

**CLEVELAND COUNTY  
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2018**

Prepared by: Finance Department  
Chief Financial Officer: Shane Fox  
Deputy Finance Director: Lucas Jackson

**CLEVELAND COUNTY, NORTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

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November 30, 2018

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, 2018 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, 2018 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, 2018 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 \$123 million in 2016. 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 \$109 million in farm gate sales. Crops (grains, oilseeds, fruits & vegetables, nursery stock and forages) contribute an additional \$13 million. County leadership seeks to capitalize on opportunities to include agriculture in economic development initiatives. Current projects include supporting a new regional grain buying station in its efforts to promote local production and marketing of high-value malting barley, and providing technical assistance to a local farm in the manufacture of value-added straw mulch bales for the landscaping and construction trades.

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.

**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>
2018	324	\$ 40,145,389	4.3%
2017	319	\$ 23,611,367	4.4%
2016	300	\$ 23,168,978	5.6%
2015	262	\$ 27,145,411	6.9%
2014	275	\$ 24,205,135	6.8%

The number of permits issued for new residential and commercial construction was up from FY 2018 and the total dollar value of those new permits increased by approximately \$16.5m. 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+
PPG Industries Inc.	Manufacturing	1000+
Atrium Health	Education & Health Services	1000+
Wal-Mart Associates Inc.	Trade, Transportation & Utilities	500-999
Invista Capital Management, LLC	Manufacturing	500-999
County of Cleveland	Public Administration	500-999
Firestone Fibers & Textiles LLC	Manufacturing	500-999
Reliance Electric Company	Trade, Transportation & Utilities	250-499
Eaton Corporation	Manufacturing	250-499
Gardner-Webb University	Education & Health Services	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 \$1.5m over the previous fiscal year or 1.40 percent. Total General Fund expenditures increased by approximately \$2.25m or 2.13 percent over FY 2017. Total General Fund Balance increased by \$1,250,175 to \$40,870,422 and the Unassigned Fund Balance amount was \$19,358,902. The net position of the County's only Enterprise Fund decreased in FY 2018 by \$455,246.

The Commission continues to focus on a community wide economic development strategy and job creation. Unemployment in Cleveland County is 4.30% 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 2017-2018, 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 2018-2019 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 2018-2019 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 2018-2019, the County is also focused on internal strategic planning. The Strategic Goals for FY 2018-2019 include the following focus areas: Fiscal Sustainability, Economic Development, Public Safety, and Community Education and Customer Service Outreach.

#### **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 \$19.4 million in Unassigned General Fund Balance or 17.9 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, 2018, the County followed Governmental Accounting Standards Board (GASB) Statements No. 75 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 Thompson, Price, Scott, Adams & Co. 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, 2017. This was the fourth 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 Thompson, Price, Scott, Adams & Co. 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.



Shane Fox  
Chief Financial Officer



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, 2017**

*Christopher P. Morrill*

Executive Director/CEO

**CLEVELAND COUNTY, NORTH CAROLINA**

List of Principal Officials

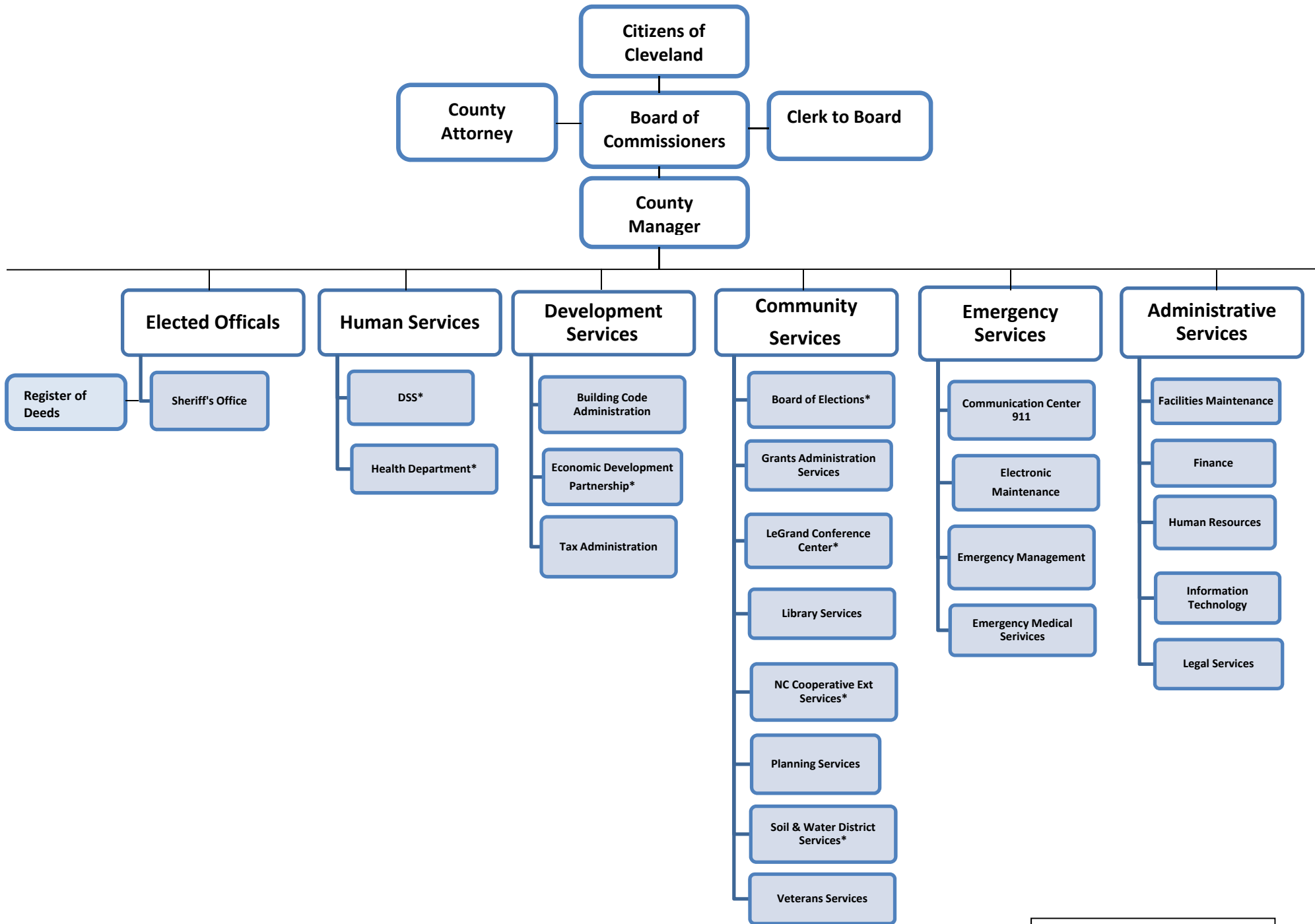
June 30, 2018

**Board of Commissioners**

Chairman.....	Eddie Holbrook
Vice Chairman .....	Susan Allen
Commissioner .....	Johnny Hutchins
Commissioner .....	Ronnie Whetstine
Commissioner .....	Doug Bridges

**County Officials**

Asst County Manager .....	Kerri Melton
County Manager.....	Brian Epley
Building Codes Administrator .....	Paul Ezell
Clerk to the Board.....	Phyllis Nowlen
Cooperative Extension Director.....	Greg Traywick
Coroner .....	Robbie Morgan
County Tax Assessor .....	Chris Green
Tax Collector.....	Necole Richard
County Attorney.....	Elliot Engstrom
Elections Director .....	Clifton Philbeck
Electronic Equipment Services Director .....	Mark Dellinger
EMS Director .....	Joe Lord
Finance Director.....	Shane Fox
Fire Marshal/Emergency Services Director.....	Perry Davis
Human Resources Director .....	Allison Mauney
Information Technology Director .....	Marty Gold
LeGrand Conference Center Director .....	Jason Falls
Library Director .....	Carol Wilson
Maintenance Director.....	Scott Bowman
Planning Director .....	Chris Martin
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**



## **FINANCIAL SECTION**



*Thompson, Price, Scott, Adams & Co, P.A.*

**P.O Box 398  
1626 S. Madison Street  
Whiteville, NC 28472  
Telephone (910) 642-2109  
Fax (910) 642-5958**

---

**Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA**

## **INDEPENDENT AUDITORS' REPORT**

To the Board of County 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, 2018, 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.

#### ***Auditors' 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.

**Members**  
**American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms**

## ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information Cleveland County, North Carolina as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, 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 on pages 4 through 15, the Local Government Employees' Retirement System schedules of the County's Proportionate Share of the Net Pension Liability and County Contributions on pages 75 and 76, the Register of Deeds' Supplemental Pension Fund Schedule of the County's Proportionate Share of the Net Pension Asset and Schedule of County Contributions on pages 77 and 78, 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 on pages 79 and 80, and Schedule of Changes in Total OPEB Liability and Related Ratios, page 81, 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 and other auditors 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 the basic financial statements of Cleveland County, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules 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 are presented for purpose of additional analysis and are not a required part of the basic financial statements.

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

*Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2018 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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Cleveland County's internal control over financial reporting and compliance.

*Thompson, Price, Scott, Adams & Co., P.A.*

Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
November 29, 2018

# CLEVELAND COUNTY, NORTH CAROLINA

## Management's Discussion and Analysis

June 30, 2018

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, 2018. 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

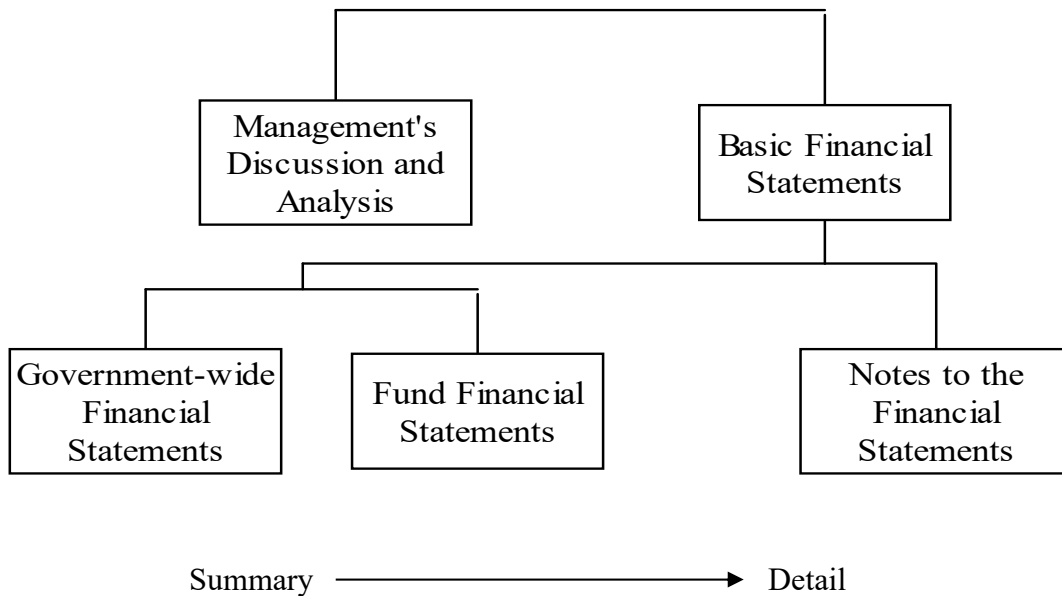
- The assets and deferred outflows of resources of Cleveland County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$113,450,791 (*net position*). In accordance with North Carolina law, liabilities of the County include approximately \$22,126,475 in long-term 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 operational net position decreased by \$6,751,772, primarily due to increased activity in various capital project funds. The County also reported a restatement of net position that resulted in a decrease in the amount of \$8,772,536. This restatement is a result of current year changes in regard to GASB 75.
- As of the close of the current fiscal year, Cleveland County's governmental funds reported combined ending fund balances of \$62,836,431. That amount is a decrease of \$20,058,951, in comparison with the prior year. Approximately 36.85 percent of this total amount, or \$23,156,941, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$19,358,902 or 17.9 percent, of total General Fund expenditures, not including transfers.
- Cleveland County's limited obligation and installment note debt decreased \$5,329,196 during the current fiscal year.

## 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 1 and 2) 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 3 through 9) 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 1 and 2.

## **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**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets:</b>						
Current and other assets	\$ 70,259,084	\$ 88,547,912	\$ 3,200,122	\$ 2,901,955	\$ 73,459,206	\$ 91,449,867
Capital assets	119,875,818	111,125,949	22,669,381	22,236,046	142,545,199	133,361,995
Total assets	190,134,902	199,673,861	25,869,503	25,138,001	216,004,405	224,811,862
<b>Deferred Outflows of Resources</b>						
	7,483,612	9,267,632	355,027	458,459	7,838,639	9,726,091
<b>Liabilities:</b>						
Long-term liabilities	83,852,698	81,947,306	14,712,518	12,441,193	98,565,216	94,388,499
Other liabilities	10,300,210	9,367,048	171,258	1,170,678	10,471,468	10,537,726
Total liabilities	94,152,908	91,314,354	14,883,776	13,611,871	109,036,684	104,926,225
<b>Deferred Inflows of Resources</b>						
	1,314,444	628,409	41,125	8,220	1,355,569	636,629
<b>Net Position:</b>						
Net investment in capital assets	84,463,578	82,890,909	22,669,381	22,236,046	107,132,959	105,126,955
Restricted	21,675,433	29,407,653	-	-	21,675,433	29,407,653
Unrestricted	(3,987,849)	4,700,168	(11,369,752)	(10,259,677)	(15,357,601)	(5,559,509)
Total net position	\$ 102,151,162	\$ 116,998,730	\$ 11,299,629	\$ 11,976,369	\$ 113,450,791	\$ 128,975,099

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 \$113,450,791 as of June 30, 2018. The County's net position decreased by \$6,751,772 for the fiscal year ended June 30, 2018. There was also a restatement as a result of the implementation of GASB 75 that decreased net position by \$8,722,536. Net position of the County is reported in three categories: net investment in capital assets of \$107,132,959; restricted net position of \$21,675,433; and unrestricted net position of \$(15,357,601).

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 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 98.42 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 decreased the County's net position by \$14,847,568. Key elements of this decrease are as follows:

- GASB 75 restatement of net position (\$8,551,042)
- Increased capital project activity

**Business-Type Activities.** Business-type activities decreased the County's net position by \$676,740. Key elements of this decrease are as follows:

- GASB 75 restatement of net position (\$221,494)
- Increased 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	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 10,614,229	\$ 9,785,034	\$ 7,305,117	\$ 5,996,327	\$ 17,919,346	\$ 15,781,361
Operating grants and contributions	21,904,953	19,725,708	-	-	21,904,953	19,725,708
Capital grants and contributions	5,224,198	7,115,734	-	-	5,224,198	7,115,734
General revenues:						
Property taxes	63,398,807	61,266,854	-	-	63,398,807	61,266,854
Other taxes	21,547,967	19,794,364	644,313	711,838	22,192,280	20,506,202
Other	1,527,506	1,164,261	26,814	31,524	1,554,320	1,195,785
Total revenues	124,217,660	118,851,955	7,976,244	6,739,689	132,193,904	125,591,644
<b>Expenses:</b>						
General government	13,385,504	11,852,530	-	-	13,385,504	11,852,530
Public safety	29,382,033	25,546,272	-	-	29,382,033	25,546,272
Environmental protection	186,362	179,350	-	-	186,362	179,350
Economic and physical development	17,169,078	7,896,716	-	-	17,169,078	7,896,716
Human services	34,213,345	36,826,648	-	-	34,213,345	36,826,648
Cultural and recreational	1,575,146	688,520	-	-	1,575,146	688,520
Education	32,706,674	30,252,460	-	-	32,706,674	30,252,460
Interest on long-term debt	2,411,379	1,741,975	-	-	2,411,379	1,741,975
Solid waste disposal	-	-	7,916,155	5,927,192	7,916,155	5,927,192
Other	-	-	-	-	-	-
Total expenses	131,029,521	114,984,471	7,916,155	5,927,192	138,945,676	120,911,663
Increase (decrease) in net position						
before transfers	(6,811,861)	3,867,484	60,089	812,497	(6,751,772)	4,679,981
Transfers	515,335	-	(515,335)	-	-	-
Increase (decrease) in net position	(6,296,526)	3,867,484	(455,246)	812,497	(6,751,772)	4,679,981
<b>Net Position:</b>						
Beginning of year - July 1, previously reported	116,998,730	114,809,972	11,976,369	11,163,872	128,975,099	125,973,844
Restatement	(8,551,042)	(1,678,726)	(221,494)	-	(8,772,536)	(1,678,726)
Beginning of year - July 1, restated	108,447,688	113,131,246	11,754,875	11,163,872	120,202,563	124,295,118
End of year - June 30	\$ 102,151,162	\$116,998,730	\$ 11,299,629	\$ 11,976,369	\$ 113,450,791	\$128,975,099

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 \$32,165,832 while total fund balance was \$40,870,422. 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 28.6 percent of total General Fund expenditures and transfers out while total fund balance represents 36.3 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 17.21 percent.

At June 30, 2018, the governmental funds of the County reported a combined fund balance of \$62,836,431, a 24.2 percent decrease from last year. The decrease in fund balance was primarily due to increased expenditure activity in the Reimbursement Resolution Capital Project Fund. At the end of the current fiscal year, the Reimbursement Resolution Capital Project Fund had a decrease in fund balance of \$11,740,235. The School Capital Reserve Fund remained fairly steady with an increase of \$134,405 in fund balance.

**General Fund Budgetary Highlights.** The County's financial position increased during FY 2018 due to 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 \$11.7 million under budget at fiscal year-end. Most notable the human services function had total expenditures \$8.5 million under budget at fiscal year end. On the revenue side, the largest positive budget variances were in 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 \$410,482, or 0.36 percent, and expenditures by \$2,714,708, or 2.3 percent, of the original budget. The County exceeded expected investment earnings by approximately \$376,000.

**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 \$11,299,629. During the fiscal year 2018, proprietary fund net position decreased \$455,246. The decrease in total net position for the proprietary funds is primarily due to increased expenditures of approximately \$2.2m in post closure cost liability.

### 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, 2018 totals \$142,545,199 (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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 17,253,594	\$ 17,191,698	\$ 18,912,848	\$ 13,473,356	\$ 36,166,442	\$ 30,665,054
Buildings	79,955,561	82,186,236	849,028	880,441	80,804,589	83,066,677
Plant and distribution systems	-	-	140,977	52,392	140,977	52,392
Equipment	6,019,696	6,259,360	2,761,247	2,604,381	8,780,943	8,863,741
Vehicles and motor equipment	2,743,630	3,207,184	5,281	5,832	2,748,911	3,213,016
Construction in progress	<u>13,903,337</u>	<u>2,281,471</u>	<u>-</u>	<u>5,219,644</u>	<u>13,903,337</u>	<u>7,501,115</u>
Total	<u>\$ 119,875,818</u>	<u>\$ 111,125,949</u>	<u>\$ 22,669,381</u>	<u>\$ 22,236,046</u>	<u>\$ 142,545,199</u>	<u>\$133,361,995</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, 2018, Cleveland County had total bonded debt outstanding of \$13,335,000. 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	
	2018	2017	2018	2017	2018	2017
Limited obligation bonds	\$ 13,335,000	\$ 14,420,000	\$ -	\$ -	\$ 13,335,000	\$ 14,420,000
Installment notes payable	44,605,475	48,849,671	-	-	44,605,475	48,849,671
<b>Total</b>	<b><u>\$ 57,940,475</u></b>	<b><u>\$ 63,269,671</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 57,940,475</u></b>	<b><u>\$ 63,269,671</u></b>

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

Standard & Poors	AA+
Moody's	Aa2

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Cleveland County is \$619,423,751.

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, 2019**

The FY 2018-19 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 18-19 budget is the third 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 2018-19 is approximately \$8.8 billion which creates a projected revenue increase of 3.2% at the approved 57 cents tax rate and a historically driven collection rate.

The FY 18-19 budget reflects the Board's continued investment in the workforce. The Board approved a 1% pay increase for all full-time employees. 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 18-19 budget also reflects an unchanged rate for Cleveland County Schools at 15 cents per \$100 of property valuation.

The Cleveland County Board of County Commissioners have developed strategic goals that are broken into four focus areas for the 2018-2019 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 FY 2019 budget:

- Fiscal Sustainability :
  - Maintaining a minimum un-assigned fund balance percentage of 18-20%
  - ERP County-wide Software upgrade
  - Sales Tax Legislation changes
  - Creation of a Master Facility Plan
  - Operational Re-Engineering & Implementation
  
- Economic Development :
  - Funding for future economic incentive projects and job creation.
  - Management of occupancy tax revenue aimed at growing travel/tourism throughout Cleveland County.
  - Partner with Cleveland Community College and Cleveland County Schools to promote dual-track and workforce development
  - Assist the Agriculture community in their efforts to promote Agriculture as an economic development opportunity
  
- 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.
  - Cleveland County 800mhz Motorola trunking system management plan – 5 Year Refresh
  
- 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.
  - Educational campaign to encourage a cleaner community
  - Increased efforts to enhance Veteran's Support Services

**Business-Type Activities.** The solid waste household fees and current tipping fees were budgeted based on the adopted rate schedule for the 18-19 budget year which included no fee changes. Management has developed a 10-year rate schedule to offset rising operational and personnel costs as well as future post closure and expansion costs. Management has included additional funding for convenience center site improvements in 18-19 budget year.

