

COUNTY OF CUMBERLAND
NORTH CAROLINA

Board of County Commissioners

Jeannette M. Council, Chairman

John T. Henley, Jr., Vice Chairman
J. Breeden Blackwell
Kenneth S. Edge

Talmage S. Baggett, Jr.
Billy R. King
Edward G. Melvin, Jr.

Comprehensive Annual
Financial Report

For the Year Ended June 30, 2004

Prepared by:
Cumberland County Finance Department

County Officials

County Manager
County Attorney
Deputy County Manager
Assistant County Manager
Assistant County Manager

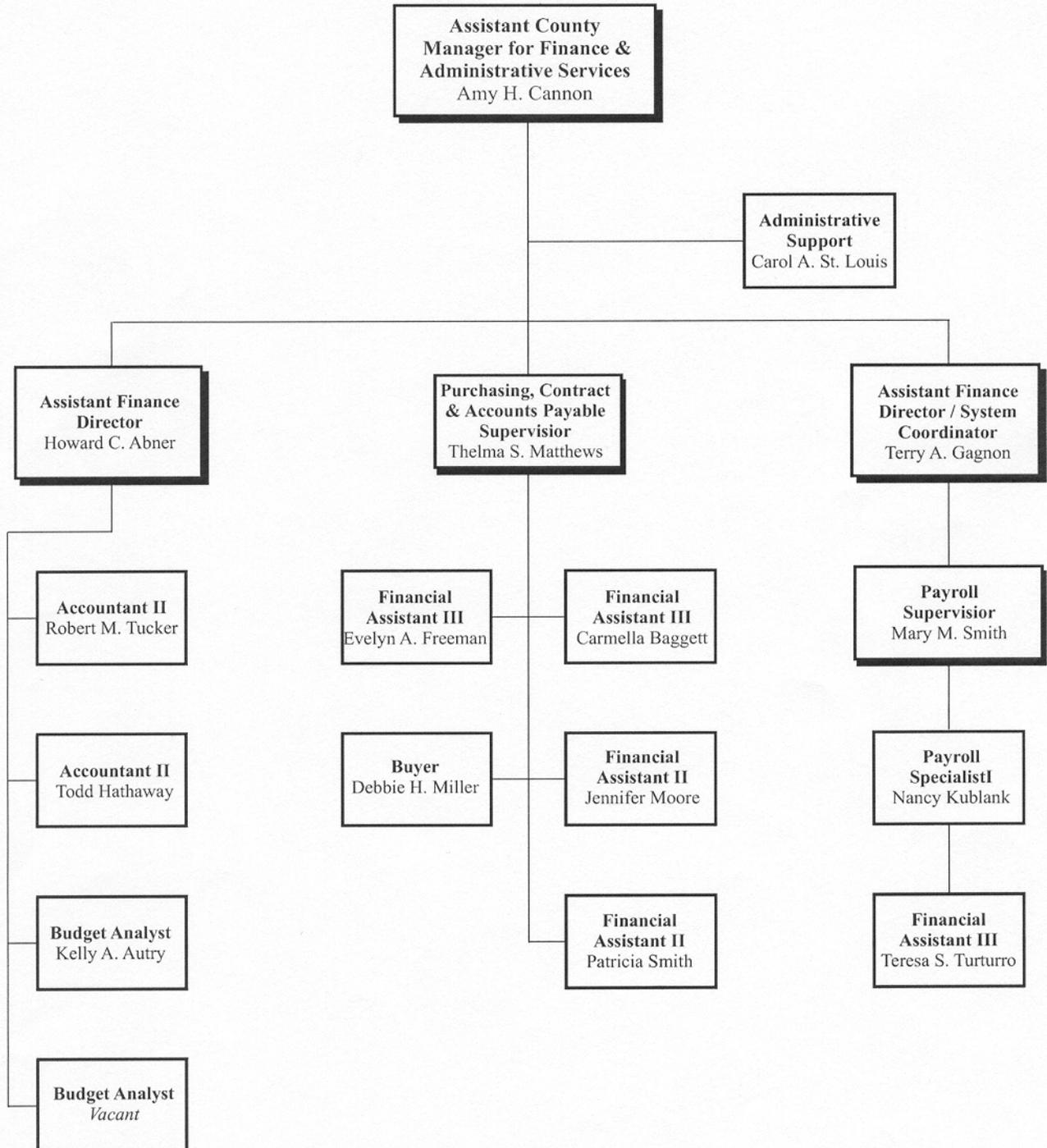
James E. Martin
Grainger Barrett
Juanita Pilgrim
Amy H. Cannon, CPA
Cliff Spiller

