34%	\$ 40,271,323.00	1,218	4.86%
\$ 42,632,634.00	1,803	6.56%	\$ 23,558,453.00	1,103	4.40%
\$ 41,516,515.00	1,055	3.84%	\$ 40,898,090.00	1,126	4.49%
\$ 34,584,789.00	2,586	9.41%	\$ 31,373,407.00	2,462	9.82%
\$ 24,746,463.00	572	2.08%	\$ 27,900,576.00	688	2.75%
\$ 24,144,059.00	605	2.20%	\$ 22,490,857.00	608	2.43%
\$ 973,708,153.00	27,496	100.00%	\$ 844,914,870	25,059	100.00%

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“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, 2017, 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 17, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Cleveland County in a separate letter dated November 17, 2017.

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 17, 2017

MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

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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, 2017. 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cleveland County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Cleveland County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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 17, 2017

MARTIN ♦ STARNES

& ASSOCIATES, CPAs, P.A.

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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, 2017. 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 U.S. *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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Cleveland County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, Cleveland County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2017.

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.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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 17, 2017

CLEVELAND COUNTY, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

Finding: 2016-001 – corrected

Finding: 2016-002 – corrected

Finding: 2016-003 – corrected

Finding: 2016-004 – corrected

Finding: 2016-005 – corrected

Finding: 2016-006 – corrected

CLEVELAND COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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
Federal Awards:					
<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>					
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	13A2-5403-GH	\$ 518,796	\$ -	\$ -
<u>Direct Benefit Payments:</u>					
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	13A2-5403-GU	1,969,881	-	-
<u>Total Division of Public Health</u>			<u>2,488,677</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	175NC406S2514	1,141,801	-	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - Fraud Admin	10.561	175NC406S2514	30,397	-	-
<u>Total Supplemental Nutrition Assistance Program Cluster</u>			<u>1,172,198</u>	<u>-</u>	<u>-</u>
<u>Total U.S. Department of Agriculture</u>			<u>3,660,875</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>Division of Aging and Adult Services (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	-	136,309	-
<u>Total Aging Cluster</u>			<u>-</u>	<u>136,309</u>	<u>-</u>
<u>Division of Child Development and Early Education:</u>					
<u>Subsidized Child Care Cluster: (note 3)</u>					
<u>Child Care Development Fund Cluster:</u>					
Division of Social Services:					
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Administration	93.596	DMA 2017	96,613	-	-
Division of Child Development:					
Child Care and Development Block Grant	93.575	47001607-Cleveland	577,361	-	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Mandatory	93.596	47001607-Cleveland	250,055	-	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - Matching	93.596	47001607-Cleveland	623,702	282,730	-
<u>Total Child Care Development Fund Cluster</u>			<u>1,547,731</u>	<u>282,730</u>	<u>-</u>
<u>Division of Child Development: (continued from above)</u>					
<u>Subsidized Child Care Cluster: (note 3)(continued from above)</u>					
Temporary Assistance for Needy Families	93.558	13A1-5151	185,658	-	-
Foster Care Title IV-E	93.658	13A1-5151	23,491	11,690	-
Smart Start	-	4023, 347, 438	-	4,412	-
State Appropriations	-	13A1-5151	-	76,831	-
TANF-MOE	-	13A1-5151	-	424,317	-
<u>Total Subsidized Child Care Cluster</u>			<u>1,756,880</u>	<u>799,980</u>	<u>-</u>
<u>Centers for Medicare and Medicaid Services</u>					
<u>Division of Medical Assistance:</u>					
<u>Division of Social Services:</u>					
<u>Medicaid Cluster:</u>					
Medical Assistance Program - Adult Care Home CM	93.778	XIX-MAP17	42,196	18,323	-
Medical Assistance Program - Expansion	93.778	XIX-MAP17	7,556	-	-
Medical Assistance Program - Direct Benefit Payments	93.778	1161-4101C3	117,446,949	62,519,150	-
Medical Assistance Program - Administration	93.778	XIX-MAP17	2,223,346	-	-
Medical Assistance Program - Transportation Services	93.778	XIX-MAP17	78,324	-	-
Medical Assistance Program - DMA Equipment	93.778	XIX-MAP17	-	-	-
Medical Assistance Program - Special Adult Home	93.778	XIX-MAP17	68,614	-	-
<u>Total Medicaid Cluster</u>			<u>119,866,985</u>	<u>62,537,473</u>	<u>-</u>
Children's Health Insurance Program	93.767	DMA 2017	52,298	75	-
Children's Health Insurance Program - Direct Benefit	93.767	1271-5376H1	1,661,283	9,207	-