### **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**

**CLEVELAND COUNTY, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 47,930,520	\$ 2,384,472	\$ 50,314,992
Taxes receivable, net	1,777,556	-	1,777,556
Receivables, net	12,191,166	815,650	13,006,816
Inventories	106,556	-	106,556
Prepaid items	411,446	-	411,446
Note receivable	18,352	-	18,352
Restricted cash	7,648,242	-	7,648,242
Total current assets	<u>70,083,838</u>	<u>3,200,122</u>	<u>73,283,960</u>
Non-current assets:			
Note receivable	55,060	-	55,060
Net pension asset	120,186	-	120,186
Capital assets:			
Land and construction in progress	31,156,931	18,912,848	50,069,779
Other capital assets, net of depreciation	88,718,887	3,756,533	92,475,420
Total capital assets	<u>119,875,818</u>	<u>22,669,381</u>	<u>142,545,199</u>
Total non-current assets	<u>120,051,064</u>	<u>22,669,381</u>	<u>142,720,445</u>
<b>Deferred Outflows of Resources:</b>			
OPEB deferrals	1,267,215	66,004	1,333,219
Pension deferrals	6,216,397	289,023	6,505,420
Total deferred outflows of resources	<u>7,483,612</u>	<u>355,027</u>	<u>7,838,639</u>
Total assets and deferred outflows of resources	<u>197,618,514</u>	<u>26,224,530</u>	<u>223,843,044</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	4,340,181	158,508	4,498,689
Liabilities to be paid from restricted assets	-	-	-
Due within one year	5,960,029	12,750	5,972,779
Total current liabilities	<u>10,300,210</u>	<u>171,258</u>	<u>10,471,468</u>
Long-term liabilities:			
Net pension liability - LGERS	7,588,620	375,400	7,964,020
Total pension liability - LEOSSA	2,725,009	-	2,725,009
Total OPEB liability	15,755,106	829,216	16,584,322
Due in more than one year	57,783,963	13,507,902	71,291,865
Total long-term liabilities	<u>83,852,698</u>	<u>14,712,518</u>	<u>98,565,216</u>
Total liabilities	<u>94,152,908</u>	<u>14,883,776</u>	<u>109,036,684</u>
<b>Deferred Inflows of Resources:</b>			
Prepaid taxes	245,754	-	245,754
OPEB deferrals	758,805	39,937	798,742
Pension deferrals	309,885	1,188	311,073
Total deferred inflows of resources	<u>1,314,444</u>	<u>41,125</u>	<u>1,355,569</u>
<b>Net Position:</b>			
Net investment in capital assets	84,463,578	22,669,381	107,132,959
Restricted for:			
Stabilization for State statute	11,814,953	-	11,814,953
Register of Deeds	121,964	-	121,964
Register of Deeds' pension plan	152,840	-	152,840
Public safety	1,647,089	-	1,647,089
Education	5,723,198	-	5,723,198
Human services	2,000,000	-	2,000,000
Cultural and recreation	215,389	-	215,389
Unrestricted	<u>(3,987,849)</u>	<u>(11,369,752)</u>	<u>(15,357,601)</u>
Total net position	<u>\$ 102,151,162</u>	<u>\$ 11,299,629</u>	<u>\$ 113,450,791</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, 2018**

<b>Functions/Programs:</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 13,385,504	\$ 3,854,639	\$ 1,917,858	\$ -
Public safety	29,382,033	2,582,628	258,388	1,088,296
Environmental protection	186,362	-	-	-
Economic and physical development	17,169,078	226,392	-	1,167,046
Human services	34,213,345	3,950,570	19,695,707	1,679,551
Cultural and recreational	1,575,146	-	33,000	-
Education	32,706,674	-	-	1,289,305
Interest on long-term debt	2,411,379	-	-	-
Total governmental activities	<u>131,029,521</u>	<u>10,614,229</u>	<u>21,904,953</u>	<u>5,224,198</u>
<b>Business-Type Activities:</b>				
Solid Waste	7,916,155	7,305,117	-	-
Total business-type activities	<u>7,916,155</u>	<u>7,305,117</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 138,945,676</u>	<u>\$ 17,919,346</u>	<u>\$ 21,904,953</u>	<u>\$ 5,224,198</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, 2018**

<b>Functions/Programs:</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General government	\$ (7,613,007)	\$ -	\$ (7,613,007)
Public safety	(25,452,721)	-	(25,452,721)
Environmental protection	(186,362)	-	(186,362)
Economic and physical development	(15,775,640)	-	(15,775,640)
Human services	(8,887,517)	-	(8,887,517)
Cultural and recreational	(1,542,146)	-	(1,542,146)
Education	(31,417,369)	-	(31,417,369)
Interest on long-term debt	(2,411,379)	-	(2,411,379)
Total governmental activities	(93,286,141)	-	(93,286,141)
<b>Business-Type Activities:</b>			
Landfill	-	(611,038)	(611,038)
Total business-type activities	-	(611,038)	(611,038)
Total primary government	(93,286,141)	(611,038)	(93,897,179)
<b>General Revenues:</b>			
Taxes:			
Property taxes, levied for general purpose	63,398,807	-	63,398,807
Local option sales tax	21,425,575	-	21,425,575
Other taxes and licenses	122,392	644,313	766,705
Investment earnings, unrestricted	839,841	26,814	866,655
Miscellaneous, unrestricted	687,665	-	687,665
Total general revenues	86,474,280	671,127	87,145,407
<b>Capital contribution</b>			
<b>Transfers</b>	515,335	(515,335)	-
Total general revenues, capital contribution, and transfers	86,989,615	155,792	87,145,407
Change in net position	(6,296,526)	(455,246)	(6,751,772)
<b>Net Position:</b>			
Beginning of year - July 1, previously reported	116,998,730	11,976,369	128,975,099
Restatement	(8,551,042)	(221,494)	(8,772,536)
Beginning of year - July 1, restated	108,447,688	11,754,875	120,202,563
End of year - June 30	\$ 102,151,162	\$ 11,299,629	\$ 113,450,791

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

## CLEVELAND COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018

	Major			Nonmajor	Total Governmental Funds
	General	Reimbursement Resolution Capital Project Fund	School Capital Reserve Fund	Other Governmental Funds	
<b>Assets:</b>					
Cash and cash equivalents	\$ 35,439,569	\$ 8,124,932	\$ -	\$ 4,366,019	\$ 47,930,520
Taxes receivable, net	1,697,347	-	-	80,209	1,777,556
Due from other governments	284,982	-	-	-	284,982
Other receivables, net	8,276,337	-	2,189,007	1,440,840	11,906,184
Due from other funds	957,461	-	-	-	957,461
Inventories	106,556	-	-	-	106,556
Prepaid items	339,516	-	-	71,930	411,446
Restricted assets:					
Cash and investments	15,426	-	6,185,598	1,447,218	7,648,242
Note receivable	73,412	-	-	-	73,412
Total assets	<u>\$ 47,190,606</u>	<u>\$ 8,124,932</u>	<u>\$ 8,374,605</u>	<u>\$ 7,406,216</u>	<u>\$ 71,096,359</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 3,047,289	\$ 4,860	\$ -	\$ 893,334	\$ 3,945,483
Due to other funds	-	-	462,400	495,061	957,461
Total liabilities	<u>3,047,289</u>	<u>4,860</u>	<u>462,400</u>	<u>1,388,395</u>	<u>4,902,944</u>
<b>Deferred Inflows of Resources:</b>					
Property taxes receivable	1,697,347	-	-	80,209	1,777,556
Prepaid taxes	241,874	-	-	3,880	245,754
Other receivables	1,333,674	-	-	-	1,333,674
Total deferred inflows of resources	<u>3,272,895</u>	<u>-</u>	<u>-</u>	<u>84,089</u>	<u>3,356,984</u>
<b>Fund Balances:</b>					
Non-spendable:					
Inventory	106,556	-	-	-	106,556
Note receivable	73,412	-	-	-	73,412
Prepaid items	339,516	-	-	71,930	411,446
Restricted:					
Stabilization for State statute	8,185,106	-	2,189,007	1,440,840	11,814,953
Restricted for Register of Deeds	121,964	-	-	-	121,964
Restricted, all other	2,465,389	-	5,723,198	2,440,023	10,628,610
Committed	15,426	8,120,072	-	15,731	8,151,229
Assigned for subsequent year's expenditures	5,204,151	-	-	-	5,204,151
Assigned, all other	5,000,000	-	-	2,881,403	7,881,403
Unassigned	19,358,902	-	-	(916,195)	18,442,707
Total fund balances	<u>40,870,422</u>	<u>8,120,072</u>	<u>7,912,205</u>	<u>5,933,732</u>	<u>62,836,431</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 47,190,606</u>	<u>\$ 8,124,932</u>	<u>\$ 8,374,605</u>	<u>\$ 7,406,216</u>	

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

CLEVELAND COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
June 30, 2018

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

Total Fund Balance - Governmental Funds	\$ 62,836,431
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	119,875,818
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 assets in the Statement of Net Position.	3,111,230
Long-term liabilities and compensated absences are not due and payable in the current period, and therefore, are not reported in the funds.	(63,743,992)
Net pension asset	120,186
Deferred outflows of resources related to pensions are not related in the funds.	6,216,397
Deferred outflows of resources related to OPEB are not related in the funds.	1,267,215
Some liabilities, including accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	(394,698)
Deferred inflows of resources related to pensions are not related in the funds.	(309,885)
Deferred inflows of resources related to OPEB are not related in the funds.	(758,805)
Net pension liability	(7,588,620)
Total OPEB liability	(15,755,106)
Total pension liability	<u>(2,725,009)</u>
Net position of governmental activities	<u>\$ 102,151,162</u>

## CLEVELAND COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	Major			Nonmajor	Total Governmental Funds
	General Fund	Reimbursement Resolution Capital Project Fund	School Capital Reserve Fund	Other Governmental Funds	
<b>Revenues:</b>					
Ad valorem taxes	\$ 60,222,284	\$ -	\$ -	\$ 3,080,449	\$ 63,302,733
Local option sales taxes	16,468,454	-	3,523,818	1,433,303	21,425,575
Unrestricted intergovernmental revenues	122,392	-	-	-	122,392
Restricted intergovernmental revenues	21,642,200	-	1,289,303	2,246,928	25,178,431
Permits and fees	4,695,185	-	-	-	4,695,185
Sales and services	7,037,795	-	-	-	7,037,795
Investment earnings	629,461	45,923	77,999	86,458	839,841
Miscellaneous	932,681	-	-	153,323	1,086,004
Total revenues	<u>111,750,452</u>	<u>45,923</u>	<u>4,891,120</u>	<u>7,000,461</u>	<u>123,687,956</u>
<b>Expenditures:</b>					
Current:					
General government	10,663,936	-	-	2,307,659	12,971,595
Public safety	23,806,947	-	-	4,147,251	27,954,198
Environmental protection	184,313	-	-	-	184,313
Economic and physical development	6,699,226	10,224,075	-	1,504,841	18,428,142
Human services	33,024,912	-	-	-	33,024,912
Cultural and recreational	1,297,776	-	-	-	1,297,776
Education	31,410,165	-	-	10,157,381	41,567,546
Insurance settlements	928,395	-	-	-	928,395
Debt service:					
Principal retirement	74,448	-	-	5,355,089	5,429,537
Interest and other charges	-	-	-	2,502,268	2,502,268
Total expenditures	<u>108,090,118</u>	<u>10,224,075</u>	<u>-</u>	<u>25,974,489</u>	<u>144,288,682</u>
Revenues over (under) expenditures	<u>3,660,334</u>	<u>(10,178,152)</u>	<u>4,891,120</u>	<u>(18,974,028)</u>	<u>(20,600,726)</u>
<b>Other Financing Sources (Uses):</b>					
Capital lease financing issued	26,440	-	-	-	26,440
Transfers from other funds	1,972,948	-	-	-	1,972,948
From General Fund	-	-	-	4,408,504	4,408,504
From Capital Reserve Fund	-	-	-	1,680,860	1,680,860
From School Capital Reserve	-	-	-	3,306,715	3,306,715
From Reimbursement Resolution CRF	-	-	-	1,562,083	1,562,083
Transfers to other funds	(4,409,547)	(1,562,083)	(4,756,715)	(1,687,430)	(12,415,775)
Total other financing sources (uses)	<u>(2,410,159)</u>	<u>(1,562,083)</u>	<u>(4,756,715)</u>	<u>9,270,732</u>	<u>541,775</u>
Net change in fund balances	1,250,175	(11,740,235)	134,405	(9,703,296)	(20,058,951)
<b>Fund Balances:</b>					
Beginning of year - July 1	<u>39,620,247</u>	<u>19,860,307</u>	<u>7,777,800</u>	<u>15,637,028</u>	<u>82,895,382</u>
End of year - June 30	<u>\$ 40,870,422</u>	<u>\$ 8,120,072</u>	<u>\$ 7,912,205</u>	<u>\$ 5,933,732</u>	<u>\$ 62,836,431</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, 2018

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	\$ (20,058,951)
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.	179,508
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.	607,019
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(843,767)
Pension expense - LEOSSA	(77,227)
Pension expense - LGERS	(84,283)
Pension expense - ROD	(6,933)
OPEB plan expense	(255,747)
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.	14,408,813
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(5,402,119)
Net gain/loss on the disposal of capital assets, not recognized on modified accrual basis.	141,514
Net book value of capital assets disposed of during the year, not recognized on the modified accrual basis.	(398,339)
Accrued interest that does not require current financial resources are not reported as expenditures in the governmental funds statement.	90,889
The issuance of long-term debt provides current financial resources to governmental funds, but does not effect net assets.	(26,440)
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>5,429,537</u>
Total change in net position of governmental activities	<u>\$ (6,296,526)</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, 2018**

	<b>General Fund</b>			<b>Variance from Final Budget Over/Under</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Ad valorem taxes	\$ 60,372,691	\$ 60,372,691	\$ 60,222,284	\$ (150,407)
Local option sales taxes	15,654,164	15,654,164	16,468,454	814,290
Unrestricted intergovernmental revenue	11,000	11,000	122,392	111,392
Restricted intergovernmental revenues	25,934,760	26,216,952	21,642,200	(4,574,752)
Permits and fees	4,406,742	4,406,742	4,695,185	288,443
Sales and services	7,095,097	7,137,810	7,037,795	(100,015)
Investment earnings	253,000	253,000	629,461	376,461
Miscellaneous	544,391	629,968	932,681	302,713
Total revenues	<u>114,271,845</u>	<u>114,682,327</u>	<u>111,750,452</u>	<u>(2,931,875)</u>
<b>Expenditures:</b>				
Current:				
General government	11,077,179	11,281,176	10,663,936	617,240
Public safety	23,058,896	23,901,862	23,806,947	94,915
Environmental protection	209,740	204,284	184,313	19,971
Economic and physical development	7,842,580	7,903,639	6,699,226	1,204,413
Human services	41,326,318	41,549,336	33,024,912	8,524,424
Cultural and recreational	1,302,470	1,417,555	1,297,776	119,779
Intergovernmental:				
Education	30,636,918	31,436,918	31,410,165	26,753
Risk management	836,114	1,637,951	928,395	709,556
Contingency	700,000	293,085	-	293,085
Debt service:				
Principal retirement	45,000	124,117	74,448	49,669
Interest and other charges	5,000	5,000	-	5,000
Total expenditures	<u>117,040,215</u>	<u>119,754,923</u>	<u>108,090,118</u>	<u>11,664,805</u>
Revenues over (under) expenditures	<u>(2,768,370)</u>	<u>(5,072,596)</u>	<u>3,660,334</u>	<u>8,732,930</u>
<b>Other Financing Sources (Uses):</b>				
Capital lease financing issued	-	-	26,440	26,440
Transfers from other funds	2,050,335	2,050,335	1,972,948	(77,387)
Transfers to other funds	(6,113,938)	(5,290,645)	(4,409,547)	881,098
Appropriated fund balance	6,831,973	8,312,906	-	(8,312,906)
Total other financing sources (uses)	<u>2,768,370</u>	<u>5,072,596</u>	<u>(2,410,159)</u>	<u>(7,482,755)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,250,175</u>	<u>\$ 1,250,175</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>39,620,247</u>	
End of year - June 30			<u>\$ 40,870,422</u>	

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

**CLEVELAND COUNTY, NORTH CAROLINA**

**STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2018**

	<b>Major</b>
	<b>Solid Waste Fund</b>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 2,384,472
Accounts receivable, net	815,650
Total current assets	3,200,122
Non-current assets:	
Capital assets:	
Land and construction in progress	18,912,848
Other capital assets, net of depreciation	3,756,533
Total non-current assets	22,669,381
Total assets	25,869,503
<b>Deferred Outflow of Resources:</b>	
OPEB deferrals	66,004
Pension deferrals	289,023
Total deferred outflows of resources	355,027
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	144,297
Accrued payroll	12,642
Prepaid taxes	1,569
Current portion of compensated absences	12,750
Total current liabilities	171,258
Non-current liabilities:	
Liabilities payable from restricted assets:	
Customer deposits	-
Other non-current liabilities:	
Accrued landfill closure and post-closure care costs	13,393,153
Compensated absences	114,749
Net pension liability	375,400
Total OPEB liability	829,216
Total non-current liabilities	14,712,518
Total liabilities	14,883,776
<b>Deferred Inflows of Resources:</b>	
Pension deferrals	1,188
OPEB deferrals	39,937
Total deferred outflows of resources	41,125
<b>Net Position:</b>	
Net investment in capital assets	22,669,381
Unrestricted	(11,369,752)
Total net position	\$ 11,299,629

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Major</u>
	<u>Solid Waste Fund</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 7,305,117
Unrestricted intergovernmental	644,313
Total operating revenues	<u>7,949,430</u>
<b>Operating Expenses:</b>	
Salaries and employee benefits	2,068,212
Other operating expenses	2,901,361
Landfill closure and post-closure care costs	2,199,229
Depreciation	744,951
Total operating expenses	<u>7,913,753</u>
Operating income (loss)	<u>35,677</u>
<b>Non-Operating Revenues (Expenses):</b>	
Interest income	26,814
Gain/(loss) on sale of fixed assets	<u>(2,402)</u>
Total non-operating revenues (expenses)	<u>24,412</u>
Income (loss) before capital contributions and transfers	<u>60,089</u>
<b>Transfers:</b>	
Transfers out	<u>(515,335)</u>
Net transfers	<u>(515,335)</u>
Change in net position	(455,246)
<b>Net Position:</b>	
Beginning of year - July 1	11,976,369
Restatement	<u>(221,494)</u>
Beginning of year - July 1, restated	<u>11,754,875</u>
End of year - June 30	<u>\$ 11,299,629</u>

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

**CLEVELAND COUNTY, NORTH CAROLINA**

**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Major</b>
	<b>Solid Waste Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 7,593,523
Cash paid for goods and services	(3,648,044)
Cash paid to employees for services	(2,084,790)
Net cash provided (used) by operating activities	1,860,689
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Transfers out	(515,335)
Net cash provided (used) by non-capital financing activities	(515,335)
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition and construction of capital assets	(1,178,286)
Proceeds from sale of long-term asset	(2,402)
Net cash provided (used) for capital and related financing activities	(1,180,688)
<b>Cash Flows from Investing Activities:</b>	
Interest on investments	26,814
Net increase (decrease) in cash and cash equivalents	191,480
<b>Cash and Cash Equivalents:</b>	
Beginning of year - July 1	2,192,990
End of year - June 30	\$ 2,384,472

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

**CLEVELAND COUNTY, NORTH CAROLINA**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Major</b>
	<b>Solid Waste Fund</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	\$ 35,677
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	744,951
Landfill closure and post-closure care costs	2,199,229
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(106,687)
Increase (decrease) in accounts payable and accrued liabilities	(996,191)
Increase (decrease) in prepayments	288
Increase (decrease) in accrued vacation pay	(35,166)
Increase (decrease) in net OPEB liability	40,219
(Increase) decrease in deferred outflows of resources - pensions	169,436
(Increase) decrease in deferred outflows of resources - OPEB	(66,004)
Increase in net pension liability	(157,968)
Decrease in deferred inflows of resources - pension	(7,032)
Increase in deferred inflows of resources - OPEB	39,937
Total adjustments	1,825,012
Net cash provided (used) by operating activities	\$ 1,860,689
Contributed capital assets	\$ -

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

**CLEVELAND COUNTY, NORTH CAROLINA**

**STATEMENT OF FIDUCIARY NET POSITION**

**FIDUCIARY FUNDS**

**JUNE 30, 2018**

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 308,199
Accounts receivable	<u>681,124</u>
Total assets	<u><u>\$ 989,323</u></u>
<b>Liabilities:</b>	
Intergovernmental payable	<u>\$ 989,323</u>
Total liabilities and fund balances	<u><u>\$ 989,323</u></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, 2018

### 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

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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.

*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.

**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, 2018

**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 eleven non-major capital project funds within the governmental fund types: North Shelby School, County General Capital Projects Fund, Public Shooting Range, Foothills Commerce Center, Kings Mountain Gate Way Trail-Phase 5, Washburn Switch Road, Pinnacle Turn Lane, Economic Development, Jail Consolidation, Enterprise Resource Planning, 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 four rescue squad entities (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 two fire districts, one water authority, and thirteen 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

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*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.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 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, 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.

**CLEVELAND COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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.

**Restricted Assets**

Money for Tax Revaluation is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150. 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.

<b>Governmental Activities</b>		
<b>Fund</b>	<b>Purpose</b>	<b>Amount</b>
General Fund	Tax revaluation	\$ 15,426
North Shelby School Capital Project Fund	Unspent debt proceeds	1,447,218
School Capital Reserve Fund	Restricted for school capital	<u>6,185,598</u>
Total		<u>\$ 7,648,242</u>
<b>Business-Type Activities</b>		
Solid Waste	Customer deposits	<u>\$ -</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.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### **Inventories and Prepaid Items**

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Cleveland County accounts for prepaid 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:

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

<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.

### 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 an 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.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### **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 five items that meet the criteria for this category – property taxes receivable, prepaid taxes, other receivables, pension and OPEB 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.

### **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.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

*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.

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



**CLEVELAND COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

Restricted fund balance at June 30, 2018 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>School Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Restricted</u>
Restricted, all other:				
Public safety	\$ 250,000	\$ -	\$ 1,397,089	\$ 1,647,089
Economic and physical development	-	-	-	-
Human services	2,000,000	-	-	2,000,000
Cultural and recreation	215,389	-	-	215,389
Education	-	5,723,198	1,042,934	6,766,132
Total	<u>\$ 2,465,389</u>	<u>\$ 5,723,198</u>	<u>\$ 2,440,023</u>	<u>\$ 10,628,610</u>

Restricted net position on Exhibit 1 varies from restricted fund balance on Exhibit 3 by ROD Pension Plan of \$152,840 and Unspent Debt Proceeds of \$1,042,934 for a net difference of \$890,094 on Exhibit 3 not on Exhibit 1.

**Committed Fund Balance**

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

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

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

**CLEVELAND COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

Committed fund balance at June 30, 2018 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Reimbursement Resolution Capital Project Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Committed:				
Tax revaluation	\$ 15,426	\$ -	\$ -	\$ 15,426
Economic and physical development	-	8,120,072	15,731	8,135,803
<b>Total</b>	<u>\$ 15,426</u>	<u>\$ 8,120,072</u>	<u>\$ 15,731</u>	<u>\$ 8,151,229</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, 2018**

Assigned fund balance at June 30, 2018 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assigned:			
Subsequent year's expenditures	\$ 5,204,151	\$ -	\$ 5,204,151
General government	-	1,681,403	1,681,403
Risk management operations	2,000,000	-	2,000,000
Economic and physical development	3,000,000	-	3,000,000
Debt service	-	1,200,000	1,200,000
Total	<u>\$ 10,204,151</u>	<u>\$ 2,881,403</u>	<u>\$ 13,085,554</u>

**Unassigned Fund Balance**

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

Cleveland County 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	\$ 40,870,422
Less:	
Inventories	(106,556)
Long term receivable	(73,412)
Prepays	(339,516)
Stabilization by State statute	<u>(8,185,106)</u>
Total available fund balance	<u>\$ 32,165,832</u>

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 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, 2018 are computed as follows:

	<b>Net investment in capital assets</b>	
	<b><u>Governmental</u></b>	<b><u>Business-Type</u></b>
Capital assets	\$ 119,875,818	\$ 22,669,381
Less: Long-term debt	(58,581,649)	-
Add: Unexpended debt proceeds	1,042,934	-
Add: School debt for assets to which the County does not hold title	22,126,475	-
Total	<b><u>\$ 84,463,578</u></b>	<b><u>\$ 22,669,381</u></b>

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 2. Detail Notes On All Funds

#### A. Assets

##### Deposits

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agent in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method and to monitor them for compliance. The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2018, the County's deposits had a carrying amount of \$4,526,984 and a bank balance of \$4,944,328. Of the bank balance, \$817,657 was covered by federal depository insurance, and \$4,126,671 was covered by collateral held under the Pooling Method. At June 30, 2018, the County had \$20,110 cash on hand.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Investments

At June 30, 2018, the County had the following investments and maturities:

Investment Type	Valuation		Less Than	6-12	1-3
	Measurement Method	Fair Value	6 Months	Months	Years
U.S. government agencies	Fair Value - Level 2	\$ 3,408,471	\$ 2,258,838	\$ 448,477	\$ 701,156
NC Capital Management					
Trust - Government Portfolio	Amortized cost	16,708,555	-	-	-
Commercial paper	Fair Value - Level 2	33,607,313	26,688,160	6,919,153	-
Total		<u>\$ 53,724,339</u>	<u>\$ 28,946,998</u>	<u>\$ 7,367,630</u>	<u>\$ 701,156</u>

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

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

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from interest rates, the County's investment policy limits at least half of the County's investment portfolio to maturities of less than 12 months. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than three years.