COMPREHENSIVE ANNUAL FINANCIAL REPORT

COUNTY OF CUMBERLAND, NORTH CAROLINA

Year Ended June 30, 2004

Prepared by the Finance Department



COUNTY OF CUMBERLAND, NORTH CAROLINA

Comprehensive Annual Financial Report
Year Ended June 30, 2004

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COUNTY of CUMBERLAND

Amy H. Cannon
Assistant County Manager

◆
Finance Department

Terry A. Gagnon
Assistant Finance Director

Howard C. Abner
Assistant Finance Director

November 16, 2004

The Honorable Jeannette M. Council, Chairman
The Honorable John T. Henley, Jr., Vice Chairman
The Honorable Talmage S. Baggett, Jr.
The Honorable J. Breeden Blackwell
The Honorable Kenneth S. Edge
The Honorable Billy R. King
The Honorable Edward G. Melvin, and
The Citizens of Cumberland County, North Carolina:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the County of Cumberland for the fiscal year ended June 30, 2004. The basic financial statements contained herein have been audited by the independent, certified public accounting firm of Cherry, Bekaert & Holland, L.L.P., and that firm's unqualified opinion is included in the Financial Section of this report.

The report itself, however, is presented by the County, which is responsible for the accuracy of the data and for the completeness and fairness of its presentation including all disclosures. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to set forth fairly the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

This report is divided into five sections: the Introductory, Financial, Statistical, Compliance Sections, and Continuing Disclosure Information. The Introductory Section, which is unaudited, contains this letter of transmittal, which provides a brief overview of the operations of the County, a list of principal officials, a copy of the Certificate of Achievement for Excellence in Financial Reporting, and the County's organization chart. The Financial Section is composed of the auditor's report, management's discussion and analysis (MD&A), the basic financial statements, notes to the financial statements, and more detailed combining and individual fund financial statements and schedules and other supplementary financial data. The Statistical Section, which is unaudited, contains fiscal and economic data designed to provide a more complete understanding of the County. Many tables in this section present financial data for the past ten years. The Compliance Section presents reports and schedules required by the federal and state Single Audit Acts. Finally, the Continuing Disclosure Information Section, which is unaudited, includes those disclosures related to certain general and non-general obligation debt required by the Securities and Exchange Commission Rule 15c2-12.

Accounting principles generally accepted in the United States of America (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the MD&A. The County's MD&A can be found immediately following the report of independent auditors. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County is required to undergo an annual single audit in conformity with the provision of the U.S. Office

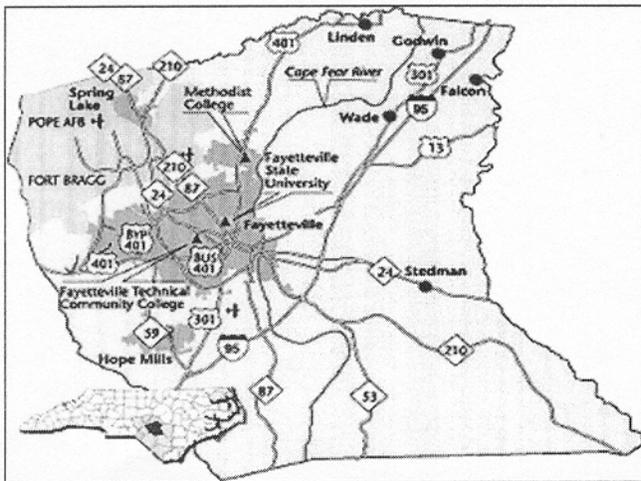
of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Information related to this single audit, including the Schedule of Expenditures of Federal and State Awards, Schedule of Findings and Questioned Costs, Corrective Action Plan, Summary Schedule of Prior Audit Findings and independent auditor's compliance and internal control reports on the basic financial statements and major federal and state programs, are presented in the compliance section of this report.

The financial reporting entity includes all funds of the County of Cumberland, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the primary government. The Cumberland County Hospital System, Inc., the Cumberland County Alcohol Beverage Control Board, and the Eastover Sanitary District are reported as discretely presented component units.