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CLEVELAND COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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
Federal Awards: (continued from previous page)					
<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>					
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	1264-2680EX	45,742	-	-
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094	1313-372DSW	21,525	-	-
Project Grants and Cooperative Agreements for Tuberculosis Control Program	93.116	1460-272BNF	50	-	-
Immunization Cooperative Agreements	93.268	1331-631DEJ	12,577	-	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	1331-627CVP	17,811	-	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	93.752	1320-310EJS	31,210	-	-
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	1261-5503PF	26,707	-	-
<u>HIV Cluster:</u>					
HIV Prevention Activities Health Department Based Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.940	1311-981EHV	31,000	-	-
	93.977	1311-462DN	988	-	-
<u>Total HIV Cluster</u>			<u>31,988</u>	<u>-</u>	<u>-</u>
<u>Health Resources and Service Administration</u>					
<u>Passed through NC Dept. of Health and Human Services</u>					
<u>Division of Public Health:</u>					
Maternal and Child Health Services Block Grant to the States	93.994	1161-1613AP	149,505	64,436	-
<u>Office of Population Affairs</u>					
<u>Passed through NC Dept. of Health and Human Services</u>					
Office of Population Affairs					
Family Planning Services	93.217	13A1-592AFP	20,515	-	-
<u>Total Division of Public Health</u>			<u>357,630</u>	<u>64,436</u>	<u>-</u>
<u>Administration of Children and Families</u>					
<u>Passed through NC Dept. of Health and Human Services</u>					
<u>Division of Social Services:</u>					
<u>Child Support Enforcement Funds:</u>					
Child Support Enforcement - IV-D Offset Fees	93.563	1704NC4005	4,834	-	-
Child Support Enforcement - IV-D Administration	93.563	1704NC4005	1,072,844	-	-
<u>Total Child Support Enforcement Funds</u>			<u>1,077,678</u>	<u>-</u>	<u>-</u>
<u>Foster Care and Adoption Assistance Cluster:</u>					
Foster Care Title IV-E	93.658	1701NCFOST	905,898	97,719	-
Foster Care Title IV-E - Direct Benefit	93.658	1701NCFOST	750,180	186,664	-
Adoption Assistance	93.659	1701NCADPT	7,728	-	-
Adoption Assistance - Direct Benefit	93.659	1701NCADPT	825,439	206,720	-
<u>Total Foster Care and Adoption Assistance Cluster</u>			<u>2,489,245</u>	<u>491,103</u>	<u>-</u>
<u>Temporary Assistance for Needy Families Cluster:</u>					
Temporary Assistance for Needy Families	93.558	1332-5166KZ	88,052	-	-
Temporary Assistance for Needy Families	93.558	G1602NCTANF & G1702NCTANF	1,632,848	-	-
Temporary Assistance for Needy Families - Direct Benefit	93.558	G1602NCTANF & G1702NCTANF	809,872	-	-
<u>Total Temporary Assistance for Needy Families Cluster</u>			<u>2,530,772</u>	<u>-</u>	<u>-</u>
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	75-1503-0-1-609	4,335	-	-
Low-Income Home Energy Assistance	93.568	G16B1NCLIEA & G17B1NCLIEA	524,525	-	-
Low-Income Home Energy Assistance	93.568	G16B1NCLIEA & G17B1NCLIEA	545,212	-	-
Low-Income Home Energy Assistance	93.568	G16B1NCLIEA & G17B1NCLIEA	83,900	-	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G1501NCCWSS & G1601NCCWSS	26,107	-	-
Social Services Block Grant - Adult Day Care	93.667	G1601NCSOSR & G1701NCSOSR	19,629	15,931	-
Social Services Block Grant - Adult Protective Service	93.667	G1601NCSOSR & G1701NCSOSR	54,299	-	-
Social Services Block Grant - In-Home Services	93.667	G1601NCSOSR & G1701NCSOSR	6,251	-	-
Social Services Block Grant - In-Home Services Over 60	93.667	G1601NCSOSR & G1701NCSOSR	13,279	-	-
Social Services Block Grant - Other SVCS & TRNG	93.667	G1601NCSOSR & G1701NCSOSR	355,139	36,205	-
Promoting Safe and Stable Families	93.556	G1501NCFPSS & G1601NCFPSS	53,231	-	-
Chafee Foster Care Independence Program	93.674	G1501NC1420 & G1601NC1420	32,409	8,102	-
Chafee Foster Care Independence Program - Direct Benefit	93.674	G1501NC1420 & G1601NC1420	12,863	-	-
<u>Total U.S. Department of Health and Human Services</u>			<u>131,523,950</u>	<u>64,098,821</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, 2017