**Credit Risk.** State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2018, 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, 2018. 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, 2018.

**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:

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

<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 Levied</u>	<u>Additional Tax</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,678,722	\$ 48,714	\$ 1,727,436
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
Total	<u>\$ 8,107,144</u>	<u>\$ 309,426</u>	<u>\$ 8,416,570</u>

**CLEVELAND COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Receivables**

Receivables at the government-wide level at June 30, 2018 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Note Receivable</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>					
General	\$ 10,206,820	\$ 2,399,122	\$ 73,412	\$ 284,982	\$ 12,964,336
School capital reserve	2,189,007	-	-	-	2,189,007
Other governmental	<u>1,440,840</u>	<u>107,494</u>	-	-	<u>1,548,334</u>
Total receivables	13,836,667	2,506,616	73,412	284,982	16,701,677
Allowance for doubtful accounts	<u>(1,930,483)</u>	<u>(729,059)</u>	-	-	<u>(2,659,542)</u>
Total governmental activities	<u>\$ 11,906,184</u>	<u>\$ 1,777,557</u>	<u>\$ 73,412</u>	<u>\$ 284,982</u>	<u>\$ 14,042,135</u>
Amounts not scheduled for collection during the subsequent year					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,060</u>	<u>\$ -</u>	<u>\$ 55,060</u>
<b>Business-Type Activities:</b>					
Solid waste	\$ 884,960	\$ -	\$ -	\$ -	\$ 884,960
Allowance for doubtful accounts	<u>(69,310)</u>	-	-	-	<u>(69,310)</u>
Total business-type activities	<u>\$ 815,650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 815,650</u>

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

Sales and Use Tax	<u>\$ 284,982</u>
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**Long-Term Note Receivable**

At June 30, 2018, Cleveland County had an outstanding long-term receivable in the amount of \$73,412 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, 2018

### Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance June 30, 2018</u>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 17,191,698	\$ 317,067	\$ (255,171)	\$ -	\$ 17,253,594
Construction in progress	2,281,471	11,722,697	(100,831)	-	13,903,337
Total non-depreciable capital assets	<u>19,473,169</u>	<u>12,039,764</u>	<u>(356,002)</u>	<u>-</u>	<u>31,156,931</u>
<b>Depreciable Capital Assets:</b>					
Buildings	103,354,205	333,446	-	-	103,687,651
Vehicles and motor equipment	22,450,707	2,136,435	(994,985)	13,285	23,605,442
Leasehold improvements	425,178	-	-	-	425,178
Infrastructure	6,740,713	-	-	-	6,740,713
Total depreciable capital assets	<u>132,970,803</u>	<u>2,469,881</u>	<u>(994,985)</u>	<u>13,285</u>	<u>134,458,984</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	21,167,969	2,564,121	-	-	23,732,090
Vehicles and motor equipment	16,191,347	2,374,444	(993,330)	13,285	17,585,746
Leasehold improvements	275,033	14,173	-	-	289,206
Infrastructure	3,683,674	449,381	-	-	4,133,055
Total accumulated depreciation	<u>41,318,023</u>	<u>5,402,119</u>	<u>(993,330)</u>	<u>13,285</u>	<u>45,740,097</u>
Total depreciable capital assets	<u>91,652,780</u>	<u>(2,932,238)</u>	<u>(1,655)</u>	<u>-</u>	<u>88,718,887</u>
Governmental activities capital assets, net	<u>\$ 111,125,949</u>	<u>\$ 9,107,526</u>	<u>\$ (357,657)</u>	<u>\$ -</u>	<u>\$ 119,875,818</u>

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

General government	\$ 432,170
Public safety	2,322,921
Economic and physical development	162,075
Human services	810,318
Cultural and recreational	378,147
Education	1,296,488
Total	<u>\$ 5,402,119</u>

**CLEVELAND COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Business-Type Activities:</b>					
<b>Solid Waste:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 13,473,356	\$ 5,439,492	\$ -	\$ -	\$ 18,912,848
Construction in progress	5,219,644	263,459	(5,483,103)	-	-
Total non-depreciable capital assets	<u>18,693,000</u>	<u>5,702,951</u>	<u>(5,483,103)</u>	<u>-</u>	<u>18,912,848</u>
<b>Depreciable Capital Assets:</b>					
Buildings	1,238,863	-	-	-	1,238,863
Equipment and vehicles	7,405,191	865,003	(356,153)	(13,285)	7,900,756
Leasehold improvements	16,518	-	-	-	16,518
Infrastructure	4,187,168	95,837	-	-	4,283,005
Total depreciable capital assets	<u>12,847,740</u>	<u>960,840</u>	<u>(356,153)</u>	<u>(13,285)</u>	<u>13,439,142</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	358,422	31,413	-	-	389,835
Equipment and vehicles	4,800,810	705,735	(353,751)	(13,285)	5,139,509
Leasehold improvements	10,686	551	-	-	11,237
Infrastructure	4,134,776	7,252	-	-	4,142,028
Total accumulated depreciation	<u>9,304,694</u>	<u>744,951</u>	<u>(353,751)</u>	<u>(13,285)</u>	<u>9,682,609</u>
Total depreciable capital assets, net	<u>3,543,046</u>	<u>215,889</u>	<u>(2,402)</u>	<u>-</u>	<u>3,756,533</u>
Solid Waste capital assets, net	<u>\$ 22,236,046</u>	<u>\$ 5,918,840</u>	<u>\$ (5,485,505)</u>	<u>\$ -</u>	<u>\$ 22,669,381</u>

The County did not have any outstanding construction commitments as of June 30, 2018.

**B. Liabilities**

**Payables**

Payables at the government-wide level at June 30, 2018 were as follows:

	<u>Vendors</u>	<u>Salaries and</u> <u>Benefits</u>	<u>Accrued</u> <u>Interest</u>	<u>Insurance</u> <u>Claims</u> <u>Incurred But</u> <u>Not Reported</u>	<u>Total</u>
<b>Governmental Activities:</b>					
General	\$ 2,494,801	\$ 134,707	\$ 394,698	\$ 422,641	\$ 3,446,847
Other governmental	893,334	-	-	-	893,334
Total governmental activities	<u>\$ 3,388,135</u>	<u>\$ 134,707</u>	<u>\$ 394,698</u>	<u>\$ 422,641</u>	<u>\$ 4,340,181</u>
<b>Business-Type Activities:</b>					
Solid Waste	<u>\$ 142,704</u>	<u>\$ 14,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,939</u>

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Pension Plan and Other Postemployment 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](http://www.osc.nc.gov).

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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.

*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, 2018, was 8.25% of compensation for law enforcement officers and 7.50% 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 \$2,629,021 for the year ended June 30, 2018.

*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, 2018, the County reported a liability of \$7,964,020 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the County's proportion was .521%, which was a decrease of .003% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$2,717,741. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 458,801	\$ 225,436
Changes of assumptions	1,137,372	-
Net difference between projected and actual earnings on pension plan investments	1,933,674	-
Changes in proportion and differences between County contributions and proportionate share of contributions	53,669	40,357
County contributions subsequent to the measurement date	2,629,021	-
<b>Total</b>	<b>\$ 6,212,537</b>	<b>\$ 265,793</b>

\$2,629,021 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, 2019. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2019	\$ 431,130
2020	2,323,577
2021	1,164,527
2022	(601,512)
2023	-
Thereafter	-
<b>Total</b>	<b>\$ 3,317,723</b>

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 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	7.20 percent, net of pension plan investment expense, including inflation

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2016 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 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, 2017 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 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.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

*Discount Rate.* The discount rate used to measure the total pension liability was 7.20%. 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 7.20%, 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 (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	<b>1% Decrease (6.20%)</b>	<b>Discount Rate (7.20%)</b>	<b>1% Increase (8.20%)</b>
County's proportionate share of the net pension liability (asset)	<u>\$ 23,908,168</u>	<u>\$ 7,964,020</u>	<u>\$ (5,344,310)</u>

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

### **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, 2016, the Separation Allowance's membership consisted of 104 active plan members and 11 retired members receiving benefits.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 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, 2016 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases and productivity factor	3.50 to 7.35 percent, including inflation
Discount rate	3.16 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

***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.



**CLEVELAND COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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 \$169,854 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, 2018, the County reported a total pension liability of \$2,725,009. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was rolled forward to December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the County recognized pension expense of \$235,558.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 51,758	\$ -
Changes in assumptions	129,379	37,331
County benefit payments and plan administrative expenditures paid subsequent to the measurement date	<u>71,143</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 252,280</u></b>	<b><u>\$ 37,331</u></b>

\$71,143 reported as deferred outflows of resources related to pensions resulting from County 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 ending June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2019	\$ 8,910
2020	8,910
2021	8,910
2022	8,910
2023	8,910
Thereafter	<u>1,691</u>
<b>Total</b>	<b><u>\$ 46,241</u></b>

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

\$70,692 paid as benefits came due and \$451 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 3.16 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	<b>1% Decrease (2.16%)</b>	<b>Discount Rate (3.16%)</b>	<b>1% Increase (4.16%)</b>
Total pension liability	\$ 2,940,605	\$ 2,725,009	\$ 2,526,632

### Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance

	<b>2018</b>
Beginning balance	\$2,470,182
Service Cost	113,259
Interest on the total pension liability	92,071
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	62,677
Changes of assumptions or other inputs	156,674
Benefit payments	(169,854)
Net changes	254,827
Ending balance of the total pension liability	\$2,725,009

*Changes of assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 2.71 percent at June 30, 2016 to 3.13 percent at 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, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### **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, 2018 were \$438,069, which consisted of \$251,948 from the County and \$186,121 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](http://www.osc.nc.gov).

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

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**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 \$6,897 for the year ended June 30, 2018.

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

At June 30, 2018, the County reported an asset of \$120,186 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the County's proportion was .704%, which was an increase of .046% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$13,829. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,063	\$ 387
Changes of assumptions	20,279	-
Net difference between projected and actual earnings on pension plan investments	10,217	-
Changes in proportion and differences between County contributions and proportionate share of contributions	1,148	7,562
County contributions subsequent to the measurement date	6,897	-
<b>Total</b>	<b>\$ 40,604</b>	<b>\$ 7,949</b>

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

\$6,897 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:

<b>Year Ending</b>	<b>Amount</b>
<b>June 30</b>	
2019	\$ 15,455
2020	6,528
2021	1,169
2022	2,605
2023	-
Thereafter	-
Total	<u>\$ 25,757</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 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, 2016 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

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2017 is 1.4%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 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:

	<b>1% Decrease (2.75%)</b>	<b>Discount Rate (3.75%)</b>	<b>1% Increase (4.75%)</b>
County's proportionate share of the net pension liability (asset)	<u>\$ 94,465</u>	<u>\$ 120,186</u>	<u>\$ 141,817</u>

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

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

The net pension liability for LGERS and ROD was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability for LEOSSA was measured as of June 30, 2017, with an actuarial valuation date of December 31, 2016. The County’s proportion of the net pension liability was based on the County’s share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

**CLEVELAND COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
Proportionate Share of Net Pension Liability (Asset)	\$ 7,964,020	\$ (120,186)	\$ -	\$ 7,843,834
Proportion of the Net Pension Liability (Asset)	0.5213%	0.7041%	NA	
Total Pension Liability	\$ -	\$ -	\$ 2,725,009	\$ 2,725,009
Pension Expense	\$ 2,717,741	\$ 13,829	\$ 235,558	\$ 2,967,128

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>ROD</u>	<u>Total</u>
<b><u>Deferred Outflows of Resources</u></b>				
Differences between expected and actual experience	\$ 458,801	\$ 51,758	\$ 2,063	\$ 512,622
Changes of assumptions	1,137,372	129,379	20,279	1,287,030
Net difference between projected and actual earnings on pension plan investments	1,933,674	-	10,217	1,943,891
Changes in proportion and differences between County contributions and proportionate share of contributions	53,669	-	1,148	54,817
County contributions (LGERS, ROD) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	<u>2,629,021</u>	<u>71,143</u>	<u>6,896</u>	<u>2,707,060</u>
	<u>\$ 6,212,537</u>	<u>\$ 252,280</u>	<u>\$ 40,603</u>	<u>\$ 6,505,420</u>

**Deferred Inflows of Resources**

Differences between expected and actual experience	\$ 225,436	\$ -	\$ 387	\$ 225,823
Changes of assumptions	-	37,331	-	37,331
Changes in proportion and differences between County contributions and proportionate share of contributions	<u>40,357</u>	<u>-</u>	<u>7,562</u>	<u>47,919</u>
	<u>\$ 265,793</u>	<u>\$ 37,331</u>	<u>\$ 7,949</u>	<u>\$ 311,073</u>

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 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. 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Membership of the plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	100
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>628</u>
Total	<u>728</u>

**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.

#### Total OPEB Liability

The County's total OPEB liability of \$16,584,322, was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.50 to 7.75 percent, including wage inflation
Discount rate	3.56 percent
Healthcare cost trend rates	Pre-Medicare - 7.50 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023



# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The discount rate is based on the June average of the Bond Buyer General Obligation 20-Year Municipal Bond Index published weekly by The Bond Buyer.

### Changes in the Total OPEB Liability

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2017</b>	<b>\$ 17,127,067</b>
<b>Changes for the year</b>	
Service Cost	744,068
Interest	495,401
Changes of benefit terms	-
Differences between expected and actual experience	482,688
Changes in assumptions or other inputs	(917,780)
Benefit Payments	(1,347,122)
Net changes	(542,745)
<b>Balance at June 30, 2018</b>	<b>\$ 16,584,322</b>

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 3.01% to 3.56%.

The discount rate used to measure the total OPEB liability was based on the June average of the Bond Buyer General Obligation 20-Year Municipal Bond Index published weekly by The Bond Buyer.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

**CLEVELAND COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>1% Decrease</u> <u>(2.56%)</u>	<u>Discount Rate</u> <u>(3.56%)</u>	<u>1% Increase</u> <u>(4.56%)</u>
Total OPEB liability	\$ 18,295,935	\$ 16,584,322	\$ 15,055,515

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	\$ 14,789,552	\$ 16,584,322	\$ 18,718,444

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the County recognized OPEB expense of \$1,183,036. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 419,392	\$ -
Changes of assumptions	-	798,742
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>913,827</u>	<u>-</u>
Total	<u>\$ 1,333,219</u>	<u>\$ 798,742</u>

\$913,827 reported as deferred outflows of resources related to OPEB 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, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2019	\$ (56,433)
2020	(56,433)
2021	(56,433)
2022	(56,433)
2023	(56,433)
Thereafter	<u>(96,494)</u>
Total	<u>\$ (378,659)</u>

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 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 \$13,393,153 reported as landfill post-closure care liability at June 30, 2018 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 2018. 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.

### 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension deferrals	\$ 6,505,420	\$ 311,073
OPEB deferrals	1,333,219	798,742
Other prepaid revenue, not yet earned (General)	-	-
Prepaid taxes, not yet earned (General)	-	245,754
Taxes receivable, net less penalties (General)	-	1,697,347
Taxes receivable, net less penalties (Special Revenue)	-	80,209
Other receivable (General Fund)	-	1,333,674
Total	<u>\$ 7,838,639</u>	<u>\$ 4,466,799</u>

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### **Risk Management**

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

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

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

The County is self-funded for workers' compensation claims up to a maximum of \$600,000 per claim and purchases coverage up to statutory limits through Safety National Casualty Corporation. Cleveland County contacts with Guilford City/County Insurance Advisory Committee as an independent 3<sup>rd</sup> party administrator for workers compensation. The estimated liability for outstanding losses includes \$101,086 for incurred but unpaid claims as of June 30, 2018.

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 \$321,555 for incurred but unrecorded claims as of June 30, 2018. 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).

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

	<b>Year Ending June 30</b>	
	<b>2017</b>	<b>2018</b>
Health	\$ 529,732	\$ 321,555
Workers' compensation	25,304	101,086
Total	\$ 555,036	\$ 422,641

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

### **Claims and Judgments**

At June 30, 2018, 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.

### **Long-Term Obligations**

#### **Capital Leases**

The County has entered into two lease agreements to lease certain 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 public safety lease was executed in September 2016 and requires 5 annual payments between \$69,160 and \$105,950. The board of election lease was executed in August 2017 and requires 5 annual payments of \$5,288.

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

At June 30, 2018, the present value of future minimum lease payments for equipment leased by the County was:

<b>Year Ending June 30</b>	<b>Principal</b>
2019	\$ 88,448
2020	88,448
2021	89,003
2022	5,288
Total minimum lease payments	271,187
Less: amount representing interest	-
Present value of the minimum lease payments	\$ 271,187

**CLEVELAND COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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

\$ 369,987

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

<b><u>Year Ending June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2019	\$ 26,150	\$ 17,778
2020	27,445	16,472
2021	28,739	15,100
2022	30,293	13,662
2023	31,846	12,148
2024-2028	183,570	36,074
2029	41,944	1,940
Total	<u>\$ 369,987</u>	<u>\$ 113,174</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.

**CLEVELAND COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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	\$ 2,000,000
\$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	2,688,000
\$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	8,791,475
\$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	<u>31,126,000</u>
Total installment financing issued	<u>\$ 44,605,475</u>

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

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
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	4,243,197	901,335
2024-2028	14,493,490	2,572,081
2029-2032	8,892,000	577,980
Total	<u>\$ 44,605,475</u>	<u>\$ 9,152,965</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.

**CLEVELAND COUNTY, NORTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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.

\$ 13,335,000

Total General Obligation and Limited Obligation Bonds

\$ 13,335,000

Annual debt service for the County's limited obligation bonds to maturity at June 30, 2018 are:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>
<b>June 30</b>		
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	1,135,000	523,637
2024-2028	5,640,000	1,652,807
2029-2032	<u>2,170,000</u>	<u>197,579</u>
Total	<u>\$ 13,335,000</u>	<u>\$ 5,023,195</u>

**Debt Related to Capital Activities** - Of the total governmental activities debt listed, only \$35,282,978 relates to assets the County holds title. The County has unspent debt proceeds in the amount of \$1,042,934 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, 2018

A summary of changes in long-term debt follows:

### Long-Term Obligation Activity

	Balance July 1, 2017 as Restated	Increases	Decreases	Balance June 30, 2018	Current Portion of Balance
<b>Governmental Activities:</b>					
Limited obligation bonds	\$ 14,420,000	\$ -	\$ (1,085,000)	\$ 13,335,000	\$ 1,085,000
Installment contracts	48,849,671	-	(4,244,196)	44,605,475	4,244,197
Contractual obligations	395,879	-	(25,892)	369,987	26,150
Capital leases	319,195	26,440	(74,448)	271,187	88,448
Compensated absences	4,318,576	4,785,459	(3,941,692)	5,162,343	516,234
Total OPEB Liability	14,990,648	2,044,224	(1,279,766)	15,755,106	-
Net pension liability (LGERS)	10,590,004	-	(3,001,384)	7,588,620	-
Total Pension Liability (LEO)	<u>2,470,182</u>	<u>254,827</u>	<u>-</u>	<u>2,725,009</u>	<u>-</u>
Total governmental activities	<u>\$ 96,354,155</u>	<u>\$ 7,110,950</u>	<u>\$ (13,652,378)</u>	<u>\$ 89,812,727</u>	<u>\$ 5,960,029</u>
<b>Business-Type Activities:</b>					
Accrued landfill closure and post-closure care cost	\$ 11,193,924	\$ 2,199,229	\$ -	\$ 13,393,153	\$ -
Total OPEB Liability	788,997	107,575	(67,356)	829,216	-
Net pension liability (LGERS)	533,368	-	(157,968)	375,400	-
Compensated absences	<u>162,665</u>	<u>157,446</u>	<u>(192,612)</u>	<u>127,499</u>	<u>12,750</u>
Total business-type activities	<u>\$ 12,678,954</u>	<u>\$ 2,464,250</u>	<u>\$ (417,936)</u>	<u>\$ 14,725,268</u>	<u>\$ 12,750</u>

At June 30, 2018, the County had no bonds authorized, but unissued, and a legal debt margin of \$619,423,751.

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, 2018, 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, 2018

### Interfund Balances and Activity

Transfers to/from other funds at June 30, 2018 consist of the following:

	<b>Transfers</b>		<b>Purpose</b>
	<b>From</b>	<b>To</b>	
General Fund	\$ 1,043	\$ -	
Emergency Telephone System Fund (E-911)		1,043	Payback of capital expense
Emergency Telephone System Fund (E-911)	7,613		
General Fund		7,613	Implemental functions
General Fund	1,683,758		
Capital Reserve Fund		1,663,797	Fund capital expansion
County General Capital Project Fund		19,461	Fund capital expansion
Kings Mountain Gate Way Trail - Phase 5 Capital Project Fund		500	Fund capital expansion
Capital Reserve Fund	1,680,860		
County General Capital Project Fund		1,680,860	Fund capital expansion
Reimbursement Resolution Capital Project Fund	1,562,083		
Washburn Switch Road Capital Project Fund		237,459	Fund capital expansion
Economic Development Capital Project Fund		99,836	Fund capital expansion
Jail Consolidation Capital Project Fund		29,850	Fund capital expansion
Enterprise Resource Planning Capital Project Fund		457,338	Fund capital expansion
Debt Service Fund		737,600	Debt service
School Capital Reserve	4,756,715		
Debt Service Fund		3,306,715	Debt service
General Fund		1,450,000	Capital allotment
General Fund	2,724,746		
Debt Service		2,724,746	Debt service
Solid Waste	778,794		
General Fund		515,335	Environmental health expense
Solid Waste Cell Construction Capital Project Fund	-	<u>263,459</u>	Fund Solid Waste Expansion
<b>Total</b>	<b><u>\$ 13,195,612</u></b>	<b><u>\$ 13,195,612</u></b>	

# CLEVELAND COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 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, 2018. In addition, the County made debt service payments of \$1,184,438, including interest, during the year ended June 30, 2018, 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, 2018. 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 \$27,217 during the fiscal year ended June 30, 2018.

### 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, 2018

### 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.

	<b>Federal</b>	<b>State</b>
Medicaid	\$ 126,832,546	\$ 65,093,830
State Children's Insurance Program	1,746,819	4,332
WIC	1,908,959	-
Food and Nutrition Services	27,998,877	-
IV-E Adopt & Vendor & Gua	896,071	217,723
Family Perservation	70,950	-
TANF Payments & Penalties	651,531	(60)
CWS Adopt, Vendor, Guard	-	297,004
SAA/SAD HB 1030	-	53,465
SC/SA Domiciliary Care	-	990,408
Total	\$ 160,105,753	\$ 66,656,702

### 7. Change in Accounting Principles/Restatement

The County implemented Governmental Accounting Standards Board (GASB) No. Statement 75, *Accounting and Financial Reporting for Financial Reporting for Postemployment Benefits Other than Pensions*, in the fiscal year ending June 30, 2018. The implementation of the statement required the County to record beginning net OPEB liability and the effects on net position of contributions paid by the County to the OPEP Trust during the measurement period, as well as the removal of the net OPEB obligation. As a result, net position for the governmental and business-type activities decreased by \$8,551,042 and \$221,494 respectively.

## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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

- 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 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
- Schedule of Changes in the Total OPEB Liability and Related Ratios

## CLEVELAND COUNTY, NORTH CAROLINA

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

<b>Local Government Employees' Retirement System</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Cleveland County's proportion of the net pension liability (asset) (%)	0.521%	0.524%	0.508%	0.505%	0.51%
Cleveland County's proportion of the net pension liability (asset) (\$)	\$ 7,964,020	\$ 11,123,372	\$ 2,280,098	\$ (2,980,225)	\$ 6,170,361
Cleveland County's covered-employee payroll	\$ 32,605,693	\$ 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	24.43%	35.64%	7.03%	( 10.34%)	21.69%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	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 FIVE FISCAL YEARS

<b>Local Government Employees' Retirement System</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 2,629,021	\$ 2,403,167	\$ 2,108,026	\$ 2,119,306	\$ 2,032,123
Contributions in relation to the contractually required contribution	<u>2,629,021</u>	<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>	<u>\$ -</u>
Cleveland County's covered-employee payroll	\$ 34,564,877	\$ 32,605,693	\$ 31,210,450	\$ 32,420,724	\$ 28,823,692
Contributions as a percentage of covered-employee payroll	7.61%	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 FIVE FISCAL YEARS

<b>Registers of Deeds' Supplemental Pension Fund</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Cleveland County's proportion of the net pension liability (asset) (%)	0.704%	0.659%	0.670%	0.640%	0.70%
Cleveland County's proportion of the net pension liability (asset) (\$)	\$ (120,186)	\$ (123,136)	\$ (155,352)	\$ (144,972)	\$ (130,260)
Cleveland County's covered-employee payroll	\$ 59,346	\$ 57,374	\$ 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	202.52%	214.62%	218.41%	203.81%	186.80%
Plan fiduciary net position as a percentage of the total pension liability**	160.17%	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 FIVE FISCAL YEARS

<b>Registers of Deeds' Supplemental Pension Fund</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 6,897	\$ 6,118	\$ 5,381	\$ 5,364	\$ 5,222
Contributions in relation to the contractually required contribution	<u>6,897</u>	<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>	<u>\$ -</u>
Cleveland County's covered-employee payroll	\$ 59,346	\$ 57,374	\$ 53,328	\$ 71,130	\$ 69,732
Contributions as a percentage of covered-employee payroll	11.62%	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, 2018**

**Law Enforcement Officers' Special Separation Allowance**

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 2,470,182	\$ 2,454,014
Service Cost	113,259	118,880
Interest on the total pension liability	92,071	85,238
Differences between expected and actual experience in the measurement of the total pension liability	62,677	-
Changes of assumptions or other inputs	156,674	(55,151)
Benefit payments	<u>(169,854)</u>	<u>(132,799)</u>
Ending balance of the total pension liability	<u>\$ 2,725,009</u>	<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, 2018**

**Law Enforcement Officers' Special Separation Allowance**

	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 2,725,009	\$ 2,470,182
Covered payroll	4,621,958	4,568,949
Total pension liability as a percentage of covered payroll	58.96%	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.

## CLEVELAND COUNTY, NORTH CAROLINA

### SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS REQUIRED SUPPLEMENTARY INFORMATION FOR YEAR ENDED JUNE 30, 2018

<b>Total OPEB Liability</b>	<b><u>2018</u></b>
Service Cost	\$ 744,068
Interest	495,401
Changes of benefit terms	-
Differences between expected and actual experience	482,688
Changes of assumptions	(917,780)
Benefit payments	<u>(1,347,122)</u>
<b>Net change in total OPEB liability</b>	<b>(542,745)</b>
<b>Total OPEB liability - beginning</b>	<b><u>17,127,067</u></b>
<b>Total OPEB liability - ending</b>	<b><u><u>\$ 16,584,322</u></u></b>

#### Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<b><u>Fiscal year</u></b>	<b><u>Rate</u></b>
2018	3.56%

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

## **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.

CLEVELAND COUNTY, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2018</u>		<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
		<u>Variance</u>	
		<u>Over/Under</u>	
<b>Revenues:</b>			
<b>Ad Valorem Taxes:</b>			
Taxes - General Fund		\$ 48,027,435	\$ 47,672,024
Taxes - public schools		11,809,024	11,656,585
Penalties, interest, and advertising		385,825	394,574
Total	<u>60,372,691</u>	<u>60,222,284</u>	<u>59,723,183</u>
<b>Other Taxes:</b>			
Local option sales tax		11,838,174	10,925,664
Local option sales tax - schools		3,803,439	3,734,243
1/2 cent sales tax - schools		-	-
Other taxes		826,841	704,840
Total	<u>15,654,164</u>	<u>16,468,454</u>	<u>15,364,747</u>
<b>Unrestricted Intergovernmental Revenues:</b>			
Foundation Debt Pymt		-	-
Local revenue		122,392	378,557
Total	<u>11,000</u>	<u>122,392</u>	<u>378,557</u>
<b>Restricted Intergovernmental Revenues:</b>			
Federal and State grants		921,841	1,004,810
DSS grants		11,327,707	15,199,442
Health dept grants		9,392,652	7,237,860
Total	<u>26,216,952</u>	<u>21,642,200</u>	<u>23,442,112</u>
<b>Permits and Fees:</b>			
Register of Deeds		460,070	446,088
Carolina health care rent		3,041,253	3,038,868
Partners Behavioral Health		143,392	143,393
Other permits and fees		1,050,470	874,497
Total	<u>4,406,742</u>	<u>4,695,185</u>	<u>4,502,846</u>
<b>Sales and Services:</b>			
Rents - Legrand		684,588	696,277
EMS fees		2,141,465	1,547,955
Sherriff fees		294,139	320,761
Shooting complex fees		226,392	167,738
Health department fees		881,053	734,035
Ambulance fees		721,822	656,251
Court facility fees		147,024	160,149
Insurance fees		1,042,144	629,664
Wellness center fees		95,193	99,091
Other County fees		803,975	644,757
Total	<u>7,137,810</u>	<u>7,037,795</u>	<u>5,656,678</u>

CLEVELAND COUNTY, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2018</u>		<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
<b>Investment Earnings</b>	253,000	629,461	376,461
<b>Miscellaneous:</b>			
Sale of materials		418,799	28,441
Other		532,234	629,248
Total	629,968	951,033	657,689
Total revenues	114,682,327	111,768,804	(2,913,523)
<b>Expenditures:</b>			
<b>General Government:</b>			
<b>Governing Body:</b>			
Salaries and employee benefits		137,731	116,757
Operating expenditures		237,451	257,425
Total	371,017	375,182	(4,165)
<b>Administration:</b>			
Salaries and employee benefits		574,490	596,570
Operating expenditures		151,520	145,441
Capital outlay		550	-
Total	780,271	726,560	53,711
<b>Elections:</b>			
Salaries and employee benefits		233,703	336,499
Operating expenditures		85,917	136,931
Capital outlay		27,101	-
Total	423,709	346,721	76,988
<b>Finance:</b>			
Salaries and employee benefits		918,210	783,671
Operating expenditures		203,838	119,244
Capital outlay		6,244	3,391
Total	1,123,178	1,128,292	(5,114)
<b>Taxes:</b>			
Salaries and employee benefits		1,274,055	1,211,420
Operating expenditures		264,587	139,562
Capital outlay		2,469	17,989
Total	1,614,620	1,541,111	73,509



CLEVELAND COUNTY, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018		2017
	Budget	Actual	Actual
<b>Legal:</b>			
Salaries and employee benefits		98,356	158,004
Contracted services		218,313	86,611
Capital outlay - foreclosure		16,863	30,449
Total	286,868	333,532	275,064
<b>Register of Deeds:</b>			
Salaries and employee benefits		369,969	313,273
Operating expenditures		76,988	37,810
Capital outlay		3,178	12,742
Total	548,213	450,135	363,825
<b>Human Resources:</b>			
Salaries and employee benefits		484,082	468,553
Operating expenditures		146,024	104,903
Capital outlay		1,603	-
Total	651,739	631,709	573,456
<b>Facilities Maintenance:</b>			
Salaries and employee benefits		445,389	433,441
Operating expenditures		1,168,088	1,100,739
Capital outlay		41,056	10,232
Total	1,699,657	1,654,533	1,544,412
<b>Janitorial Services:</b>			
Salaries and employee benefits		222,036	-
Operating expenditures		26,842	-
Capital outlay		6,400	-
Total	266,428	255,278	-
<b>Court Facilities:</b>			
Salaries and employee benefits		122,947	113,499
Operating expenditures		270,200	268,818
Total	405,764	393,147	382,317
<b>Information Technology:</b>			
Salaries and employee benefits		727,559	622,075
Operating expenditures		244,714	176,729
Capital outlay		1,281	6,344
Total	964,213	973,554	805,148

CLEVELAND COUNTY, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Municipal Elections:</b>				
Salaries and employee benefits		65,783		-
Operating expenditures		59,789		-
Total	124,966	125,572	(606)	-
<b>Pass-Thru Grants:</b>				
Operating expenditures		355,385		154,423
Capital outlay		-		34,041
Total	557,652	355,385	202,267	188,464
<b>Wellness Clinic:</b>				
Salaries and employee benefits		623,364		618,535
Operating expenditures		520,545		524,949
Capital outlay		-		-
Total	1,233,565	1,143,909	89,656	1,143,484
<b>Communities in Schools:</b>				
Operating expenditures	138,316	138,316	-	148,025
<b>Historic Courthouse:</b>				
Operating expenditures		91,000		91,126
Capital outlay		-		1,396
Total	91,000	91,000	-	92,522
Total general government	11,281,176	10,663,936	617,240	9,381,617
<b>Public Safety:</b>				
<b>Sheriff and Communications:</b>				
Salaries and employee benefits		6,725,617		6,200,577
Operating expenditures		960,861		864,753
Capital outlay		563,856		870,988
Total	8,275,953	8,250,334	25,619	7,936,318
<b>School Resource Officers:</b>				
Salaries and employee benefits		466,522		429,769
Operating expenditures		42,643		28,592
Capital outlay		29,646		31,479
Total	561,033	538,811	22,222	489,840

CLEVELAND COUNTY, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2018</u>		<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
		<u>Variance</u>	
		<u>Over/Under</u>	
<b>Jail:</b>			
Salaries and employee benefits		3,892,539	3,305,634
Operating expenditures		1,263,451	1,170,210
Capital outlay		123,000	-
Total	<u>5,343,251</u>	<u>5,278,990</u>	<u>4,475,844</u>
<b>Emergency Management:</b>			
Salaries and employee benefits		211,150	232,114
Operating expenditures		131,489	87,274
Capital outlay		67,541	99,657
Total	<u>446,099</u>	<u>410,180</u>	<u>419,045</u>
<b>Emergency Communication:</b>			
Salaries and employee benefits		1,108,420	1,066,946
Operating expenditures		21,849	20,761
Capital outlay		6,273	-
Total	<u>1,157,385</u>	<u>1,136,542</u>	<u>1,087,707</u>
<b>Electronic Maintenance:</b>			
Salaries and employee benefits		300,488	288,080
Operating expenditures		141,342	145,386
Capital outlay		4,679	-
Total	<u>460,469</u>	<u>446,509</u>	<u>433,466</u>
<b>Inspections:</b>			
Salaries and employee benefits		318,305	349,072
Operating expenditures		32,179	21,180
Capital outlay		-	24,727
Total	<u>365,034</u>	<u>350,484</u>	<u>394,979</u>
<b>Coroner:</b>			
Salaries and employee benefits		26,146	25,724
Operating expenditures		82,934	96,284
Capital outlay		-	1,106
Total	<u>164,748</u>	<u>109,080</u>	<u>123,114</u>
<b>HAZ-MAT Control:</b>			
Salaries and employee benefits		-	-
Operating expenditures		14,390	12,900
Total	<u>18,602</u>	<u>14,390</u>	<u>12,900</u>

CLEVELAND COUNTY, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018		Variance Over/Under	2017
	Budget	Actual		Actual
<b>Public Shooting Range:</b>				
Salaries and employee benefits		373,177		309,878
Operating expenditures		150,396		124,941
Capital outlay		5,454		1,312
Total	526,939	529,027	(2,088)	436,131
<b>Emergency Medical Services:</b>				
Salaries and employee benefits		5,311,100		4,797,967
Operating expenditures		819,690		851,140
Capital outlay		467,532		509,532
Total	6,477,513	6,598,322	(120,809)	6,158,639
<b>Rescue Squad:</b>				
Operating expenditures	68,135	67,601	534	42,438
<b>Federal/State Forfeited Property:</b>				
Salaries and employee benefits		-		-
Operating expenditures		65,142		47,987
Capital outlay		11,535		30,755
Total	36,701	76,677	(39,976)	78,742
Total public safety	23,901,862	23,806,947	94,915	22,089,163
<b>Environmental Protection:</b>				
<b>Soil and Water Conservation:</b>				
Salaries and employee benefits		87,663		91,047
Operating expenditures		7,664		17,890
Capital outlay		3,070		1,905
Total	110,533	98,397	12,136	110,842
<b>Forestry Service:</b>				
Operating expenditures	93,751	85,916	7,835	61,844
Total environmental protection	204,284	184,313	19,971	172,686

CLEVELAND COUNTY, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2018</u>		<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
		<u>Variance</u>	
		<u>Over/Under</u>	
<b>Economic and Physical Development:</b>			
<b>Planning:</b>			
Salaries and employee benefits		253,615	301,475
Operating expenditures		54,345	54,444
Capital outlay		8,466	-
Total	<u>333,257</u>	<u>316,426</u>	<u>355,919</u>
<b>LeGrand Center:</b>			
Salaries and employee benefits		374,582	337,658
Operating expenditures		764,717	808,152
Capital outlay		19,943	-
Total	<u>1,162,961</u>	<u>1,159,242</u>	<u>1,145,810</u>
<b>Economic Development:</b>			
Salaries and employee benefits		233,024	243,097
Operating expenditures		4,121,500	4,951,444
Capital outlay		269,491	48,141
Total	<u>5,762,384</u>	<u>4,624,015</u>	<u>5,242,682</u>
<b>Cooperative Extension:</b>			
Salaries and employee benefits		290,068	293,303
Operating expenditures		52,065	43,651
Capital outlay		-	1,482
Total	<u>392,193</u>	<u>342,133</u>	<u>338,436</u>
<b>Transportation Admin:</b>			
Operating expenditures		257,410	250,480
Total	<u>252,844</u>	<u>257,410</u>	<u>250,480</u>
Total economic and physical development	<u>7,903,639</u>	<u>6,699,226</u>	<u>7,333,327</u>
<b>Human Services:</b>			
<b>Health:</b>			
<b>General and Administration:</b>			
Salaries and employee benefits		987,630	934,885
Operating expenditures		740,010	803,932
Capital outlay		17,505	51,125
Total	<u>1,936,189</u>	<u>1,745,145</u>	<u>1,789,942</u>

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		2017
	Budget	Actual	Variance Over/Under
			Actual
<b>Public Health:</b>			
Salaries and employee benefits		632,321	569,456
Operating expenditures		357,999	330,397
Total	1,016,972	990,320	26,652
<b>AIDS Grant:</b>			
Salaries and employee benefits		70,974	68,026
Operating expenditures		655	749
Total	71,633	71,629	4
<b>Tuberculosis Clinic:</b>			
Salaries and employee benefits		175,162	165,688
Operating expenditures		34,067	33,454
Total	213,139	209,229	3,910
<b>School Health:</b>			
Salaries and employee benefits		1,382,760	1,256,200
Operating expenditures		49,012	46,016
Total	1,458,456	1,431,772	26,684
<b>Health Promotions:</b>			
Salaries and employee benefits		52,718	46,153
Operating expenditures		10,425	9,468
Total	67,697	63,143	4,554
<b>Maternal Health:</b>			
Salaries and employee benefits		1,316,583	1,325,237
Operating expenditures		60,298	57,459
Total	1,448,202	1,376,881	71,321
<b>Family Planning:</b>			
Salaries and employee benefits		660,052	664,045
Operating expenditures		111,542	95,440
Total	845,330	771,594	73,736
<b>Adolescent Pregnancy Prevention:</b>			
Salaries and employee benefits		54,556	50,357
Operating expenditures		19,570	21,329
Total	77,326	74,126	3,200

CLEVELAND COUNTY, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Child Health:</b>				
Salaries and employee benefits		582,623		514,973
Operating expenditures		23,242		25,407
Total	636,326	605,865	30,461	540,380
<b>WIC:</b>				
Salaries and employee benefits		487,101		404,987
Operating expenditures		77,234		105,171
Total	562,370	564,335	(1,965)	510,158
<b>Animal/Rabies Control:</b>				
Salaries and employee benefits		630,016		593,549
Operating expenditures		307,691		199,869
Capital outlay		42,851		109,231
Total	1,056,319	980,558	75,761	902,649
<b>Health Department Grants:</b>				
Salaries and employee benefits		118,274		111,027
Operating expenditures		23,421		34,550
Total	141,575	141,695	(120)	145,577
<b>Dental Clinic:</b>				
Salaries and employee benefits		245,295		238,857
Operating expenditures		60,750		75,480
Total	352,935	306,045	46,890	314,337
<b>Nurse Family Partnerships:</b>				
Salaries and employee benefits		374,613		358,462
Operating expenditures		56,851		53,664
Capital outlay		11,169		-
Total	485,083	442,633	42,450	412,126
<b>Carolina Access II:</b>				
Salaries and employee benefits		1,706,777		1,770,330
Operating expenditures		306,684		325,470
Total	2,414,698	2,013,461	401,237	2,095,800

CLEVELAND COUNTY, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>CC4C PCM:</b>				
Salaries and employee benefits		513,700		467,546
Operating expenditures		25,070		26,425
Total	601,739	538,770	62,969	493,971
<b>CODAP:</b>				
Salaries and employee benefits		161,132		201,615
Operating expenditures		120,611		109,895
Total	384,043	281,743	102,300	311,510
<b>Environmental Health:</b>				
Salaries and employee benefits		708,644		116,303
Operating expenditures		90,340		54,240
Total	833,980	798,984	34,996	170,543
<b>Veteran Services:</b>				
Salaries and employee benefits		91,534		83,629
Operating expenditures		4,600		5,492
Total	97,236	96,134	1,102	89,121
Total public health	14,701,248	13,504,062	1,197,186	12,515,588
<b>Social Services:</b>				
<b>Mental Health:</b>				
Operating expenditures		626,037		469,777
Total	1,336,358	626,037	710,321	469,777
<b>Administration:</b>				
Salaries and employee benefits		1,225,252		1,179,388
Operating expenditures		565,376		566,940
Capital outlay		75,159		110,714
Total	2,120,955	1,865,787	255,168	1,857,042
<b>Smart Start:</b>				
Operating expenditures		1,980,553		4,093,864
Total	4,863,045	1,980,553	2,882,492	4,093,864
<b>TANF Program:</b>				
Salaries and benefits		5,063,482		4,807,390
County participation only		540,191		540,458
Total	5,738,825	5,603,673	-	5,347,848



CLEVELAND COUNTY, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2018</u>		<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
		<u>Variance</u>	
		<u>Over/Under</u>	
<b>Income Maintenance Program:</b>			
Salaries and employee benefits		5,043,318	4,852,330
Operating expenditures		170,281	166,526
Total	5,526,931	5,213,599	5,018,856
<b>Special Assistance:</b>			
Special assistance	56,174	56,418	53,647
<b>Foster Care:</b>			
Salaries and employee benefits		1,183,400	1,148,243
Operating expenditures		5,026	4,782
Total	1,289,845	1,188,426	1,153,025
<b>Smart Start:</b>			
Salaries and employee benefits		105,638	99,752
Total	105,519	105,638	99,752
<b>Other Assistance:</b>			
Operating expenditures	5,322,110	2,693,684	4,096,614
Total social services	26,359,762	19,333,815	22,190,425
<b>Council on Aging:</b>			
Operating expenditures	488,326	187,035	211,510
Total human services	41,549,336	33,024,912	34,917,523
<b>Cultural and Recreational:</b>			
<b>Library:</b>			
Salaries and employee benefits		817,871	790,018
Operating expenditures		349,478	325,882
Capital outlay		17,322	10,914
Total	1,298,001	1,184,671	1,126,814
<b>Parks and Recreation:</b>			
Operating expenditures		113,105	107,797
Total	119,554	113,105	107,797
Total cultural and recreational	1,417,555	1,297,776	1,234,611

CLEVELAND COUNTY, NORTH CAROLINA

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2018</u>		<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
			<u>Actual</u>
<b>Intergovernmental:</b>			
Education:			
Public schools - current expense		26,151,071	24,999,012
Public schools - operational expense		107,295	89,708
Public schools - capital expense		3,100,000	2,850,000
Community colleges - capital expense		<u>2,051,799</u>	<u>2,038,315</u>
Total education	<u>31,436,918</u>	<u>31,410,165</u>	<u>26,753</u> <u>29,977,035</u>
<b>Debt Service:</b>			
Capital lease principal		74,448	117,045
Capital lease interest		-	<u>154</u>
Total debt service	<u>129,117</u>	<u>74,448</u>	<u>54,669</u> <u>117,199</u>
<b>Risk Management:</b>			
Operating expenditures	<u>1,637,951</u>	<u>928,395</u>	<u>709,556</u> <u>616,847</u>
Total	<u>1,637,951</u>	<u>928,395</u>	<u>709,556</u> <u>616,847</u>
Contingency	<u>293,085</u>	<u>-</u>	<u>293,085</u> <u>-</u>
Total expenditures	<u>119,754,923</u>	<u>108,090,118</u>	<u>11,529,653</u> <u>105,840,008</u>
Revenues over (under) expenditures	<u>(5,072,596)</u>	<u>3,678,686</u>	<u>8,751,282</u> <u>4,370,151</u>
<b>Other Financing Sources (Uses):</b>			
Capital Lease financing issued	-	26,440	26,440 425,145
Transfers in	2,050,335	1,972,948	11,783,296 13,833,631
Transfers out	(5,290,645)	(4,409,547)	(12,210,370) (17,501,015)
Appropriated fund balance	<u>8,312,906</u>	<u>-</u>	<u>(8,312,906)</u> <u>-</u>
Total other financing sources (uses)	<u>5,072,596</u>	<u>(2,410,159)</u>	<u>(7,482,755)</u> <u>(3,242,239)</u>
Net changes in fund balance	<u>\$ -</u>	<u>1,268,527</u>	<u>\$ 1,268,527</u> <u>1,127,912</u>

CLEVELAND COUNTY, NORTH CAROLINA

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
	<u>Actual</u>	<u>Actual</u>
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>		
Reconciling items:		
Long term note receivable	<u>(18,352)</u>	<u>(18,352)</u>
Change in fund balance	<u>1,250,175</u>	<u>1,109,560</u>
<b>Fund Balance:</b>		
Beginning of year - July 1	<u>39,620,247</u>	<u>38,510,687</u>
End of year - June 30	<u>\$ 40,870,422</u>	<u>\$ 39,620,247</u>

## **Major Capital Project Funds**

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

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

## 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, 2018

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental	\$ -	\$ 31,538	\$ -	\$ 31,538
Investment earnings	-	-	45,923	45,923
Total revenues	-	31,538	45,923	77,461
<b>Expenditures:</b>				
Capital outlay:				
Economic development	16,733,791	147,064	10,224,075	10,371,139
Total expenditures	16,733,791	147,064	10,224,075	10,371,139
Revenues over (under) expenditures	(16,733,791)	(115,526)	(10,178,152)	(10,293,678)
<b>Other Financing Sources (Uses):</b>				
Installment financing issued	-	19,975,833	-	19,975,833
Transfers out:				
To Capital Projects	(3,094,978)	-	(1,562,083)	(1,562,083)
Appropriated fund balance	19,828,769	-	-	-
Total other financing sources (uses)	16,733,791	19,975,833	(1,562,083)	18,413,750
Net change in fund balance	\$ -	\$ 19,860,307	(11,740,235)	\$ 8,120,072
<b>Fund Balance:</b>				
Beginning of year - July 1			19,860,307	
End of year - June 30			\$ 8,120,072	

## 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, 2018  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017

	2018		Variance Over/Under	2017
	Budget	Actual		Actual
<b>Revenues:</b>				
Restricted intergovernmental	\$ 1,600,000	\$ 1,289,303	\$ (310,697)	\$ 1,093,478
Unrestricted intergovernmental	3,159,058	3,523,818	364,760	3,264,424
Investment earnings	-	77,999	77,999	35,362
Total revenues	<u>4,759,058</u>	<u>4,891,120</u>	<u>132,062</u>	<u>4,393,264</u>
Revenues over (under) expenditures	<u>4,759,058</u>	<u>4,891,120</u>	<u>132,062</u>	<u>4,393,264</u>
<b>Other Financing Sources (Uses):</b>				
Transfers to:				
General Fund	(2,760,072)	(1,450,000)	(1,310,072)	(1,450,000)
Debt Service Fund	<u>(1,998,986)</u>	<u>(3,306,715)</u>	<u>1,307,729</u>	<u>(1,959,474)</u>
Total other financing sources (uses)	<u>(4,759,058)</u>	<u>(4,756,715)</u>	<u>(2,343)</u>	<u>(3,409,474)</u>
Net change in fund balance	<u>\$ -</u>	134,405	<u>\$ 134,405</u>	983,790
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>7,777,800</u>		<u>6,794,010</u>
End of year - June 30		<u>\$ 7,912,205</u>		<u>\$ 7,777,800</u>

## Nonmajor Governmental Funds

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

- **Emergency Telephone Systems Fund (E-911)** – accounts for the funds received for the operation of the County’s Emergency 911 Communications Center.
- **Fire Districts Fund** – accounts for the property tax revenue received and used to fund County fire operations.