GENERAL INFORMATION

The County of Cumberland originated as a settlement by the Highland Scots in the Upper Cape Fear Valley between 1729 and 1736. The area became a vital link to other major settlements with the establishment of a receiving and distribution center on the Cape Fear River in 1730. The settlement was known as Campbellton. In 1754, the Colonial Legislature passed an act resulting in the political division of Bladen County, forming Cumberland County. Named for the Duke of Cumberland (William Augustus), the county grew and prospered as Scotch-Irish, German and Moravian immigrants entered the area. Campbellton was named the county seat in 1778. In 1783, Campbellton was renamed Fayetteville in honor of Marquis de La Fayette, the French general who served in the American Revolutionary Army.

A devastating fire in 1831, and the invasion of General Sherman's army in 1865 during the American Civil War, delayed Fayetteville's growth. However, in 1918, land in northwest Cumberland County was purchased and developed by the U.S. Army to serve as an artillery training facility. Camp Bragg has evolved over the years into Fort Bragg, a permanent Army post, and one of the largest military bases in the world.



Cumberland County is located in the southeast coastal plain section of North Carolina, with a land area of approximately 661 square miles. The County's population of 307,856 is the fifth largest in the state. The City of Fayetteville, with an estimated population of 130,692, is the largest municipality in the County, the sixth largest in the state, and serves as the County seat. More than 50 percent of the nation's population lies within a 400-mile radius of the County, including the major population centers of Washington, D.C., and Atlanta.

The County of Cumberland functions under a Board of Commissioners-County Manager form of government. The Board of County Commissioners consists of seven members, two elected from District 1, three elected from District 2, and two at-large members. Each member of the Board is elected for a four-year term. The terms are staggered, with the District 1 and at-large members elected in a biennial general election and the District 2 members elected two years later. The Board members elect their own Chairman and Vice Chairman on an annual basis. The Board is the policy-making and legislative authority for the County, responsible for adopting the annual budget, establishing the tax rate, approving zoning and planning issues and other matters related to health, welfare and safety of citizens.

The County Manager is appointed by, and serves at the pleasure of the Board of Commissioners. The County Manager is the Chief Executive Officer and has the responsibility for implementing policies and procedures of the board, delivery of services, managing daily operations and appointment of subordinate department managers.

The County is home to a large military complex, made up of Fort Bragg and Pope Air Force Base, located six miles northwest of the City of Fayetteville. The two military bases encompass approximately 160,770 and 264 acres respectively. The military bases contribute to the area economy as well as to the international and cosmopolitan culture of the community.

Fort Bragg

The post came into existence in 1918, when 127,000 acres of desolate sand hills and pine trees were designated as a U.S. Army installation. Adequate water, rail facilities and the Carolina climate lent themselves to Army needs and Camp Bragg became a field artillery training site. Named in honor of Confederate General Braxton Bragg, a native of the state, and a former artillery officer, Camp Bragg was the only military reservation in the United States with adequate space to test the latest in long-range artillery. In February 1922, Congress decided that all artillery sites east of the Mississippi River would become permanent Army posts. Thus, Camp Bragg became Fort Bragg in September of that year.

The post grew slowly during the next decade, but with the looming threat of World War II and the passage of the Selective Service Act, Fort Bragg mushroomed to a population of 67,000 soldiers by the early 40s. In 1942, the first airborne units trained here in preparation for combat. All five World War II airborne divisions, (the 82d, 101st, 11th, 13th and 17th) trained in the Fort Bragg-Camp Mackall area. The population of the post during the war years reached a peak of 159,000 personnel. The 82d Airborne Division was assigned here in 1946, upon its return from Europe. When hostilities erupted in Korea in June 1950, Fort Bragg again assumed a major role in the national defense program. In 1951, the XVIII Airborne Corps was reactivated here and Fort Bragg became widely known as the "home of the airborne." In the 1960s, the 5th Special Forces Group was activated at Fort Bragg and was given the mission of training personnel in counterinsurgency for deployment to Southeast Asia. Thus, Fort Bragg was in the forefront of US involvement in the war in Vietnam. More than 200,000 young men underwent basic combat training here between 1966 and 1970. At the peak of the Vietnam war in 1968, Fort Bragg's military population rose to 57, 840.