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
Federal Awards: (continued from previous page)					
<u>U.S. Department of Homeland Security</u>					
<u>Passed-through Agency N.C. Dept. of Public Safety</u>					
Emergency Management Performance Grants	97.042	EMPG-2015-37045	52,959	-	-
<u>Direct Benefit Payment:</u>					
Homeland Security Grant Program	97.067	45GP-35MT	4,021	-	-
<u>Total U.S. Department of Homeland Security</u>			<u>56,980</u>	<u>-</u>	<u>-</u>
<u>Institute of Museum and Library Services</u>					
<u>Passed-through N.C. Dept. of Natural and Cultural Resources</u>					
Grants to States	45.310	RFID, EDGE, TRNG	5,313	-	-
<u>Total Institute of Museum and Library Services</u>			<u>5,313</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	PROJ08476	38,839	-	-
<u>Passed-through Office of Juvenile Justice and Delinquency Prevention</u>					
Community-Based Violence Prevention Program	16.123	PROJ03700	177,564	-	-
<u>Total U.S. Department of Justice</u>			<u>216,403</u>	<u>-</u>	<u>-</u>
<u>Total Federal Awards</u>			<u>135,463,521</u>	<u>64,098,821</u>	<u>-</u>
State Awards:					
<u>N.C. Department of Natural and Cultural Resources</u>					
State Aid to Public Libraries		06600	-	138,260	-
<u>Total N.C. Department of Natural and Cultural Resources</u>			<u>-</u>	<u>138,260</u>	<u>-</u>
<u>N.C. Department of Environmental Quality</u>					
Funds for Soil and Water Conservation District			-	27,201	-
<u>Total N.C. Department of Environmental Quality</u>			<u>-</u>	<u>27,201</u>	<u>-</u>
<u>N.C. Department of Health and Human Services</u>					
<u>Division of Child Development:</u>					
DCD Smart Start			-	75,163	-
<u>Division of Public Health:</u>					
Other Receipts / State Supported Expenditures					
Food and Lodging Fees		1153-4752-SZ23	-	26,637	-
General Aid to Counties		1161-4110-0023	-	149,650	-
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		1320-5599-0023	-	15,300	-
Nurse Family Partnership		1271-5020-0023	-	148,421	-
HMHC-Family Planning		13A1-5735-0023	-	15,356	-
Child Health		1271-5745-0023	-	3,970	-
Maternal Health (HMHC)		13A1-5740-0023	-	5,387	-
Women's Health Service Fund		13A1-6017-FR23	-	8,991	-
Sexually Transmitted Diseases		1311-4601-RR23	-	1,605	-
<u>Total Division of Public Health</u>			<u>-</u>	<u>601,879</u>	<u>-</u>
<u>Division of Social Services:</u>					
St Child Welfare/CPS/CS LD			-	102,140	-
Direct benefit payments:					
State Foster Home			-	114,930	-
SFHF Maximization			-	203,395	-
CWS Adoption Subsidy & Vendor			-	306,511	-
Extended FC/Max Non IV-E			-	4,100	-
F/C At-Risk Maximization			-	12,250	-
SAA/SAD HB 1030			-	50,983	-
SC/SA Domiciliary Care			-	988,691	-
<u>Total Division of Social Services</u>			<u>-</u>	<u>1,783,000</u>	<u>-</u>
<u>Total N. C. Department of Health and Human Services</u>			<u>-</u>	<u>2,460,042</u>	<u>-</u>
<u>N.C. Department of Transportation</u>					
ROAP Cluster:					
ROAP Work First Transitional - Employment		36236.11.6.1	-	24,826	24,826
ROAP Rural General Public Transportation		36228.22.7.1	-	114,457	114,457
ROAP EDTAP Transportation		36220.10.7.1	-	91,558	91,558
<u>Total ROAP Cluster</u>			<u>-</u>	<u>230,841</u>	<u>230,841</u>
Highway Construction Program - Sanitary District		17BP.12.R.42	-	8,235	8,235
State Contingency Agreement - Pinnacle Turn Lane			-	202,937	-
<u>Total N.C. Department of Transportation</u>			<u>-</u>	<u>442,013</u>	<u>239,076</u>

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CLEVELAND COUNTY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

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
State Awards: (continued from previous page)					
<u>N.C. Department of Public Instruction:</u>					
Public School Building Capital Fund - Lottery Proceeds			-	1,093,478	-
<u>Total N.C. Department of Public Instruction</u>			-	1,093,478	-
<u>N.C. Department of Administration Veterans Affairs:</u>					
State Match for Veterans Department		06600	-	2,130	-
<u>Total N.C. Department of Administration Veterans Affairs</u>			-	2,130	-
<u>Total State Awards</u>			-	4,163,124	239,076
<u>Total Federal and State Awards</u>			<u>\$ 135,463,521</u>	<u>\$ 68,261,945</u>	<u>\$ 239,076</u>

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, 2017. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. 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, Foster Care and Adoption, and HIV.

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