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

- **North Shelby School Capital Project Fund** – accounts for installment proceeds and used to fund the construction of a new County school.
- **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.
- **Economic Development Capital Project Fund** – accounts for the demolition and site preparation for the County owned Doran Mills property.
- **Pinnacle Turn Lane Capital Project Fund** – accounts for the progress and construction of an additional turn lane and Pinnacle Classical Academy.
- **Jail Consolidation Capital Project Fund** – accounts for the progress and construction of a new jail facility to consolidate the County’s existing two jails.
- **Enterprise Resource Planning Capital Project Fund** – accounts for the purchase, design, and implementation of County-wide ERP Software.

## CLEVELAND COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018

	<b>Nonmajor Governmental Funds</b>			
	<b>Special Revenue Fund</b>	<b>Capital Project Fund</b>	<b>Debt Service Fund</b>	<b>Totals June 30, 2018</b>
<b>Assets:</b>				
Cash and investments	\$ 1,401,596	\$ 1,764,423	\$ 1,200,000	\$ 4,366,019
Accounts receivable, net	279,317	1,161,523	-	1,440,840
Taxes receivable, net	80,209	-	-	80,209
Prepaid items	71,930	-	-	71,930
Restricted cash	-	1,447,218	-	1,447,218
Total assets	<u>\$ 1,833,052</u>	<u>\$ 4,373,164</u>	<u>\$ 1,200,000</u>	<u>\$ 7,406,216</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	627	892,707	-	893,334
Due to other funds	-	495,061	-	495,061
Total liabilities	<u>627</u>	<u>1,387,768</u>	<u>-</u>	<u>1,388,395</u>
<b>Deferred Inflows of Resources:</b>				
Taxes receivable	80,209	-	-	80,209
Prepaid taxes	3,880	-	-	3,880
Total deferred inflows of resources	<u>84,089</u>	<u>-</u>	<u>-</u>	<u>84,089</u>
<b>Fund Balances:</b>				
Non-spendable:				
Prepays	71,930	-	-	71,930
Restricted				
Stabilization for State statute	279,317	1,161,523	-	1,440,840
Restricted, all other	1,397,089	1,042,934	-	2,440,023
Committed	-	15,731	-	15,731
Assigned	-	1,681,403	1,200,000	2,881,403
Unassigned	-	(916,195)	-	(916,195)
Total fund balances	<u>1,748,336</u>	<u>2,985,396</u>	<u>1,200,000</u>	<u>5,933,732</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,833,052</u>	<u>\$ 4,373,164</u>	<u>\$ 1,200,000</u>	<u>\$ 7,406,216</u>



## CLEVELAND COUNTY, NORTH CAROLINA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Nonmajor Governmental Funds</b>			
	<b>Special Revenue Funds</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Totals June 30, 2018</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 3,080,449	\$ -	\$ -	\$ 3,080,449
Other taxes and licenses	1,283,303	150,000	-	1,433,303
Restricted intergovernmental revenues	-	1,158,632	1,088,296	2,246,928
Investment earnings	19,336	67,122	-	86,458
Miscellaneous	-	153,323	-	153,323
Total revenues	<u>4,383,088</u>	<u>1,529,077</u>	<u>1,088,296</u>	<u>7,000,461</u>
<b>Expenditures:</b>				
Current:				
General government	-	2,307,659	-	2,307,659
Public safety	4,117,401	29,850	-	4,147,251
Economic and physical development	-	1,504,841	-	1,504,841
Debt service:				
Principal repayments	-	-	5,355,089	5,355,089
Interest	-	-	2,502,268	2,502,268
Total expenditures	<u>4,117,401</u>	<u>13,999,731</u>	<u>7,857,357</u>	<u>25,974,489</u>
Revenues over (under) expenditures	<u>265,687</u>	<u>(12,470,654)</u>	<u>(6,769,061)</u>	<u>(18,974,028)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from:				
General Fund		1,683,758	2,724,746	4,408,504
Capital Reserve Fund	-	1,680,860	-	1,680,860
School Capital Reserve Fund	-	-	3,306,715	3,306,715
Reimbursement Resolution	-	824,483	737,600	1,562,083
Transfers to:				
General Fund	(6,570)	-	-	(6,570)
County General Capital Projects Fund	-	(1,680,860)	-	(1,680,860)
Total other financing sources (uses)	<u>(6,570)</u>	<u>2,508,241</u>	<u>6,769,061</u>	<u>9,270,732</u>
Net change in fund balances	259,117	(9,962,413)	-	(9,703,296)
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>1,489,219</u>	<u>12,947,809</u>	<u>1,200,000</u>	<u>15,637,028</u>
End of year - June 30	<u>\$ 1,748,336</u>	<u>\$ 2,985,396</u>	<u>\$ 1,200,000</u>	<u>\$ 5,933,732</u>

## CLEVELAND COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2018

	<u>Nonmajor Special Revenue Funds</u>		
	<u>Emergency Telephone System Fund (E-911)</u>	<u>Fire Districts Fund</u>	<u>Totals June 30, 2018</u>
<b>Assets:</b>			
Cash and investments	\$ 1,242,061	\$ 159,535	\$ 1,401,596
Accounts receivable, net	32,461	246,856	279,317
Taxes receivable, net	-	80,209	80,209
Prepaid items	8,625	63,305	71,930
Total assets	<u>\$ 1,283,147</u>	<u>\$ 549,905</u>	<u>\$ 1,833,052</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 467	\$ 160	\$ 627
Total liabilities	<u>467</u>	<u>160</u>	<u>627</u>
<b>Deferred Inflows of Resources:</b>			
Taxes receivable	-	80,209	80,209
Prepaid taxes	-	3,880	3,880
Total deferred inflows of resources	<u>-</u>	<u>84,089</u>	<u>84,089</u>
<b>Fund Balances:</b>			
Non-spendable:			
Prepays	8,625	63,305	71,930
Restricted:			
Stabilization for State statute	32,461	246,856	279,317
Restricted, all other	1,241,594	155,495	1,397,089
Total fund balances	<u>1,282,680</u>	<u>465,656</u>	<u>1,748,336</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,283,147</u>	<u>\$ 549,905</u>	<u>\$ 1,833,052</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, 2018**

	<u>Nonmajor Special Revenue Funds</u>		
	<b>Emergency Telephone System Fund (E-911)</b>	<b>Fire Districts Fund</b>	<b>Totals June 30, 2018</b>
<b>Revenues:</b>			
Ad valorem taxes	\$ -	\$ 3,080,449	\$ 3,080,449
Other taxes and licenses	421,383	861,920	1,283,303
Investment earnings	<u>12,977</u>	<u>6,359</u>	<u>19,336</u>
Total revenues	<u>434,360</u>	<u>3,948,728</u>	<u>4,383,088</u>
<b>Expenditures:</b>			
Current:			
Public safety	<u>174,503</u>	<u>3,942,898</u>	<u>4,117,401</u>
Total expenditures	<u>174,503</u>	<u>3,942,898</u>	<u>4,117,401</u>
Revenues over (under) expenditures	<u>259,857</u>	<u>5,830</u>	<u>265,687</u>
<b>Other Financing Sources (Uses):</b>			
Transfers from (to):			
General Fund	<u>(6,570)</u>	<u>-</u>	<u>(6,570)</u>
Total other financing sources (uses)	<u>(6,570)</u>	<u>-</u>	<u>(6,570)</u>
Net change in fund balances	253,287	5,830	259,117
<b>Fund Balances:</b>			
Beginning of year - July 1	<u>1,029,393</u>	<u>459,826</u>	<u>1,489,219</u>
End of year - June 30	<u>\$ 1,282,680</u>	<u>\$ 465,656</u>	<u>\$ 1,748,336</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, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
User fees	\$ 391,230	\$ 421,383	\$ 30,153	\$ 350,417
Investment income	-	12,977	12,977	4,156
Total revenues	<u>391,230</u>	<u>434,360</u>	<u>43,130</u>	<u>354,573</u>
<b>Expenditures:</b>				
Public safety:				
Operations	263,608	174,503	89,105	175,123
Capital expenditures	117,072	-	117,072	17,904
Total expenditures	<u>380,680</u>	<u>174,503</u>	<u>206,177</u>	<u>193,027</u>
Revenues over (under) expenditures	<u>10,550</u>	<u>259,857</u>	<u>249,307</u>	<u>161,546</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out:				
To General Fund	(85,000)	(7,613)	77,387	(75,360)
Transfers in:				
From General Fund	-	1,043	1,043	8,519
Appropriated fund balance	74,450	-	(74,450)	-
Total other financing sources (uses)	<u>(10,550)</u>	<u>(6,570)</u>	<u>3,980</u>	<u>(66,841)</u>
Net change in fund balance	<u>\$ -</u>	<u>253,287</u>	<u>\$ 253,287</u>	<u>94,705</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>1,029,393</u>		<u>934,688</u>
End of year - June 30		<u>\$ 1,282,680</u>		<u>\$ 1,029,393</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, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Ad valorem taxes	\$ 3,140,763	\$ 3,080,449	\$ (60,314)	\$ 1,651,321
Unrestricted intergovernmental	602,757	861,920	259,163	454,571
Investment income	10,000	6,359	(3,641)	9,966
Total revenues	<u>3,753,520</u>	<u>3,948,728</u>	<u>195,208</u>	<u>2,115,858</u>
<b>Expenditures:</b>				
Capital outlay:				
Public safety	<u>3,949,356</u>	<u>3,942,898</u>	<u>6,458</u>	<u>2,609,402</u>
Total expenditures	<u>3,949,356</u>	<u>3,942,898</u>	<u>6,458</u>	<u>2,609,402</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	<u>195,836</u>	-	(195,836)	-
Total other financing sources (uses)	<u>195,836</u>	-	<u>(195,836)</u>	-
Revenues over (under) expenditures	<u>\$ -</u>	5,830	<u>\$ 5,830</u>	(493,544)
<b>Fund Balance:</b>				
Beginning of year, July 1		<u>459,826</u>		<u>953,370</u>
End of year, June 30		<u>\$ 465,656</u>		<u>\$ 459,826</u>

CLEVELAND COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL CAPITAL PROJECT FUNDS  
JUNE 30, 2018

	<b>Nonmajor Capital Project Funds</b>					
	<b>North Shelby School Capital Project Fund</b>	<b>General Capital Project Fund</b>	<b>Public Shooting Range Capital Project Fund</b>	<b>Foothills Commerce Center - West Shelby Capital Project Fund</b>	<b>Capital Reserve Fund</b>	<b>Kings Mountain Gate Way Trail - Phase 5 Capital Project Fund</b>
<b>Assets:</b>						
Cash and investments	\$ -	\$ 26,441	\$ 15,731	\$ -	\$ 1,681,403	\$ -
Accounts receivable, net	237,078	51	-	-	8,250	-
Restricted cash	1,447,218	-	-	-	-	-
Total assets	<u>\$ 1,684,296</u>	<u>\$ 26,492</u>	<u>\$ 15,731</u>	<u>\$ -</u>	<u>\$ 1,689,653</u>	<u>\$ -</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 404,284	\$ 26,492	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>404,284</u>	<u>26,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>						
Restricted						
Stabilization for State statute	237,078	51	-	-	8,250	-
Restricted, all other	1,042,934	-	-	-	-	-
Committed	-	-	15,731	-	-	-
Assigned	-	-	-	-	1,681,403	-
Unassigned	-	(51)	-	-	-	-
Total fund balances	<u>1,280,012</u>	<u>-</u>	<u>15,731</u>	<u>-</u>	<u>1,689,653</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,684,296</u>	<u>\$ 26,492</u>	<u>\$ 15,731</u>	<u>\$ -</u>	<u>\$ 1,689,653</u>	<u>\$ -</u>

CLEVELAND COUNTY, NORTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL CAPITAL PROJECT FUNDS  
JUNE 30, 2018

	<u>Nonmajor Capital Project Funds</u>					
	<u>Washburn Switch Road Capital Project Fund</u>	<u>Economic Development Capital Project Fund</u>	<u>Pinnacle Turn Lane Capital Project Fund</u>	<u>Jail Consolidation Capital Project Fund</u>	<u>Enterprise Resource Planning Capital Project Fund</u>	<u>Totals June 30, 2018</u>
<b>Assets:</b>						
Cash and investments	\$ -	\$ 35,871	\$ -	\$ -	\$ 4,977	\$ 1,764,423
Accounts receivable, net	670,140	-	246,004	-	-	1,161,523
Restricted cash	-	-	-	-	-	1,447,218
Total assets	<u>\$ 670,140</u>	<u>\$ 35,871</u>	<u>\$ 246,004</u>	<u>\$ -</u>	<u>\$ 4,977</u>	<u>\$ 4,373,164</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 421,083	\$ 35,871	\$ -	\$ -	\$ 4,977	\$ 892,707
Due to other funds	249,057	-	246,004	-	-	495,061
Total liabilities	<u>670,140</u>	<u>35,871</u>	<u>246,004</u>	<u>-</u>	<u>4,977</u>	<u>1,387,768</u>
<b>Fund Balances:</b>						
Restricted						
Stabilization for State statute	670,140	-	246,004	-	-	1,161,523
Restricted, all other	-	-	-	-	-	1,042,934
Committed	-	-	-	-	-	15,731
Assigned	-	-	-	-	-	1,681,403
Unassigned	(670,140)	-	(246,004)	-	-	(916,195)
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,985,396</u>
Total liabilities and fund balances	<u>\$ 670,140</u>	<u>\$ 35,871</u>	<u>\$ 246,004</u>	<u>\$ -</u>	<u>\$ 4,977</u>	<u>\$ 4,373,164</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, 2018

	<u>Nonmajor Capital Projects Fund</u>					
	<u>North Shelby School Capital Project Fund</u>	<u>General Capital Project 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>	<u>Kings Mountain Gate Way Trail - Phase 5 Capital Project Fund</u>
<b>Revenues:</b>						
Restricted intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted intergovernmental revenues	-	150,000	-	-	-	-
Investment earnings	66,175	-	-	-	947	-
Miscellaneous	-	-	-	-	144,909	-
Total revenues	<u>66,175</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>145,856</u>	<u>-</u>
<b>Expenditures:</b>						
Current:						
General government	-	1,850,321	-	-	-	-
Public safety	-	-	-	-	-	-
Economic and physical development	-	-	-	-	-	500
Education	<u>10,157,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>10,157,381</u>	<u>1,850,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500</u>
Revenues over (under) expenditures	<u>(10,091,206)</u>	<u>(1,700,321)</u>	<u>-</u>	<u>-</u>	<u>145,856</u>	<u>(500)</u>
<b>Other Financing Sources (Uses):</b>						
Transfers from:						
General Fund	-	19,461	-	-	1,663,797	500
Capital Reserve Fund	-	1,680,860	-	-	-	-
Reimbursement Resolution CRF	-	-	-	-	-	-
Transfers to:						
County General Capital Projects Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,680,860)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>1,700,321</u>	<u>-</u>	<u>-</u>	<u>(17,063)</u>	<u>500</u>
Net change in fund balances	<u>(10,091,206)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,793</u>	<u>-</u>
<b>Fund Balances:</b>						
Beginning of year - July 1	<u>11,371,218</u>	<u>-</u>	<u>15,731</u>	<u>-</u>	<u>1,560,860</u>	<u>-</u>
End of year - June 30	<u>\$ 1,280,012</u>	<u>\$ -</u>	<u>\$ 15,731</u>	<u>\$ -</u>	<u>\$ 1,689,653</u>	<u>\$ -</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, 2018

	<u>Nonmajor Capital Projects Fund</u>					
	<u>Washburn Switch Road Capital Project Fund</u>	<u>Economic Development Capital Project Fund</u>	<u>Pinnacle Turn Lane Capital Project Fund</u>	<u>Jail Consolidation Capital Project Fund</u>	<u>Enterprise Resource Planning Capital Project Fund</u>	<u>Totals June 30, 2018</u>
<b>Revenues:</b>						
Restricted intergovernmental revenues	\$ 962,703	\$ -	\$ 195,929	\$ -	\$ -	\$ 1,158,632
Unrestricted intergovernmental revenues	-	-	-	-	-	150,000
Investment earnings	-	-	-	-	-	67,122
Miscellaneous	-	-	8,414	-	-	153,323
Total revenues	<u>962,703</u>	<u>-</u>	<u>204,343</u>	<u>-</u>	<u>-</u>	<u>1,529,077</u>
<b>Expenditures:</b>						
Current:						
General government	-	-	-	-	457,338	2,307,659
Public safety	-	-	-	29,850	-	29,850
Economic and physical development	1,200,162	99,836	204,343	-	-	1,504,841
Education	-	-	-	-	-	10,157,381
Total expenditures	<u>1,200,162</u>	<u>99,836</u>	<u>204,343</u>	<u>29,850</u>	<u>457,338</u>	<u>13,999,731</u>
Revenues over (under) expenditures	<u>(237,459)</u>	<u>(99,836)</u>	<u>-</u>	<u>(29,850)</u>	<u>(457,338)</u>	<u>(12,470,654)</u>
<b>Other Financing Sources (Uses):</b>						
Transfers from:						
General Fund	-	-	-	-	-	1,683,758
Capital Reserve Fund	-	-	-	-	-	1,680,860
Reimbursement Resolution CRF	237,459	99,836	-	29,850	457,338	824,483
Transfers to:						
County General Capital Projects Fund	-	-	-	-	-	(1,680,860)
Total other financing sources (uses)	<u>237,459</u>	<u>99,836</u>	<u>-</u>	<u>29,850</u>	<u>457,338</u>	<u>2,508,241</u>
Net change in fund balances	-	-	-	-	-	(9,962,413)
<b>Fund Balances:</b>						
Beginning of year - July 1	-	-	-	-	-	12,947,809
End of year - June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,985,396</u>

## 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, 2018**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 28,168	\$ 66,175	\$ 94,343
Total revenues	-	28,168	66,175	94,343
<b>Expenditures:</b>				
Capital outlay:				
Education	13,402,334	2,031,117	10,157,381	12,188,498
Total expenditures	13,402,334	2,031,117	10,157,381	12,188,498
Revenues over (under) expenditures	(13,402,334)	(2,002,949)	(10,091,206)	(12,094,155)
<b>Other Financing Sources (Uses):</b>				
Installment Proceeds	13,402,334	13,374,167	-	13,374,167
Total other financing sources (uses)	13,402,334	13,374,167	-	13,374,167
Net change in fund balance	\$ -	\$ 11,371,218	(10,091,206)	\$ 1,280,012
<b>Fund Balance:</b>				
Beginning of year - July 1			11,371,218	
End of year - June 30			\$ 1,280,012	

## 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, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	<u>2018</u>			<u>2017</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>	<u>Actual</u>
<b>Revenues:</b>				
Unrestricted intergovernmental	\$ 150,000	\$ 150,000	\$ -	\$ -
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
Capital outlay:				
General government	<u>3,018,683</u>	<u>1,850,321</u>	<u>1,168,362</u>	<u>1,686,189</u>
Total expenditures	<u>3,018,683</u>	<u>1,850,321</u>	<u>1,168,362</u>	<u>1,686,189</u>
Revenues over (under) expenditures	<u>(2,868,683)</u>	<u>(1,700,321)</u>	<u>(1,168,362)</u>	<u>(1,686,189)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	36,478	19,461	55,939	45,000
From Reimbursement Resolution	330,600	-	330,600	-
From Capital Reserve Fund	2,453,430	1,680,860	772,570	1,641,189
Appropriated fund balance	<u>48,175</u>	<u>-</u>	<u>48,175</u>	<u>-</u>
Total other financing sources (uses)	<u>2,868,683</u>	<u>1,700,321</u>	<u>1,207,284</u>	<u>1,686,189</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>-</u>		
End of year - June 30		<u>\$ -</u>		

## CLEVELAND COUNTY, NORTH CAROLINA

**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, 2018**

	<b>Project</b>	<b>Actual</b>		
	<b>Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 2,667,038	\$ 2,667,039	\$ -	\$ 2,667,039
Total revenues	<u>2,667,038</u>	<u>2,667,039</u>	<u>-</u>	<u>2,667,039</u>
<b>Expenditures:</b>				
Capital outlay:				
Economic development	<u>4,485,621</u>	<u>3,847,261</u>	<u>-</u>	<u>3,847,261</u>
Total expenditures	<u>4,485,621</u>	<u>3,847,261</u>	<u>-</u>	<u>3,847,261</u>
Revenues over (under) expenditures	<u>(1,818,583)</u>	<u>(1,180,222)</u>	<u>-</u>	<u>(1,180,222)</u>
<b>Other Financing Sources (Uses):</b>				
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>\$ 15,731</u>	<u>-</u>	<u>\$ 15,731</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>15,731</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, 2018**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Local revenue	\$ -	\$ 375,367	\$ -	\$ 375,367
Total revenues	-	375,367	-	375,367
<b>Expenditures:</b>				
Capital outlay:				
Economic development	3,166,848	2,181,927	-	2,181,927
Total expenditures	3,166,848	2,181,927	-	2,181,927
Revenues over (under) expenditures	(3,166,848)	(1,806,560)	-	(1,806,560)
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From Capital Reserve Fund	3,338,281	1,977,993	-	1,977,993
Transfers out:				
To Capital Reserve Fund	(171,433)	(171,433)	-	(171,433)
Total other financing sources (uses)	3,166,848	1,806,560	-	1,806,560
Net change in fund balance	\$ -	\$ -	-	\$ -
<b>Fund Balance:</b>				
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, 2018