Pope Air Force Base

Pope Air Force Base has played a leading role in the development of U.S. airpower. Missions at Pope range from providing airlift and close air support to American armed forces, to humanitarian missions flown all over the world. Established by the War Department in 1919, Pope Air Force Base is one of the oldest installations in the Air Force. Named for First Lieutenant Harley Halbert Pope, who was killed in January 1919 when his aircraft crashed into the Cape Fear River near Fayetteville. At that time, Pope Field did not have a runway, just a wide-open field surrounded by a pine forest. Observation planes and balloons occupied Pope Field for the first eight years. Missions included mapping terrain, spotting for artillery, detecting forest fires and carrying the mail.

During the 1940s, the base swelled as a troop carrier training site. In conjunction with paratrooper training at Camp Bragg, Pope began putting the "Air in Airborne." With the outbreak of World War II, the tempo of activities at Pope Air Force Base quickened. During the 1950s and 1960s, aircraft upgrade was the primary trend at the base. The C-123 Provider started replacing the C-119 in 1958, and in 1963 the first C-130 Hercules arrived, appropriately named "The North Carolina."

Pope Air Force Base underwent a major change in 1992 as the base reorganized under the new Air Combat Command. The new 23d Wing "Flying Tigers" consisted of F-16 Viper forward air control aircraft, A-10 Thunderbolt II close air support aircraft and the C-130 Hercules aircraft. In April 1997, Pope once again saw changes that involved streamlining all stateside airlift operations under the Air Mobility Command, including C-130s. Today, the C-130 is recognized as the workhorse of the Air Force airlift fleet, capable of delivering

troops, supplies and equipment directly to the battlefield in all weather conditions using the sophisticated Adverse Weather Aerial Delivery System which allows accurate airdrops through cloud cover and at night.

ECONOMIC CONDITIONS AND OUTLOOK

Military

The two military installations are a large contributor to the local economy, particularly in the area of wages and salaries to civilian and military personnel, including employees of the Post Exchange and nonappropriated fund organizations. The military impact on the local economy fluctuates depending on a variety of factors, including the number of military personnel deployed off base, capital projects and appropriation levels. Commercial contracts awarded to local businesses for supplies and equipment through the Office of Directorate of Contracting has a direct effect on the economy.

Military Payroll and Economic Impact		
Year	Payroll	Economic Impact
2003	\$1,946,128,500	\$6,355,393,434
2002	\$1,579,177,745	\$5,294,579,917
2001	\$1,528,465,423	\$4,954,664,883
2000	\$1,414,275,423	\$4,550,579,112
1999	\$1,402,529,505	\$4,116,455,491

Military Personnel at Fort Bragg and Pope Air Force Base			
Year	Fort Bragg	Pope Air Force Base	Total
2003	46,826	5,790	52,616
2002	46,463	5,384	51,847
2001	42,546	4,916	47,462
2000	41,192	5,023	46,215
1999	41,120	4,652	45,772

Civilian Employment at Fort Bragg and Pope Air Force Base		
Year	Number of Employees	Payroll
2003	9,412	\$271,937,838
2002	9,382	\$261,728,596
2001	8,951	\$254,322,867
2000	8,881	\$249,564,526
1999	8,405	\$229,221,397

Military construction projects are programmed according to federal fiscal year and are ongoing for many years due to their planning, design, and construction phases. For federal fiscal year 2003, Fort Bragg received \$179.4 million in new construction funds. Major projects include: renovation of the old Womack Army Medical Center Building - \$9.4 million, post security projects - \$18 million, 16th Military Police Brigade barracks complex - \$50 million, third phase of the 82nd Airborne Division separate battalions complex - \$50 million, Army Reserve parachute packing building - \$1.6 million, Bryant Hall renovations - \$11.6 million, special operations

weapons training complex - \$19.2 million, and additions to elementary school classrooms - \$2.0 million. For federal fiscal year 2004, Fort Bragg is slated to receive \$149.7 million. Projects include: \$11.4 million for the second phase of renovating the old Womack hospital into the Soldier Support Center, \$47 million for Bastogne Drive barracks, \$38 million for Butner Road barracks, \$17 million for D-Area barracks, \$19.7 million for joint special operations complex, \$8.5 million for a special operations training complex, \$4.2 million for special operations battalion and company headquarters, \$2.4 million for special operations maze and façade and \$1.5 million for a special operations company facility. Including projected construction through federal fiscal year 2011, Fort Bragg has received or is scheduled to receive in excess of \$1.5 billion for new barracks, family housing, and other construction projects.

For federal fiscal year 2003, Pope Air Force Base received over \$27 million for a consolidated fuel facility, \$17.5 million for the flight operations staging area and \$9.7 million for dormitory construction. For federal fiscal year 2004, Pope AFB is slated to receive \$23.9 million. Projects include: \$15.6 million for a two-bay hangar for C-130 aircraft, \$4.4 million for C-130 technical training facility, \$2.7 million for 6 hangar upgrades, and \$1.2 million for ramp upgrades.

Local

Over the years, the City of Fayetteville and the County have emerged as a major commercial center, regional shopping center, and a regional medical service center. With Cross Creek Mall Shopping Center's 1.2 million square feet and eight other major shopping centers, Fayetteville and the County serve as the primary retail market in a 15-county trade area. Gross retail sales in the County for the year totaled \$3,351,729,317. This represents an 11.07% increase in retail sales from fiscal year 2003 and a 10.86% increase over the previous recorded high in 2001. For 2003, gross sales of \$282,623,784 realized by the commissaries and post exchanges located on Fort Bragg decreased 2.03% compared to a 1.56% increase countywide.

Retail Sales						
	Cumberland County	% Change	Fort Bragg Commissaries & Exchanges	% Change	Total	% Change
2004	\$3,351,729,317	11.07	Not Available	---	---	---
2003	\$3,017,709,876	1.47	\$282,623,784	-2.03	\$3,300,333,660	1.56
2002	\$2,974,131,160	-1.63	\$288,480,120	-1.45	\$3,262,611,280	-1.61
2001	\$3,023,363,191	0.15	\$292,716,965	13.83	\$3,316,080,156	1.23
2000	\$3,018,719,246	3.75	\$257,152,541	23.30	\$3,275,871,787	5.06

Since 1990, the Fayetteville Metropolitan Statistical Area (MSA) (Cumberland County) has grown at a rate below the state average. Based on state estimates for the next six years (2004-2010), the Fayetteville MSA population is expected to increase by 9.2% compared to the state average of 14.0%. However, from 2010 to 2015, the Fayetteville MSA population is only expected to increase by 3.0% compared to the state average of 8.2%.

Population										
	1990		2000		2004		2010		2015	
	Population	% Change								
Fayetteville MSA	291,897	--	302,963	3.8%	307,856	1.6%	334,040	9.2%	344,186	3.0%
North Carolina	7,657,934	--	8,046,485	5.1%	8,323,375	3.4%	9,491,374	14.0%	10,226,900	8.2%

The civilian labor force in the County of Cumberland has grown by 1,825 over the last five years, a 1.45% increase compared to the state average of only 0.91%.

Employment					
	Total Labor Force	Number Employed	Number Unemployed	Fayetteville MSA Unemployment Rate	State Unemployment Rate
2004 (6 mo)	127,922	122,456	5,466	4.3%	5.7%
2003	129,741	122,499	7,242	5.6%	6.5%
2002	127,130	119,011	8,119	6.4%	6.7%
2001	123,543	116,788	6,755	5.2%	5.5%
2000	126,097	120,876	5,221	4.1%	3.6%

Over the past 3½ years, the local unemployment rate has been lower than the state average. Statewide, several North Carolina manufacturers, particularly in furniture and textiles have been adversely affected by the slow economy and some manufacturers have had to close permanently. As a retail based economy, the Fayetteville MSA is somewhat insulated from these economic conditions. The current unemployment rate of 4.3% is 17.9% lower than the five-year average of 5.17% and 23.2% lower than the state's five-year average of 5.6%.

The Kelly-Springfield plant in Fayetteville, which makes consumer replacement tires, has been thus far unaffected by the slow economy. In June 2004, Goodyear Tire & Rubber Co. announced that it would invest more than \$17.7 million in its Kelly-Springfield plant to build bigger tires. In September, Kelly-Springfield announced plans to invest another \$30 million to construct more warehouse space and to add more tire-making equipment. These investments will not add jobs, increase the size of the plant or boost the number of tires made there each day. The improvements will allow the plant to adapt its operation to meet market demands for higher-value products.

Home sales in the Cape Fear region in 2003 exceeded all records. More than 5,022 new and existing houses were sold that year, an increase of 17 percent over sales in 2002. The housing market is being fueled by record low mortgage interest rates. In addition, many investors pulled money out of the stock market and invested in real estate. Soldiers returning from overseas deployments are also helping the real estate market by spending their extra pay on houses. The strong sales pace has continued into the first half of 2004, with new sales records having been set in March, April and June.