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

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Local revenues	\$ 100,000	\$ 144,909	\$ 44,909	\$ 3,700
Investment income	-	947	947	1,842
Total revenues	<u>100,000</u>	<u>145,856</u>	<u>45,856</u>	<u>5,542</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from:				
General Fund	2,775,012	1,663,797	(1,111,215)	2,455,990
Transfers to:				
Capital Projects Funds	(3,010,744)	(1,680,860)	1,329,884	(1,648,689)
Appropriated fund balance	<u>135,732</u>	<u>-</u>	<u>(135,732)</u>	<u>-</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>(17,063)</u>	<u>82,937</u>	<u>807,301</u>
Net change in fund balance	<u>\$ -</u>	<u>128,793</u>	<u>\$ 128,793</u>	<u>812,843</u>
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>1,560,860</u>		<u>748,017</u>
End of year - June 30		<u>\$ 1,689,653</u>		<u>\$ 1,560,860</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, 2018**

	<b>Project</b>		<b>Actual</b>	
	<u>Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 36,500	\$ -	\$ -	\$ -
Total revenues	<u>36,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
Capital outlay:				
Economic Development	38,000	4,115	500	4,615
Total expenditures	<u>38,000</u>	<u>4,115</u>	<u>500</u>	<u>4,615</u>
Revenues over (under) expenditures	<u>(1,500)</u>	<u>(4,115)</u>	<u>(500)</u>	<u>(4,615)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	1,500	4,115	500	4,615
Total other financing sources (uses)	<u>1,500</u>	<u>4,115</u>	<u>500</u>	<u>4,615</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

## CLEVELAND COUNTY, NORTH CAROLINA

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, 2018

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
<b>Revenues:</b>				
Restricted intergovernmental	\$ 3,903,887	\$ -	\$ 962,703	\$ 962,703
Total revenues	<u>3,903,887</u>	<u>-</u>	<u>962,703</u>	<u>962,703</u>
<b>Expenditures:</b>				
Capital outlay:				
Economic development	<u>3,903,887</u>	<u>-</u>	<u>1,200,162</u>	<u>1,200,162</u>
Total expenditures	<u>3,903,887</u>	<u>-</u>	<u>1,200,162</u>	<u>1,200,162</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(237,459)</u>	<u>(237,459)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From Reimbursement Resolution	<u>-</u>	<u>-</u>	<u>237,459</u>	<u>237,459</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>237,459</u>	<u>237,459</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	



**CLEVELAND COUNTY, NORTH CAROLINA**

**ECONOMIC DEVELOPMENT CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018**

	Project	Actual		
	Authorization	Prior Years	Current Year	Total to Date
<b>Expenditures:</b>				
Capital outlay:				
Economic Development	714,378	-	99,836	99,836
Total expenditures	714,378	-	99,836	99,836
Revenues over (under) expenditures	(714,378)	-	(99,836)	(99,836)
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From Reimbursement Resolution	714,378	-	99,836	99,836
Total other financing sources (uses)	714,378	-	99,836	99,836
Net change in fund balance	\$ -	\$ -	-	\$ -
<b>Fund Balance:</b>				
Beginning of year - July 1			-	
End of year - June 30			\$ -	

**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, 2018**

	<b>Project</b>	<b>Actual</b>		
	<b>Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Revenues:</b>				
Restricted intergovernmental	\$ 350,000	\$ 202,937	\$ 195,929	\$ 398,866
Local Revenues	58,455	-	8,414	8,414
Total revenues	<u>408,455</u>	<u>202,937</u>	<u>204,343</u>	<u>407,280</u>
<b>Expenditures:</b>				
Capital outlay:				
Economic development	<u>408,455</u>	<u>202,937</u>	<u>204,343</u>	<u>407,280</u>
Total expenditures	<u>408,455</u>	<u>202,937</u>	<u>204,343</u>	<u>407,280</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

**CLEVELAND COUNTY, NORTH CAROLINA**

**JAIL CONSOLIDAITON CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Project</b>	<b>Actual</b>		
	<b>Authorization</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total to Date</b>
<b>Expenditures:</b>				
Capital outlay:				
Public Safety	\$ 50,000	\$ -	\$ 29,850	\$ 29,850
Total expenditures	<u>50,000</u>	<u>-</u>	<u>29,850</u>	<u>29,850</u>
Revenues over (under) expenditures	<u>(50,000)</u>	<u>-</u>	<u>(29,850)</u>	<u>(29,850)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From Reimbursement Resolution	50,000	-	29,850	29,850
Total other financing sources (uses)	<u>50,000</u>	<u>-</u>	<u>29,850</u>	<u>29,850</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

**CLEVELAND COUNTY, NORTH CAROLINA**

**ENTERPRISE RESOURCE PLANNING SOFTWARE CAPITAL PROJECT FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Project Authorization</u>	<u>Actual</u>		
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
<b>Expenditures:</b>				
Capital outlay:				
General Government	\$ 2,000,000	\$ -	\$ 457,338	\$ 457,338
Total expenditures	<u>2,000,000</u>	<u>-</u>	<u>457,338</u>	<u>457,338</u>
Revenues over (under) expenditures	<u>(2,000,000)</u>	<u>-</u>	<u>(457,338)</u>	<u>(457,338)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From Reimbursement Resolution	<u>2,000,000</u>	<u>-</u>	<u>457,338</u>	<u>457,338</u>
Total other financing sources (uses)	<u>2,000,000</u>	<u>-</u>	<u>457,338</u>	<u>457,338</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>-</u>	
End of year - June 30			<u>\$ -</u>	

## **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.

## 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, 2018

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

	2018		Variance Over/Under	2017
	Budget	Actual		Actual
<b>Revenues:</b>				
Restricted intergovernmental	\$ 1,267,600	\$ 1,088,296	\$ (179,304)	\$ 870,935
Total revenues	<u>1,267,600</u>	<u>1,088,296</u>	<u>(179,304)</u>	<u>870,935</u>
<b>Expenditures:</b>				
Debt service:				
Principal repayments	5,527,197	5,355,089	172,108	3,226,613
Interest and fees	2,502,454	2,502,268	186	1,536,502
Total expenditures	<u>8,029,651</u>	<u>7,857,357</u>	<u>172,294</u>	<u>4,763,115</u>
Revenues over (under) expenditures	<u>(6,762,051)</u>	<u>(6,769,061)</u>	<u>(7,010)</u>	<u>(3,892,180)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in:				
From General Fund	3,477,993	2,724,746	(753,247)	2,679,120
From Reimbursement Resolution	-	737,600	737,600	-
From School Capital Reserve Fund	3,284,058	3,306,715	22,657	1,959,474
Total other financing sources (uses)	<u>6,762,051</u>	<u>6,769,061</u>	<u>7,010</u>	<u>4,638,594</u>
Net change in fund balance	\$ -	-	\$ -	746,414
<b>Fund Balance:</b>				
Beginning of year - July 1		<u>1,200,000</u>		<u>453,586</u>
End of year - June 30		<u>\$ 1,200,000</u>		<u>\$ 1,200,000</u>

## **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.

## CLEVELAND COUNTY, NORTH CAROLINA

**SOLID WASTE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2017**

	2018			2017
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Fees for service	\$ 6,639,577	\$ 7,305,117	\$ 665,540	\$ 5,996,327
Non-operating revenues:				
Other taxes and fees	687,640	644,313	(43,327)	702,514
Sale of capital asset	-	-	-	9,324
Interest income	-	26,814	26,814	31,524
Total revenues	<u>7,327,217</u>	<u>7,976,244</u>	<u>649,027</u>	<u>6,739,689</u>
<b>Expenditures:</b>				
Salaries and employee benefits	2,228,037	2,084,789	143,248	2,595,080
Other operating expenditures	3,646,776	2,901,362	745,414	2,610,555
Capital outlay	1,054,389	917,229	137,160	824,363
Total expenditures	<u>6,929,202</u>	<u>5,903,380</u>	<u>1,025,822</u>	<u>6,029,998</u>
Revenue over (under) expenditures	<u>398,015</u>	<u>2,072,864</u>	<u>(376,795)</u>	<u>709,691</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(515,335)	(778,794)	(263,459)	(4,765,152)
Appropriated retained earnings	117,320	-	(117,320)	-
Total other financing sources (uses)	<u>(398,015)</u>	<u>(778,794)</u>	<u>(380,779)</u>	<u>(4,765,152)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>1,294,070</u>	<u>\$ 1,294,070</u>	<u>\$ (4,055,461)</u>

**Reconciliation of Modified Accrual Basis to Full Accrual Basis:**

Reconciling items:

Decrease in deferred outflows of resources - OPEB	66,004
Increase in deferred inflows of resources -OPEB	(39,937)
Increase in OPEB liability	(40,219)
Capital outlay, capitalized	917,229
Transfer to Solid Waste Cell Capital Project	263,459
Change in accrued vacation	35,166
Proceeds from sale of capital asset	(2,402)
Post-closure care costs	(2,199,229)
Increase in deferred outflows of resources - pensions	(169,436)
Increase in net pension liability	157,968
Decrease in deferred inflows of resources - pensions	7,032
Depreciation	<u>(744,951)</u>
Total reconciling items	<u>(1,749,316)</u>
Change in net position	<u>\$ (455,246)</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, 2018**

	Project Authorization	Actual			Total to Date
		Prior Years	Current Year	Closed Out Project	
<b>Expenditures:</b>					
Engineering and administration	\$ 325,000	\$ 156,100	\$ -	\$ (156,100)	\$ -
Construction	<u>7,312,007</u>	<u>5,019,933</u>	<u>263,459</u>	<u>(5,283,392)</u>	<u>-</u>
Total expenditures	<u>7,637,007</u>	<u>5,176,033</u>	<u>263,459</u>	<u>(5,439,492)</u>	<u>-</u>
Revenues over (under) expenditures	<u>(7,637,007)</u>	<u>(5,176,033)</u>	<u>(263,459)</u>	<u>5,439,492</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in:					
From Solid Waste Fund	<u>7,637,007</u>	<u>5,176,033</u>	<u>263,459</u>	<u>(5,439,492)</u>	<u>-</u>
Total other financing sources (uses)	<u>7,637,007</u>	<u>5,176,033</u>	<u>263,459</u>	<u>(5,439,492)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ -</u>		

## 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.

## CLEVELAND COUNTY, NORTH CAROLINA

AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN POSITION AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Fines and Forfeitures Fund:</b>				
<b>Assets:</b>				
Intergovernmental receivable	\$ -	\$ 625,520	\$ (625,520)	\$ -
<b>Liabilities:</b>				
Intergovernmental payable	\$ -	\$ 625,520	\$ (625,520)	\$ -
<b>Inmate Fund:</b>				
<b>Assets:</b>				
Cash	\$ 9,081	\$ 620,570	\$ (616,671)	\$ 12,980
<b>Liabilities:</b>				
Intergovernmental payable	\$ 12,817	\$ 620,570	\$ (616,671)	\$ 12,980
<b>Property Tax Fund:</b>				
<b>Assets:</b>				
Cash	\$ 207,631	\$ -	\$ (4,877)	\$ 202,754
Accounts receivable	627,850	53,274	-	681,124
Total assets	<u>835,481</u>	<u>53,274</u>	<u>(4,877)</u>	<u>883,878</u>
<b>Liabilities:</b>				
Intergovernmental payable	\$ 835,481	\$ 53,274	\$ (4,877)	\$ 883,878
<b>Rescue Squad Fund:</b>				
<b>Assets:</b>				
Cash	\$ 4,225	\$ 51	\$ -	\$ 4,276
<b>Liabilities:</b>				
Intergovernmental payable	\$ 4,225	\$ 51	\$ -	\$ 4,276
<b>Social Services Fund:</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 67,551	\$ 454,524	\$ (433,886)	\$ 88,189
<b>Liabilities:</b>				
Intergovernmental payable	\$ 67,551	\$ 454,524	\$ (433,886)	\$ 88,189
<b>Totals - All Agency Funds:</b>				
<b>Assets:</b>				
Cash	\$ 288,488	\$ 1,075,145	\$ (1,055,434)	\$ 308,199
Account receivable	627,850	678,794	(625,520)	681,124
Totals - All Agency Funds:	<u>\$ 916,338</u>	<u>\$ 1,753,939</u>	<u>\$ (1,680,954)</u>	<u>\$ 989,323</u>
<b>Liabilities:</b>				
Intergovernmental payable	\$ 916,338	\$ 1,753,939	\$ (1,680,954)	\$ 989,323

## **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, 2018.

## CLEVELAND COUNTY, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND  
JUNE 30, 2018

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2017</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2018</u>
2017-2018	\$ -	\$ 61,020,486	\$ 60,059,273	\$ 961,213
2016-2017	872,829	-	520,901	351,928
2015-2016	374,394	-	136,811	237,583
2014-2015	251,397	-	58,914	192,483
2013-2014	186,120	-	32,246	153,874
2012-2013	160,431	-	23,818	136,613
2011-2012	112,334	-	13,540	98,794
2010-2011	101,799	-	8,343	93,456
2009-2010	94,034	-	5,622	88,412
2008-2009	88,497	-	3,731	84,766
2007-2008	89,051	-	89,051	-
Total	<u>\$ 2,330,886</u>	<u>\$ 61,020,486</u>	<u>\$ 60,952,250</u>	<u>2,399,122</u>
Less: allowance for uncollectible accounts: General Fund				<u>(701,775)</u>
Ad valorem taxes receivable net: General Fund				<u>\$ 1,697,347</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 60,222,284
Reconciling items:				
Interest				(385,825)
Adjustments and abatements				317,324
Other miscellaneous adjustments				(120,600)
Incentivized paybacks				830,016
Amounts written off per Statute of Limitations				<u>89,051</u>
Total collections and credits				<u>\$ 60,952,250</u>

## CLEVELAND COUNTY, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2018

	County-Wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 7,666,458,750	0.72	\$ 55,198,503	\$ 49,875,884	\$ 5,322,619
Total	<u>7,666,458,750</u>		<u>55,198,503</u>	<u>49,875,884</u>	<u>5,322,619</u>
<b>Discoveries:</b>					
Current year taxes	852,681,528	0.72	6,139,307	6,139,307	-
Total	<u>852,681,528</u>		<u>6,139,307</u>	<u>6,139,307</u>	<u>-</u>
<b>Abatements</b>	<u>(44,072,778)</u>	0.72	<u>(317,324)</u>	<u>(317,324)</u>	<u>-</u>
Total property valuation	<u>\$ 8,475,067,500</u>				
<b>Net Levy</b>			61,020,486	55,697,867	5,322,619
Uncollected taxes at June 30, 2018			<u>(961,213)</u>	<u>(961,213)</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 60,059,273</u>	<u>\$ 54,736,654</u>	<u>\$ 5,322,619</u>
<b>Current Levy Collection Percentage</b>			<u>98.42%</u>	<u>98.27%</u>	<u>100.00%</u>

## **Statistical Section**

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

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

### **Financial Trends**

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

### **Revenue Capacity**

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

### **Debt Capacity**

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

### **Demographic and Economic Information**

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

### **Operating Information**

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

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

	<b>Fiscal Year</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Governmental activities				
Net investment in capital assets	\$ 86,285,668	\$ 73,352,330	\$ 85,694,014	\$ 112,383,657
Restricted	11,130,562	13,033,908	39,629,067	20,948,015
Unrestricted	<u>28,955,215</u>	<u>40,521,330</u>	<u>474,766</u>	<u>232,842</u>
Total governmental activities	<u>\$ 126,371,445</u>	<u>\$ 126,907,568</u>	<u>\$ 125,797,847</u>	<u>\$ 133,564,514</u>
Business-type activities				
Net investment in capital assets	\$ 13,483,249	\$ 13,200,191	\$ 15,039,747	\$ 16,169,340
Unrestricted	<u>93,057</u>	<u>1,130,529</u>	<u>(2,389,745)</u>	<u>(4,302,149)</u>
Total business-type activities	<u>\$ 13,576,306</u>	<u>\$ 14,330,720</u>	<u>\$ 12,650,002</u>	<u>\$ 11,867,191</u>
Primary government				
Net investment in capital assets	\$ 99,768,917	\$ 86,552,521	\$ 100,733,761	\$ 128,552,997
Restricted	11,130,562	13,033,908	39,629,067	20,948,015
Unrestricted	<u>29,048,272</u>	<u>41,651,859</u>	<u>(1,914,979)</u>	<u>(4,069,307)</u>
Total primary government net position	<u>\$ 139,947,751</u>	<u>\$ 141,238,288</u>	<u>\$ 138,447,849</u>	<u>\$ 145,431,705</u>



<b>Fiscal Year</b>					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 53,300,808	\$ 85,821,431	\$ 96,884,891	\$ 103,435,523	\$ 82,890,909	\$ 84,463,578
23,947,192	14,779,333	14,935,402	18,719,625	29,407,653	21,675,433
<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>(3,987,849)</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>	<u>\$ 102,151,162</u>
\$ 16,390,005	\$ 16,036,546	\$ 16,448,095	\$ 17,184,372	\$ 22,236,046	\$ 22,669,381
<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>(11,369,752)</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>	<u>\$ 11,299,629</u>
\$ 69,690,813	\$ 101,857,977	\$ 113,332,986	\$ 120,619,895	\$ 105,126,955	\$ 107,132,959
23,947,192	14,779,333	14,935,402	18,719,625	29,407,653	21,675,433
<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>(15,357,601)</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>	<u>\$ 113,450,791</u>

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

	Fiscal Year					Fiscal Year				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
General government	\$ 9,133,792	\$ 9,067,110	\$ 6,758,722	\$ 8,691,798	\$ 9,360,189	\$ 10,940,284	\$ 9,192,572	\$ 11,020,393	\$ 11,852,530	\$ 13,385,504
Public safety	20,436,483	21,698,159	23,237,692	24,789,003	23,647,499	22,277,558	23,023,383	25,934,833	25,546,272	29,382,033
Human services	39,264,800	33,914,103	36,593,375	35,480,842	36,533,683	39,910,173	37,343,610	38,328,743	36,826,648	34,213,345
Education	26,670,648	25,446,822	26,348,019	26,031,948	26,506,854	26,785,459	28,527,582	30,170,441	30,252,460	32,706,674
Economic and physical development	3,042,821	2,348,461	3,882,363	2,780,339	6,394,017	3,825,642	4,887,922	5,553,981	8,076,066	17,169,078
Cultural and recreation	1,272,016	1,103,213	1,016,592	1,212,620	1,474,692	2,015,097	698,756	1,673,852	688,520	1,761,508
Interest on long term debt	697,162	643,989	2,283,810	2,209,258	2,110,131	1,494,721	1,791,022	1,904,752	1,741,975	2,411,379
Total governmental activities	<u>100,517,722</u>	<u>94,221,857</u>	<u>100,120,573</u>	<u>101,195,808</u>	<u>106,027,065</u>	<u>107,248,934</u>	<u>105,464,847</u>	<u>114,586,995</u>	<u>114,984,471</u>	<u>131,029,521</u>
Business-type activities:										
Landfill	8,267,583	3,613,290	8,640,661	5,789,166	10,243,838	5,145,318	4,679,344	4,862,707	5,927,192	7,916,155
Conference center	-	-	-	216,822	593,350	-	-	-	-	-
Total business-type activities	<u>8,267,583</u>	<u>3,613,290</u>	<u>8,640,661</u>	<u>6,005,988</u>	<u>10,837,188</u>	<u>5,145,318</u>	<u>4,679,344</u>	<u>4,862,707</u>	<u>5,927,192</u>	<u>7,916,155</u>
Total primary government expenses	<u>\$ 108,785,305</u>	<u>\$ 97,835,147</u>	<u>\$ 108,761,234</u>	<u>\$ 106,984,974</u>	<u>\$ 116,270,903</u>	<u>\$ 112,394,252</u>	<u>\$ 110,144,191</u>	<u>\$ 119,449,702</u>	<u>\$ 120,911,663</u>	<u>\$ 138,945,676</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services:										
General government	\$ 2,298,111	\$ 2,415,181	\$ 2,283,008	\$ 2,395,705	\$ 2,303,786	\$ 2,634,580	\$ 3,164,697	\$ 3,537,614	\$ 3,592,173	\$ 3,854,639
Public safety	5,097,275	5,134,699	5,486,734	5,899,901	5,355,364	2,625,778	2,264,490	2,334,725	2,004,684	2,582,628
Human services	4,845,865	5,175,178	5,470,082	7,050,168	6,441,109	11,883	-	-	3,817,502	3,950,570
Education	10,099,061	10,170,228	10,150,261	10,608,208	11,226,358	-	-	-	-	-
Economic and physical development	43,401	65,717	48,357	38,150	28,732	4,000,223	3,939,136	5,340,699	370,675	226,392
Cultural and recreation	49,164	43,813	57,589	98,075	79,739	-	-	-	-	-
Operating grants and contributions:										
General government	1,193,492	1,272,324	1,084,642	1,000,766	1,728,852	3,889,131	3,058,427	2,284,872	1,351,849	1,917,858
Public safety	1,993,543	1,076,840	682,837	2,216,861	1,484,910	305,039	369,245	155,891	355,316	258,388
Human services	18,102,895	18,147,393	18,590,542	18,363,979	16,980,332	17,987,419	20,024,711	20,176,304	17,834,543	19,695,707
Education	49,187	81,802	3,214,965	-	363,456	-	-	1,231,021	-	-
Economic and physical development	1,421,994	-	559,339	1,840,163	1,850,639	739,658	107,025	-	-	-
Cultural and recreation	225,228	263,787	799,086	1,120,349	1,313,303	-	-	-	184,000	33,000
Capital grants and contributions:										
General government	62,691	73,898	33,680	14,141	47,223	1,044,258	450,760	40,542	-	-
Public safety	123,190	-	26,271	67,461	252,730	59,411	298,438	183,461	-	1,088,296
Human services	364,626	601,747	5,020	-	3,492	3,663,827	4,311,346	4,140,732	4,351,935	1,679,551
Education	5,235,930	2,806,456	2,907,522	3,947,837	8,269,925	1,462,777	1,595,639	1,593,900	1,093,478	1,289,305
Economic and physical development	-	-	404,846	1,268,978	76,272	1,008,897	-	2,063,691	1,670,321	1,167,046
Cultural and recreation	1,024,268	450,000	-	1,146,979	29,518	-	-	-	-	-
Total governmental activities program revenues	<u>52,229,921</u>	<u>47,779,063</u>	<u>51,804,781</u>	<u>57,077,721</u>	<u>57,835,740</u>	<u>39,432,881</u>	<u>39,583,914</u>	<u>43,083,452</u>	<u>36,626,476</u>	<u>37,743,380</u>
Business-type activities:										
Charges for services	4,682,719	4,392,221	4,990,003	5,545,109	5,058,476	5,998,475	5,976,341	5,746,746	5,996,327	7,305,117
Operating grants and contributions	360,124	288,119	2,261,812	2,239,632	393,444	54,445	108,734	-	-	-
Capital grants and contributions	-	8,500	-	-	-	-	-	3,700	-	-
Total business-type activities program revenues	<u>5,042,843</u>	<u>4,688,840</u>	<u>7,251,815</u>	<u>7,784,741</u>	<u>5,451,920</u>	<u>6,052,920</u>	<u>6,085,075</u>	<u>5,750,446</u>	<u>5,996,327</u>	<u>7,305,117</u>
Total primary government program revenues	<u>\$ 57,272,764</u>	<u>\$ 52,467,903</u>	<u>\$ 59,056,596</u>	<u>\$ 64,862,462</u>	<u>\$ 63,287,660</u>	<u>\$ 45,485,801</u>	<u>\$ 45,668,989</u>	<u>\$ 48,833,898</u>	<u>\$ 42,622,803</u>	<u>\$ 45,048,497</u>

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

	Fiscal Year					Fiscal Year				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (48,287,801)	\$ (46,442,794)	\$ (48,315,792)	\$ (44,118,087)	\$ (48,191,325)	\$ (67,816,053)	\$ (65,880,933)	\$ (71,503,543)	\$ (78,357,995)	\$ (93,286,141)
Business-type activities	(3,224,740)	1,075,550	(1,388,846)	1,778,753	(5,385,268)	907,602	1,405,731	887,739	69,135	(611,038)
Total primary government net (expense)/revenue	\$ (49,704,638)	\$ (49,704,638)	\$ (49,704,638)	\$ (42,339,334)	\$ (53,576,593)	\$ (66,908,451)	\$ (64,475,202)	\$ (70,615,804)	\$ (78,288,860)	\$ (93,897,179)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 38,618,389	\$ 38,289,687	\$ 38,645,416	\$ 40,301,804	\$ 42,960,964	\$ 60,502,800	\$ 59,587,494	\$ 60,047,655	\$ 61,266,854	\$ 63,398,807
Local option sales tax	9,694,634	7,429,274	7,405,889	8,077,072	8,211,061	12,625,637	17,202,034	17,561,662	19,434,159	21,425,575
Other taxes and licenses	348,147	378,380	426,626	461,395	455,306	-	-	-	360,205	122,392
Grants and contributions not restricted	-	-	190,000	380,000	38,000	-	-	-	-	-
Investment earnings	1,103,612	546,517	202,215	100,740	89,033	110,873	188,580	278,703	595,379	839,841
Miscellaneous	-	-	-	-	-	-	-	-	568,882	687,665
Special item:										
Gain/(loss) on sale of capital asset	-	-	-	-	(41,270,640)	-	-	-	-	-
Transfers	228,936	335,059	335,925	2,563,743	(565,944)	104,481	125,966	432,320	-	515,335
Total governmental activities:	49,993,718	46,978,917	47,206,071	51,884,754	9,917,780	73,343,791	77,104,074	78,320,340	82,225,479	86,989,615
Business-type activities:										
Investment earnings	160,189	14,553	44,053	2,179	1,251	328	1,004	13,557	31,524	26,814
Miscellaneous	-	-	-	-	-	-	515,482	652,263	711,838	644,313
Transfers	(228,396)	(335,059)	(335,925)	(2,563,743)	565,944	(104,481)	(125,967)	(432,320)	-	(515,335)
Total business-type activities	(68,207)	(320,506)	(291,872)	(2,561,564)	567,195	(104,153)	390,519	233,500	743,362	155,792
Total primary government	\$ 49,925,511	\$ 46,658,411	\$ 46,914,199	\$ 49,323,190	\$ 10,484,975	\$ 73,239,638	\$ 77,494,593	\$ 78,553,840	\$ 82,968,841	\$ 87,145,407
<b>Change in Net Position</b>										
Governmental activities	\$ 1,705,917	\$ 536,123	\$ (1,109,721)	\$ 7,766,667	\$ (38,273,545)	\$ 5,527,738	\$ 11,223,141	\$ 6,816,797	\$ 3,867,484	\$ (6,296,526)
Business-type activities	(3,292,947)	755,044	(1,680,718)	(782,811)	(4,818,073)	803,449	1,796,250	1,121,239	812,497	(455,246)
Total primary government	\$ (1,587,030)	\$ 1,291,167	\$ (2,790,439)	\$ 6,983,856	\$ (43,091,618)	\$ 6,331,187	\$ 13,019,391	\$ 7,938,036	\$ 4,679,981	\$ (6,751,772)

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

	<b>Fiscal Year</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>General Fund</b>				
Non-spendable:				
Inventories	\$ 100,954	\$ 86,552	\$ 133,331	\$ 91,497
Long-Term receivable	-	-	-	-
Prepaid items	196,854	143,292	152,370	173,487
Restricted:				
Stabilization for State statute	7,439,069	7,527,242	8,412,576	11,388,787
Register of Deeds	-	-	-	-
Restricted, all other	-	-	171,642	257,522
Committed:				
Construction	-	-	-	-
Other	-	-	-	-
Assigned for subsequent year's expenditures	4,583,510	4,740,153	4,437,361	5,596,601
Assigned all other	1,150,866	807,155	2,650,117	2,270,530
Unassigned:	<u>11,250,395</u>	<u>10,291,084</u>	<u>6,324,242</u>	<u>5,285,290</u>
Total General Fund	<u>\$ 24,721,648</u>	<u>\$ 23,595,478</u>	<u>\$ 22,281,639</u>	<u>\$ 25,063,714</u>
<b>All Other Governmental Funds</b>				
Non-spendable:				
Prepaid items	\$ -	\$ -	\$ 4,016	\$ 1,080
Restricted:				
Stabilization for State statute	1,211,037	1,238,853	22,964,923	22,674,006
Restricted, all other	-	-	-	(454,660)
Committed:				
Special revenue and debt service funds	568,852	641,730	465,966	-
Capital project funds	-	-	-	-
Assigned all other:	-	-	-	-
Unassigned:	<u>18,359,798</u>	<u>19,385,068</u>	<u>13,383,369</u>	<u>(643,370)</u>
Total all other governmental funds	<u>20,139,687</u>	<u>21,265,651</u>	<u>36,818,274</u>	<u>21,577,056</u>
Total fund balances	<u>\$ 44,861,335</u>	<u>\$ 44,861,129</u>	<u>\$ 59,099,913</u>	<u>\$ 46,640,770</u>

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

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 111,774	\$ 104,177	\$ 144,859	\$ 172,014	\$ 92,666	\$ 106,556
-	-	-	-	91,764	73,412
272,721	221,001	241,229	201,261	880,263	339,516
10,491,699	7,531,900	6,873,561	7,070,633	6,583,257	8,185,106
-	-	-	-	76,671	121,964
1,046,254	705,424	1,202,757	3,114,229	2,432,842	2,465,389
22,000,000	19,015,426	9,257,021	-	-	-
-	-	-	-	15,426	15,426
5,869,570	5,633,347	6,025,000	4,809,895	4,555,046	5,204,151
1,533,164	1,500,000	3,025,000	4,015,426	5,000,000	5,000,000
<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>19,358,902</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>	<u>\$ 40,870,422</u>
\$ 1,207	\$ 5,386	\$ -	\$ 43,573	\$ 10,856	\$ 71,930
1,586,536	1,422,178	1,254,152	1,238,907	1,781,340	3,629,847
(17,125,893)	3,298,716	5,809,555	8,548,950	29,728,948	8,163,221
-	-	15,675	469,261	-	-
-	-	-	499,948	9,832,946	8,135,803
-	-	-	-	2,269,942	2,881,403
<u>(66,517)</u>	<u>(1,979,061)</u>	<u>(126,577)</u>	<u>(901,293)</u>	<u>(348,897)</u>	<u>(916,195)</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>21,966,009</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>	<u>\$ 62,836,431</u>

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

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Revenues</b>					
Taxes:					
Property	\$ 49,505,781	\$ 49,833,593	\$ 49,785,232	\$ 52,089,876	\$ 55,178,746
Sales	13,124,777	10,111,795	10,067,729	10,918,854	11,099,827
Other	970,576	1,016,187	1,071,366	846,979	756,030
Total taxes	<u>63,601,134</u>	<u>60,961,575</u>	<u>60,924,327</u>	<u>63,855,709</u>	<u>67,034,603</u>
Intergovernmental	22,867,190	21,352,565	24,260,241	27,487,280	28,047,476
Permits and fees	906,097	883,785	865,693	943,235	968,754
Sales and services	9,529,871	9,709,237	10,479,805	11,919,725	10,996,680
Investment earnings	1,595,774	875,926	266,555	167,909	172,905
Miscellaneous	1,898,522	750,285	551,634	1,878,708	1,325,632
Total revenues	<u>100,398,588</u>	<u>94,533,373</u>	<u>97,348,255</u>	<u>106,252,566</u>	<u>108,546,050</u>
<b>Expenditures</b>					
General government	8,505,191	8,325,455	8,297,537	8,859,733	9,501,136
Public safety	17,962,171	18,025,869	19,404,100	20,357,264	20,234,641
Human services	36,165,026	33,192,709	33,774,319	33,936,655	34,174,002
Education	21,849,965	21,918,571	21,973,653	22,431,550	23,197,513
Economic and physical development	2,464,437	1,454,212	3,286,202	3,408,258	3,470,060
Culture and recreation	1,097,770	1,121,982	1,164,592	1,128,074	1,178,071
Capital outlay	15,914,825	14,777,085	35,247,572	27,981,472	13,914,677
Debt service:					
Principal	2,888,981	3,250,871	2,847,048	3,435,998	3,412,140
Interest	499,364	643,989	1,711,550	2,255,816	2,158,224
Total expenditures	<u>107,347,730</u>	<u>102,710,743</u>	<u>127,706,573</u>	<u>123,794,820</u>	<u>111,240,464</u>
Revenues over (under) expenditures	<u>(6,949,142)</u>	<u>(8,177,370)</u>	<u>(30,358,318)</u>	<u>(17,542,254)</u>	<u>(2,694,414)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	228,936	335,059	335,925	2,563,743	-
Transfers out	-	-	-	-	(565,944)
Proceeds from capital lease	-	-	-	-	-
Installment financing proceeds	6,720,000	22,081,095	17,563,250	-	52,633
Sale of capital assets	-	-	-	-	23,349,738
Total other financing sources (uses)	<u>6,948,936</u>	<u>22,416,154</u>	<u>17,899,175</u>	<u>2,563,743</u>	<u>22,836,427</u>
Net change in fund balances	<u>\$ (206)</u>	<u>\$ 14,238,784</u>	<u>\$ (12,459,143)</u>	<u>\$ (14,978,511)</u>	<u>\$ 20,142,013</u>
Debt Service / Operating Non-Capital Ratio	3.71%	4.43%	4.93%	5.94%	5.72%

		<b>Fiscal Year</b>							
		<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>			
\$	60,197,991	\$	59,299,996	\$	60,146,105	\$	61,374,504	\$	63,302,733
	11,927,085		17,202,034		17,561,662		19,434,159		21,425,575
	698,552		513,548		-		-		-
	<u>72,823,628</u>		<u>77,015,578</u>		<u>77,707,767</u>		<u>80,808,663</u>		<u>84,728,308</u>
	28,254,914		28,591,587		29,595,682		26,769,053		25,300,823
	4,662,137		4,218,683		4,321,708		4,502,846		4,695,185
	5,450,492		5,808,912		6,243,473		5,656,678		7,037,795
	110,873		188,579		278,704		595,379		839,841
	812,707		910,103		2,346,817		661,389		1,086,004
	<u>112,114,751</u>		<u>116,733,442</u>		<u>120,494,151</u>		<u>118,994,008</u>		<u>123,687,956</u>
	8,786,762		9,331,755		10,675,904		11,067,806		12,971,595
	20,626,911		23,276,410		23,462,335		24,891,592		27,954,198
	33,749,480		33,181,597		36,610,613		32,917,523		33,024,912
	26,785,458		28,404,757		30,170,441		32,008,152		41,567,546
	7,704,794		6,147,272		5,699,333		5,541,505		4,947,724
	1,721,106		1,330,274		1,332,421		1,234,611		1,482,089
	4,545,366		13,393,096		10,530,185		5,742,301		14,408,813
	3,473,237		3,456,376		3,589,291		3,343,658		5,429,537
	1,920,901		1,808,490		1,684,786		1,536,656		2,502,268
	<u>109,314,015</u>		<u>120,330,027</u>		<u>123,755,309</u>		<u>118,283,804</u>		<u>144,288,682</u>
	<u>2,800,736</u>		<u>(3,596,585)</u>		<u>(3,261,158)</u>		<u>710,204</u>		<u>(20,600,726)</u>
	24,865,333		31,866,480		28,979,447		22,626,019		12,931,110
	(24,760,852)		(31,740,513)		(28,547,127)		(22,626,019)		(12,415,775)
	-		-		-		425,145		26,440
	-		-		-		33,350,000		-
	-		-		-		-		-
	<u>104,481</u>		<u>125,967</u>		<u>432,320</u>		<u>33,775,145</u>		<u>541,775</u>
\$	<u>2,905,217</u>	\$	<u>(3,470,618)</u>	\$	<u>(2,828,838)</u>	\$	<u>34,485,349</u>	\$	<u>(20,058,951)</u>
	5.15%		4.92%		4.66%		4.34%		6.11%

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

<b>Fiscal Year</b>	<b>Commercial Real Property</b>	<b>Real Personal Property</b>	<b>Industrial Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate (3)</b>	<b>Estimated Actual Value (4)</b>
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	5,796,898,883	1,725,042,756	705,256,339	8,227,197,978	0.7200	4,866,387,604
2015	5,975,759,540	1,675,189,181	741,430,862	8,392,379,583	0.7200	4,959,896,334
2016 (5)	5,949,760,853	1,464,352,946	813,084,179	8,227,197,978	0.7200	4,862,274,005
2017	4,750,457,635	3,209,409,209	472,393,562	8,432,260,406	0.7200	8,634,057,316
2018	4,787,922,158	3,211,020,704	476,124,638	8,475,067,500	0.7200	9,048,102,044

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.  
 (This ratio only applies to real property. Ratio for 2017 was 0.9628)
  - (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



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

	Fiscal Year				
	2009	2010	2011	2012	2013
Cleveland County	\$ 0.0072	\$ 0.0072	\$ 0.0072	\$ 0.0072	\$ 0.0072
<b>Municipality Rates:</b>					
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
City of Kings Mountain Munciple Service District	0.0024	0.0024	0.0024	0.0024	0.0024
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	0.0015	0.0017	0.0017
City of Shelby	0.0044	0.0044	0.0044	0.0044	0.0044
Uptown Shelby Munciple Revitilization	0.0022	0.0022	0.0022	0.0022	0.0022
Town of Boiling Springs	0.0029	0.0029	0.0029	0.0029	0.0029
Town of Patterson Springs	N/A	N/A	N/A	N/A	N/A
Town of Belwood	N/A	N/A	N/A	N/A	N/A
<b>Fire Districts:</b>					
County Fire	0.0003	0.0003	0.0003	0.0003	0.0003
Fallston Fire	0.0005	0.0005	0.0005	0.0005	0.0005
Lattimore Fire	0.0003	0.0003	0.0003	0.0003	0.0003
Rippy Fire	0.0005	0.0005	0.0005	0.0005	0.0005
<b>Sanitary Water District</b>	0.0002	0.0002	0.0002	0.0002	0.0002

Source: Cleveland County Tax Collector

\*Fallston Fire went in with the main County Fire taxing district in FY 2018.

<b>Fiscal Year</b>				
<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 0.0072	\$ 0.0072	\$ 0.0072	\$ 0.0072	\$ 0.0072
0.0038	0.0039	0.0039	0.0039	0.0039
0.0040	0.0040	0.0040	0.0043	0.0043
0.0024	0.0024	0.0024	0.0027	0.0027
0.0018	0.0022	0.0022	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	0.0020	0.0020	0.0020	0.0020
0.0044	0.0044	0.0044	0.0050	0.0050
0.0022	0.0022	0.0022	0.0025	0.0025
0.0029	0.0032	0.0032	0.0033	0.0037
N/A	N/A	N/A	N/A	0.0015
N/A	N/A	N/A	N/A	N/A
0.0005	0.0005	0.0005	0.0005	0.0009
0.0005	0.0005	0.0005	0.0005	N/A
0.0004	0.0005	0.0005	0.0005	0.0009
0.0005	0.0005	0.0005	0.0005	0.0009
0.0002	0.0002	0.0002	0.0002	0.0002

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

Taxpayer	Type of Business	Fiscal Year 2018			Fiscal Year 2009		
		Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Duke Energy Corporation	Electric Utility	\$ 670,827,811	1	7.6%	\$ 200,383,274	1	3.01%
NTE Energy	Electric Utility	337,050,449	2	3.8%	N/A	N/A	0.00%
Southern Power Company	Electric Utility	234,040,022	3	2.6%	N/A	N/A	0.00%
Clearwater Paper Corporation	Paper products	210,171,867	4	2.4%	N/A	N/A	0.00%
Bell South Telephone Company	Telecommunication	119,068,936	5	1.3%	32,933,853	6	0.50%
Nippon Electric Glass	Fiberglass Manufacturing	110,803,690	6	1.3%	N/A	N/A	0.00%
Wipro Data Center Information Resources	Information Data Center	106,299,370	7	1.2%	N/A	N/A	0.00%
Disney WorldWide Services Inc.	Entertainment	103,816,439	8	1.2%	N/A	N/A	0.00%
Wal-Mart Stores East LP	Warehouse/Retail Store	96,613,140	9	1.1%	88,019,966	3	1.32%
T5 Management @ Kings Mountain	Data Center Storage	93,111,023	10	1.1%	N/A	N/A	0.00%
Totals		\$ <u>2,081,802,747</u>		<u>23.54%</u>	\$ <u>321,337,093</u>		<u>4.83%</u>

Source: Cleveland County Assessor

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

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

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)			Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Uncollected
	Adjustments	Total Adjusted Levy	Amount	Percentage of Original Levy	Amount		Percentage of Adjusted Levy		
2009	\$ 49,317,117	\$ (16,731)	\$ 49,300,386	\$ 46,878,947	95.09%	\$ 2,316,693	\$ 49,195,640	99.79%	\$ 104,746
2010	49,202,687	(34,242)	49,168,445	47,199,319	96.00%	1,847,559	49,046,878	99.75%	121,567
2011	49,471,422	(72,829)	49,398,593	47,595,790	96.35%	1,647,112	49,242,902	99.68%	155,691
2012	51,681,105	(1,463,467)	50,217,638	49,992,054	99.55%	-	49,992,054	99.55%	225,584
2013	55,072,700	(1,247,947)	53,824,753	53,364,782	99.15%	-	53,364,782	99.15%	459,971
2014	58,422,332	(392,434)	58,029,898	56,686,171	97.68%	-	56,686,171	97.68%	1,343,727
2015	58,143,528	(69,534)	58,073,994	57,048,877	98.23%	-	57,048,877	98.23%	1,025,117
2016	59,509,987	(274,162)	59,235,825	58,272,377	98.37%	-	58,272,377	98.37%	963,448
2017	61,013,048	(587,915)	60,425,133	59,552,304	98.56%	-	59,552,304	98.56%	872,829
2018	61,608,401	(587,915)	61,020,486	60,059,273	98.42%	-	60,059,273	98.42%	961,213
									\$ <u>6,417,825</u>

Source: Cleveland County Tax Collector

**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
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	48,849,671	-	715,074
2018	-	13,335,000	44,605,475	-	641,174

**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.

<b>Business-Type Activities</b>			<b>Total Primary Government</b>	<b>Per Capita (1)</b>	<b>Percentage of Personal Income (1)</b>
<b>General Obligation Bonds</b>	<b>Limited Obligation Bonds</b>	<b>Installment Purchases</b>			
\$ -	\$ -	\$ -	\$ 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%
-	-	-	58,581,649	597	1.53%

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Limited Obligation Bonds</b>	<b>Total</b>	<b>Percentage of Personal Income(1)</b>	<b>Percentage of Actual Taxable Value of Property(2)</b>	<b>Per Capita(1)</b>
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
2018	-	13,335,000	13,335,000	0.35%	0.16%	136

**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.

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

	Fiscal Year			
	2009	2010	2011	2012
Assessed Value of Property	\$ 6,657,708,932	\$ 6,645,082,154	\$ 6,676,763,263	\$ 6,988,722,082
Debt Limit, 8% of Assessed Value (Statutory Limitation)	532,616,715	531,606,572	534,141,061	559,097,767
Amount of Debt Applicable to Limit:				
Less: Gross debt	<u>16,968,209</u>	<u>35,798,433</u>	<u>50,534,334</u>	<u>47,098,335</u>
Total net debt applicable to limit	<u>16,968,209</u>	<u>35,798,433</u>	<u>50,534,334</u>	<u>47,098,335</u>
Legal Debt Margin	<u>\$ 515,648,506</u>	<u>\$ 495,808,139</u>	<u>\$ 483,606,727</u>	<u>\$ 511,999,432</u>
Total debt applicable to the limit as a percentage of debt limit	3.19%	6.73%	9.46%	8.42%

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



<b>Fiscal Year</b>						
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$	7,437,493,464	\$ 8,029,709,444	\$ 8,065,832,500	\$ 8,227,197,978	\$ 8,392,379,583	\$ 8,475,067,500
	594,999,477	642,376,756	645,266,600	658,175,838	671,390,367	678,005,400
	<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>58,581,649</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>58,581,649</u>
\$	<u>551,260,648</u>	<u>601,977,833</u>	<u>608,324,051</u>	<u>624,622,580</u>	<u>607,405,622</u>	<u>619,423,751</u>
	7.35%	6.29%	5.73%	5.10%	9.53%	8.64%

Schedule 12  
 Cleveland County  
 Direct and Overlapping Governmental Activities Debt  
 As of June 30, 2018

Governmental Unit	Gross Non-Revenue Bonded Debt	Less Debt Payable from Other entity	Total Non-Revenue Bonded Debt	Percent Applicable to County	Estimated Share of Direct and Overlapping Debt
Total County direct debt	\$ 58,581,649	\$ (34,674,922)	\$ 23,906,727	100%	\$ -
Overlapping:					
Public Schools	13,335,000	13,335,000	-	0%	-
Community College	-	-	-	100%	-
Total overlapping debt	<u>\$ 13,335,000</u>	<u>\$ 13,335,000</u>	<u>\$ -</u>		<u>-</u>
Total direct and overlapping debt					<u>\$ -</u>

**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**

<b>Year</b>	<b>Population(1)</b>	<b>Personal Income (2) (thousands of dollars)</b>	<b>Median Household Income (2)</b>	<b>Public School Enrollment(3)</b>	<b>Unemployment Rate(4)</b>	<b>Number of Commercial Public Food Inspections Performed(5)</b>	<b>Number of Building Inspections Performed(6)</b>
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%	1,185	319
2018	98,074	3,838,028	39,134	14,452	4.30%	1,185	324

**Notes:**

(1) N.C. State Data Center. Estimates are as of the beginning of the fiscal year / Charlotte Regional Partnership Website

(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**

<b>Employer</b>	<b>2018</b>			<b>2009</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment</b>
Cleveland County Board of Education	2354	1	6.00%	2484	1	5.32%
PPG Industries Inc.	1500	2	3.82%	N/A	N/A	N/A
Atrium Health	1200	3	3.06%	N/A	N/A	N/A
Wal-Mart Associates Inc.	977	4	2.49%	743	5	1.59%
Invista Capital Management, LLC	800	5	2.04%	N/A	N/A	N/A
County of Cleveland	592	6	1.51%	522	6	1.12%
Firestone Fibers & Textiles LLC	520	7	1.33%	N/A	N/A	N/A
Reliance Electric Company	450	8	1.15%	N/A	N/A	N/A
Eaton Corporation	400	9	1.02%	N/A	N/A	N/A
Gardner-Webb University	365	10	0.93%	519	7	1.11%

Source: Bureau of Labor Statistics: Quarterly Census of Employment and Wage (QCEW), NC Department of Commerce; Labor & Economic Analysis, Dun & Bradstreet, EMSI

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

<b>Function/Program</b>	<b>Full-Time Equivalent</b>					<b>Employees As of June 30</b>				
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
General government	84	84	84	85	85	85	88	89	92	95
Public safety	235	238	254	271	272	266	279	286	287	288
Environmental protection	36	36	36	36	36	36	36	39	39	38
Economic and physical development	16	16	16	17	17	17	18	18	19	19
Human services	380	373	379	385	386	403	410	417	420	421
Cultural and recreation	16	16	16	16	16	21	23	24	24	25
<b>Total</b>	<b>767</b>	<b>763</b>	<b>785</b>	<b>810</b>	<b>812</b>	<b>828</b>	<b>854</b>	<b>873</b>	<b>881</b>	<b>886</b>

**Source:** Human Resources Department

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

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

Function	Fiscal Year				
	2009	2010	2011	2012	2013
<b><u>General Government</u></b>					
# of registered voters	61,239	61,566	60,376	63,889	61,676
<b><u>Public Safety</u></b>					
# of building permits issued	262	288	293	259	250
# of calls dispatched	67,544	67,153	77,196	90,430	95,502
<b><u>Human Services</u></b>					
# of food & lodging sites inspected	1,428	1,381	1,360	1,321	1,270
# of Health clients served (clinical)	26,228	31,684	23,937	22,370	22,964
<b><u>Economic and Physical Development</u></b>					
Number of major subdivision plan reviews	2	0	0	0	0
<b><u>Cultural and Recreation</u></b>					
Library:					
Book volumes per capita	1.28	1.42	1.44	1.48	1.44
Library income per capita (local)	8.58	9.00	8.49	8.71	8.74
Library income per capita (total)	11.54	12.84	12.08	11.90	11.07
Library visits per capita	1.65	1.69	1.71	1.60	1.70
Turnover rate (circulation per book)	1.78	2.02	2.10	1.46	1.44
<b><u>Education</u></b>					
Total \$ spent per ADM	\$ 1,650	\$ 1,655	\$ 1,680	\$ 1,715	\$ 1,761
<b><u>Enterprise Fund - Landfill</u></b>					
Solid waste generated # tons/day	341	398	417	489	431

**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				
2014	2015	2016	2017	2018
62,000	58,771	61,180	63,435	64,557
275	262	300	319	324
90,588	90,154	95,769	94,568	99,050
1,171	1,192	1,192	1,187	1,185
18,226	18,627	16,796	15,813	16,442
0	0	0	0	0
1.54	1.14	1.19	0.98	1.06
8.64	9.41	9.81	10.41	9.20
10.02	13.27	12.41	12.71	12.33
1.62	1.86	1.86	1.79	2.66
1.51	1.88	1.72	1.77	1.87
\$ 1,736	\$ 1,751	\$ 1,817	\$ 1,903	\$ 1,975
468	477	446	470	495

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

<u>Function</u>	<u>Fiscal Year</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b><u>Public Safety</u></b>					
Sheriff's Department:					
Stations	1	1	1	1	1
Vehicles	117	123	138	128	128
Emergency Medical Services:					
Stations	9	9	9	9	9
Vehicles	29	32	31	29	28
<b><u>Cultural and Recreation</u></b>					
Park acreage	1,433	1,460	1,460	1,461	1,468
Parks	1	1	1	2	2
Libraries	2	2	2	2	2
Total government-wide assets value	\$ 157,463,930	\$ 169,432,071	\$ 203,494,186	\$ 231,646,536	\$ 146,076,511

Source: Various County Departments



Fiscal Year				
2014	2015	2016	2017	2018
1	1	1	1	1
128	154	165	169	160
9	9	9	9	9
30	30	34	34	35
1,468	1,468	1,468	1,468	1,468
2	2	2	2	2
2	2	2	2	2
\$ 147,872,060	\$ 161,888,551	\$ 173,506,273	\$ 182,857,144	\$ 197,967,905

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

Industry NAICS Sector*	2018			2015			2012		
	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	Annual Wages Paid	Annual Average Number of Employees	% Percentage of Total Labor Force or Employed
1. Manufacturing (31)	\$ 349,217,034	6,488	22.46%	\$ 327,077,190	6,283	22.77%	\$ 265,541,240	5,273	20.15%
2. Health Care and Social Assistance (62)	217,290,458	5,042	17.45%	187,401,236	5,050	18.30%	185,147,496	5,228	19.97%
3. Educational Services (61)			0.00%			0.00%			0.00%
4. Retail Trade (44)	109,853,785	4,105	14.21%	104,245,329	3,938	14.27%	95,031,484	3,696	14.12%
5. Transportation and Warehousing (48)	103,400,319	2,563	8.87%	84,977,154	2,283	8.27%	69,732,005	1,985	7.58%
6. Public Administration (92)	77,667,997	2,034	7.04%	73,109,612	2,054	7.44%	71,231,526	1,998	7.63%
7. Construction (23)	81,676,682	1,670	5.78%	57,468,890	1,435	5.20%	45,304,345	1,252	4.78%
8. Administrative and Waste Services (56)	56,587,561	1,922	6.65%	44,895,910	1,786	6.47%	39,883,995	1,892	7.23%
9. Wholesale Trade (42)	43,500,635	1,000	3.46%	40,425,207	971	3.52%	41,416,090	1,126	4.30%
10. Accommodation and Food Services (72)	41,270,703	2,905	10.06%	36,587,195	2,719	9.85%	32,326,076	2,508	9.58%
11. Finance and Insurance (52)	25,478,044	523	1.81%	23,300,166	537	1.95%	26,225,506	645	2.46%
12. Professional and Technical Services (54)	36,250,156	638	2.21%	24,375,184	537	1.95%	21,115,610	572	2.19%
	<u>\$ 1,142,193,374</u>	<u>28,890</u>	<u>100.00%</u>	<u>\$ 1,003,863,073</u>	<u>27,593</u>	<u>100.00%</u>	<u>\$ 892,955,373</u>	<u>26,175</u>	<u>100.00%</u>

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

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

## **COMPLIANCE SECTION**



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 Auditors' Report

To the Board of County Commissioners  
Cleveland County, North Carolina

We have audited, in accordance with the 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Cleveland County, North Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Cleveland County basic financial statements, and have issued our report thereon dated November 29, 2018.

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 the 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 weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency [2018-01].

### Compliance and Other Matters

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

### Cleveland County's Response to Findings

Cleveland County's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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.

*Thompson, Price, Scott, Adams & Co., P.A.*

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Thompson, Price, Scott, Adams & Co., P.A.

Whiteville, NC

November 29, 2018



Alan W. Thompson, CPA  
R. Bryon Scott, CPA  
Gregory S. Adams, CPA

Report On Compliance With Requirements Applicable To Each Major Federal  
Program And Internal Control Over Compliance In Accordance With OMB  
Uniform Guidance and the State Single Audit Implementation Act

Independent Auditors' Report

To the Board of County Commissioners  
Cleveland County, 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 the Cleveland County's major federal programs for the year ended June 30, 2018. Cleveland County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' 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 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, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred with governance. 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, 2018.

## 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 the Cleveland County internal control over compliance with the types of requirements that could have direct and material effect on major federal program to determine the auditing procedures that are appropriate in the circumstance 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, noncompliance 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 noncompliance 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as 2018-02 that we consider to be a significant deficiency.

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

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.

*Thompson, Price, Scott, Adams & Co., P.A.*

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Thompson, Price, Scott, Adams & Co., P.A.  
Whiteville, NC  
November 29, 2018



**CERTIFIED PUBLIC ACCOUNTANTS  
CONSULTANTS AND TAX ADVISORS**

**Report On Compliance With Requirements Applicable To Each Major State  
Program And Internal Control Over Compliance In Accordance With OMB  
Uniform Guidance and the State Single Audit Implementation Act**

**Independent Auditors' Report**

To the Board of County Commissioners  
Cleveland County, 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, 2018. Cleveland County's major state programs are identified in the summary of auditors' 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Cleveland County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and applicable sections of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that with governance. t 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.

**Members**

**American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms**



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, 2018.

### **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 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, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. 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 charges 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Thompson, Price, Scott, Adams & Co., P.A.*

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Thompson, Price, Scott, Adams & Co., P.A.

Whiteville, NC

November 29, 2018



CLEVELAND COUNTY, NORTH CAROLINA  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018

**Section I - Summary of Auditors' Results (continued)**

State Awards

Internal control over major State programs:

- Material weakness(es) identified?                    \_\_\_ yes                     X  no
- Significant deficiency(ies) identified that are  
not considered to be material weaknesses                    \_\_\_ yes                     X  none reported
- Noncompliance material to State awards                    \_\_\_ yes                     X  no

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

Any audit findings disclosed that are required to be  
reported in accordance with the State Single Audit  
Implementation Act                    \_\_\_ yes                     X  no

Identification of major State programs:

Program Name

Medical Assistance Program  
Foster Care and Adoption Cluster  
Public School Building Capital Fund - Lottery Proceeds  
School Nurse Funding Initiative

**Section II - Financial Statement Findings**

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**Finding 2018-01**

**SIGNIFICANT DEFICIENCY**

Criteria: In accordance with North Carolina General Statutes 159.28, if an obligation of the County is evidenced by a contract or agreement requiring the payment of money or by a purchase order for supplies and materials, the contract or purchase order shall include on its face a certificate stating that the instruments has been preaudited to ensure that sufficient funds have been appropriated and available in the current fiscal year to cover the sums obligated by the transaction for the current fiscal year. The preaudit certificate, which shall be signed by the finance officer, shall take substantially the following form: "This instrument has been preaudited in the manner required by the Local Government Fiscal and Control Act. "

Condition: The County did not consistently preaudit purchase order documents that agreed to pay money for supplies and materials. A signature was often present on the purchase orders, but the person signing was not a deputized employee.

Effect: The County was in violation of the statute, which could result in over-spending the current year budget. Purchase orders could be considered a void contract.

Cause: Personnel responsible for purchasing was not aware that the finance officer's signature was required on the purchase orders. Additionally, there was some confusion about the preaudit requirements as far as when it was required per the County's policy, etc.

Recommendation: The finance officer should implement internal control procedures that will educate staff on the requirements of the Local Government Fiscal and Control Act. All preprinted documents that require the preaudit certificate should contain the proper form described in the criteria above. A rubber stamp with the preaudit certificate should be available, if necessary, for the issuers of the documents. The stamp should be kept in custody to prevent unauthorized use.

Views of responsible officials and planned corrective actions: The County agrees with this finding. The preaudit process will be reviewed and policies adopted to strengthen the controls around this process. Please refer to the corrective action plan.

CLEVELAND COUNTY, NORTH CAROLINA

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

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

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**Finding 2018-02**

US Department of Health and Human Service  
Passed through the NC Dept of Health and Human Services  
Program Names: Medical Assistance Program  
CFDA #: 93.778 (Medicaid)

SIGNIFICANT DEFICIENCY  
CONTROL DEFICIENCY

Criteria: Medicaid for Aged, Blind, and Disabled case records should contain documentation supporting the eligibility determination. The auditor should ensure that all information entered into the system was appropriately used to determine eligibility, and re-determine eligibility, in a timely manner.

Condition: Proof of verification of property checks were not present in one file.

Questioned Costs: \$0

Context: There were 96 adult Medicaid files reviewed. One sample item did not contain documentation of the verification with the tax records or the register of deeds for property checks. Even though the verifications were not printed and included in the file, the caseworker pulled up the case in NC Fast to show the auditor information that should have been included in the documentation of proof from the tax records.

Effect: There were no instances where items noted from the review of additional records (not included in the case file) indicated that this case would have been ineligible based on the property check requirement.

Cause: Case review process was ineffective. Adequate documentation was not available in the file to verify proper recertification procedures had been performed.

Recommendation: Files should be reviewed internally to ensure proper documentation is in place to verify eligibility. Workers should have continuous training to update them as to the significance of adequate documentation in each case file.

Views of Responsible officials: This was an oversight. The County has recommended policies in place, and will continue to provide training to employees on the significance of adequate documentation in the case files. Second party reviews will continue to be completed by Medicaid Supervisors/Leads as well as the Quality Assurance Supervisor according to Medicaid policy requirements.

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

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None Reported.



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# Cleveland County

NORTH CAROLINA

Corrective Action Plan  
For the Year Ended June 30, 2018

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## Section II - Financial Statement Findings

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Finding 2018-01

Name of contact person: Shane Fox, Finance Director

Corrective Action: The County will review the preaudit requirements and ensure that appropriate policies are in place to meet the General Statute requirements. Appropriate employees will be notified on these requirements, and signatures of the correct officials will be included on the preaudit clauses in the future.

Proposed completion date: Immediately

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## Section III - Federal Award Findings and Questioned Costs

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Finding 2018-02

Name of contact person: Karen Pritchard, DSS Director

Corrective Action: The County has recommended policies in place, and will continue to provide training to employees on the significance of adequate documentation in the case files. Supervisors and Leads will continue to conduct second party reviews on all Medicaid recertifications/applications according to policy.

Proposed completion date: Immediately

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## Section IV - State Award Findings and Questioned Costs

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None Reported.

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**FINANCE & PURCHASING DEPARTMENT**  
**311 EAST MARION STREET**  
**PO BOX 1210 • SHELBY, NC 28151-1210**

CLEVELAND COUNTY, NORTH CAROLINA  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2018

NONE REPORTED.

**CLEVELAND COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2018**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
<b>Federal Awards:</b>						
<u>U.S. Dept. of Agriculture</u>						
Passed-through the N.C. Dept. of Health and Human Services: Division of Social Services: Administration:						
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 1,144,577	\$ -	\$ -	\$ 1,144,577
Passed-through the N.C. Dept. of Health and Human Services: Division of Public Health: Administration:						
Special Supplemental Nutrition Program for Women, Infants, & Children Total U.S. Department of Agriculture	10.557		528,645	-	-	-
			<u>1,673,222</u>	<u>-</u>	<u>-</u>	<u>1,144,577</u>
<u>U.S. Dept. of Justice</u>						
Edward Byrne Memorial Justice Assistance Grant Program Total U.S. Dept. of Justice	16.738		20,765	-	-	-
			<u>20,765</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>U. S. Department of Homeland Security</u>						
Passed-through N.C. Dept. of Public Safety: Division of Emergency Management:						
Emergency Management Performance Homeland Security Total U. S. Department of Homeland Security	97.042 97.067		53,017	-	-	-
			31,696	-	-	-
			<u>84,713</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Institute of Museum and Library Services</u>						
Passed-through N.C. Dept. of Cultural and Natural Resources Division of State Library						
LSTA Total Institute of Museum and Library Services	45.310		1,549	-	-	-
			<u>1,549</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>U.S. Dept. of Health &amp; Human Services</u>						
Division of Social Services: Temporary Assistance for Needy Families Cluster						
TANF - Work First	93.558		1,622,479	-	-	1,491,566
Division of Public Health						
TANF - Work First Total TANF Cluster	93.558		16,569	-	-	-
			<u>1,639,048</u>	<u>-</u>	<u>-</u>	<u>1,491,566</u>
AFDC Payments & Penalties	93.560		(127)	(35)	-	(35)
<u>Foster Care and Adoption Cluster (Note 4)</u>						
Foster Care - Title IV-E	93.658		1,652,578	328,048	-	868,640
Foster Care	N/A		130,162	-	-	94,113
Adoption Assistance Total Foster Care and Adoption Cluster (Note 4)	93.659		10,657	-	-	10,657
			<u>1,793,397</u>	<u>328,048</u>	<u>-</u>	<u>973,410</u>
Child Support Enforcement	93.563		1,161,282	(9)	-	598,245
Refugee and Entrant Assistance - State Administered Program						
Total Refugee and Entrant Assistance	93.566		(4)	-	-	-
			<u>(4)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Low-Income Home Energy Assistance:						
Administration	93.568		72,104	-	-	-
Energy Assistance Payments	93.568		504,841	-	-	-
Crisis Intervention Program Total Low-Income Home Energy Assistance	93.568		464,421	-	-	-
			<u>1,041,366</u>	<u>-</u>	<u>-</u>	<u>-</u>
Stephanie Tubbs Jones Child Welfare Services Program:						
- Permanency Planning - Families for Kids	93.645		28,141	-	-	9,380
Total Stephanie Tubbs Jones Child Welfare Services			<u>28,141</u>	<u>-</u>	<u>-</u>	<u>9,380</u>
Chafee Foster Care Independence Program	93.674		40,038	7,933	-	-



**CLEVELAND COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2018**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
SSBG - Other Service and Training Division of Aging and Adult Services:	93.667		\$ 445,642	\$ -	\$ -	\$ 148,547
Division of Social Services:						
SSBG - State In Home Service Fund	93.667		21,175	-	-	3,025
SSBG - State Adult Day Care	93.667		67,623	18,148	-	22,037
Passed-through Isothermal Regional Commission						
Social Service Block Grant (SSBG) - In Home Services	93.667		379	13,281	-	-
Total Social Service Block Grant			<u>534,819</u>	<u>31,429</u>	<u>-</u>	<u>173,609</u>
<u>Administration for Children and Families</u>						
Passed-through the N.C. Dept. of Health and Human Services						
Subsidized Child Care (Note 4)						
<u>Child Care Development Fund Cluster:</u>						
Division of Social Services:						
Child Care Development Fund-Administration	93.596		80,370	-	-	-
Total Child Care Fund Cluster			<u>80,370</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Subsidized Child Care (Note 4)			<u>80,370</u>	<u>-</u>	<u>-</u>	<u>-</u>
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Medical Assistance:						
Division of Social Services:						
Administration:						
Medical Assistance Program	93.778		2,633,805	17,384	-	948,781
Total Medical Assistance Program			<u>2,633,805</u>	<u>17,384</u>	<u>-</u>	<u>948,781</u>
Division of Social Services:						
Administration:						
State Children's Insurance Program - N.C. Health Choice	93.767		44,171	12	-	-
Choice			<u>44,171</u>	<u>12</u>	<u>-</u>	<u>-</u>
Passed-through the N.C. Dept. of Health and Human Services:						
Division of Public Health:						
Hospital Preparedness Program (HPP) and Public Health						
Emergency Preparedness (PHEP) Aligned Cooperative						
Agreements	93.074		39,642	-	-	-
Well-Integrated Screening and Evaluation for Women Across	93.094		16,410	-	-	-
the Nation						
Project Grants and Cooperative Agreements for Tuberculosis						
Control Program	93.116		50	-	-	-
Family Planning Services	93.217		48,166	-	-	-
PPHF Capacity Building Assistance to Strengthen Public						
Health Immunization Infrastructure and Performance						
financed in part by Prevention and Public Health Funds	93.539		30,388	-	-	-
Preventive Health and Health Services Block Grant funded						
solely with Prevention and Public Health Funds (PPHF)						
Cancer Prevention and Control Programs for State, Territorial	93.758		39,984	-	-	-
and Tribal Organizations	93.898		20,145	-	-	-
HIV Prevention Activities_Health Department Based	93.940		28,000	-	-	-
Preventive Health Services_Sexually Transmitted Diseases						
Control Grants	93.977		692	-	-	-
Maternal and Child Health Services Block Grant	93.994		96,714	72,544	-	-
Total U.S. Dept. of Health and Human Services			<u>9,316,497</u>	<u>457,306</u>	<u>-</u>	<u>4,194,956</u>
Total federal awards			<u>11,096,746</u>	<u>457,306</u>	<u>-</u>	<u>5,339,533</u>

**CLEVELAND COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2018**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
<b>State Awards:</b>						
<u>N.C. Dept. of Administration</u>						
Veterans Service			\$ -	\$ 2,175	\$ -	\$ -
Total N.C. Dept. of Administration			<u>-</u>	<u>2,175</u>	<u>-</u>	<u>-</u>
<u>N.C. Dept. of Cultural and Natural Resources</u>						
Division of State Library						
State Aid to Public Libraries			-	142,359	-	-
Total N.C. Dept. of Cultural and Natural Resources			<u>-</u>	<u>142,359</u>	<u>-</u>	<u>-</u>
<u>N.C. Department of Environmental Quality</u>						
Division of Waste Management						
Soil Conservation State Match			-	25,786	-	-
Electronic Management Program			-	7,928	-	-
DWM-Scrap Tire Program			-	2,726	-	-
Total N.C. Dept. Environmental Quality			<u>-</u>	<u>36,440</u>	<u>-</u>	<u>-</u>
<u>N.C. Dept. of Health and Human Services</u>						
Passed-through Isothermal Regional Commission:						
Division of Aging and Adult Services						
90% State Funds - In Home Support			-	130,680	-	-
Division of Social Services						
ST Child Welfare/CPS/CS LD			-	102,895	-	-
DCD Smart Start			-	75,163	-	-
AFDC Incent/Prog Integrit			-	1,584	-	-
State Foster Home			-	356,207	-	285,856
Non-Allocating Reimbursable			-	-	-	144,000
Work First Non Reimbursable			-	-	-	711,590
County Funded Programs			-	-	-	1,409,670
Total Division of Social Service			<u>-</u>	<u>535,849</u>	<u>-</u>	<u>2,551,116</u>
Division of Public Health						
Food and Lodging Fees			-	30,782	-	-
General Aid to Counties			-	149,701	-	-
General Communicable Disease Control			-	5,465	-	-
Nurse Family Partnership			-	235,243	-	-
Child Health			-	10,516	-	-
Gonorrhea Partner Services			-	832	-	-
STD Drugs			-	456	-	-
Breast and Cervical Cancer Control			-	17,850	-	-
TPPI - Adol. Pregency Prevention Program			-	74,253	-	-
School Nurse Funding Initiative			-	200,000	-	-
Family Planning - State			-	21,903	-	-
Maternal Health			-	10,676	-	-
Women's Health Service Fund			-	12,775	-	-
TB Control			-	21,097	-	-
Total Division of Public Health			<u>-</u>	<u>791,549</u>	<u>-</u>	<u>-</u>
Total N. C. Department of Health and Human Services			<u>-</u>	<u>1,458,078</u>	<u>-</u>	<u>2,551,116</u>
<u>N.C. Dept. of Public Instruction</u>						
Public School Building Capital Fund - Lottery Proceeds			-	1,300,000	-	-
Total N.C. Dept. of Public Instruction			<u>-</u>	<u>1,300,000</u>	<u>-</u>	<u>-</u>
<u>N.C. Dept. of Public Safety</u>						
Juvenile Crime Prevention Programs						
JCPC Administration			-	1,489	-	-
Juvenile Medication/Family Centered Treatment/YDI After School Program			-	74,074	74,074	-
Cleveland County School JCPC			-	45,000	45,000	-
Communities in Schools			-	74,016	74,016	-
Total Juvenile Crime Prevention Programs			<u>-</u>	<u>194,579</u>	<u>-</u>	<u>-</u>
Division of Emergency Management						
Tier II Grant			-	-	-	-
Total N. C. Department of Public Safety			<u>-</u>	<u>194,579</u>	<u>-</u>	<u>-</u>
<u>N.C. Dept. of Agriculture and Consumer Services</u>						
Regional Grain Project			-	150,000	-	-

**CLEVELAND COUNTY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2018**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed-through to Subrecipients	Local Expenditures
<b><u>N.C. Dept. of Transportation</u></b>						
Rural Operating Assistance Program (ROAP) Cluster						
ROAP Elderly and Disabled Transportation Assistance Program		36220.10.7.1	\$ -	\$ 91,558	\$ -	\$ -
ROAP Rural General Public Program		36228.22.7.1	-	114,457	-	-
ROAP Work First Transitional - Employment		36236.11.6.1	-	2,431	-	-
Total ROAP Cluster			-	208,446	-	-
B-5390-ROW-Bridge 31		46105.2.1	-	10,400	-	-
Polkville Fire Department Driveway		44302	-	25,000	-	-
Pinnacle Classical Academy		44981	-	195,929	-	-
Total N.C. Dept. of Transportation			-	439,775	-	-
Total State awards			-	3,723,406	-	2,551,116
Total federal and State awards			\$ 11,096,746	\$ 4,180,712	\$ -	\$ 7,890,649

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 the Cleveland County under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Cleveland County, it is not intended to and does not present the financial position, changes in net position or

**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.

**Note 3: Indirect Cost Rate**

Cleveland County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 4: Cluster of Programs**

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