As active-duty soldiers were buying homes, reservists were filling hotels. Since the September 11, 2001 terrorist attacks, reservists have filled up to 2,000 hotel rooms in the Fayetteville area. The reservists mobilizing through Fort Bragg kept Fayetteville from suffering with most of the country's hospitality industry, which saw business drop as a result of the recession and the attacks.

The surge in residential construction hasn't included commercial projects thus forcing some contractors to lay off employees and cut back on expenses because of a lack of work. Since the recession began in March 2001, demand has dropped for offices, industrial plants and stores, causing the number of those construction projects to decrease. According to the value of building permits, 2002 and 2003 did not show a decline in commercial construction in the County. The first half of 2004 has seen a marked improvement not only in valuation but also the number of permits issued. In Fayetteville, as well as the rest of the country, hospitals, medical offices and drugstores have been among the few bright spots in what has been a slow commercial construction market. One Village Plaza has started construction on its 11th building. The building will bring the total square footage of the complex to 224,000, almost all of which is owned by or leased to doctors and other health-care professionals. The construction budget of Cape Fear Valley Health System was \$7.6 million in fiscal year 2002. That was down slightly from the previous two years, when it spent slightly more than \$10 million. But during the next seven years, the health system plans to spend an additional \$200 million for construction and renovation projects at Cape Fear Valley Medical Center, Highsmith-Rainey Hospital and other locations. This would be the largest expansion since the hospital opened in 1956.

Building Permits				
	Residential		Non-Residential	
Calendar Year	Number	Value	Number	Value
2004 (6 mo)	989	\$ 114,934,111	65	\$ 31,672,125
2003	1,313	\$ 159,650,565	99	\$ 36,388,397
2002	1,137	\$ 166,472,502	106	\$ 32,587,197
2001	1,058	\$ 101,541,932	93	\$ 64,372,473
2000	1,365	\$ 93,821,846	94	\$ 42,071,520
1999	907	\$ 114,934,111	153	\$ 133,009,681

In November of 2003, voters in the Town of Spring Lake approved bond projects totaling \$15.7 million. The town's sewer and stormwater system will use \$7.9 million to repair and upgrade; another \$6 million will repair and improve the water system and \$1.8 million will be used to build a new recreation center. Repairs to the system are to be accomplished in three phases over seven years.

The military is getting a renewed focus as Cumberland County's economic engine. Greater Fayetteville Futures, a resident-led economic development group that began in December 2000, is working on initiatives to increase military-related business, such as attracting federal contractors and drawing civilian industries that can take advantage of the ex-military work force. Greater Fayetteville Futures is working on a more comprehensive action element known as Strike Force 2008 under the control and guidance of the Cumberland County Business Council. Their goal is to raise \$2.6 million to be budgeted over four years and used for initiatives such as marketing, or providing incentives to lure new and better-paying businesses to Cumberland County. The State has also identified the military, including notably Fort Bragg and Pope Air Force Base, as major contributors to its economic vitality.

In December of 2003, DAK Resins LLC announced it had bought the former Monsanto site on Cedar Creek road. DAK operates a plant adjacent to the Monsanto site. The plant manufactures resin used in the making of containers such as those for carbonated soft drinks. DAK plans to expand its transportation capabilities, particularly with rail, but has no immediate plans to add jobs or buildings.

In April 2004, Gateway Computers announced that it would close all of its 188 retail stores, eliminating 2,500 jobs nationwide. This announcement resulted in the loss of 45 full-time and part-time positions in Fayetteville.

In June, it was announced that Lear Siegler Services, Inc. (LSI), a military contractor, would move into the county's industrial park. The company plans to hire 300 people. It is the first major industry news in the county since the Cingular Wireless call center, employing 700, opened in July 2001. LSI repairs aircraft and vehicles and provides logistics, transportation, engineering and communications to the U.S. military and foreign governments. The company reportedly will do maintenance on military vehicles.

EDUCATION

Public Education

School services are provided by the Cumberland County School Administrative Unit under the direction of the Board of Education.

Public education is a function and responsibility of State government. School operation is largely determined by State statutes and State policies adopted by the State Board of Education. The General Assembly has delegated financial responsibility for certain areas of public education, primarily construction and maintenance of facilities, to the counties. State law provides a basic minimum educational program for each school administrative unit which is supplemented by the County and Federal government. The minimum program provides funds for operational costs only, but the building of public school facilities has also been a joint State/County effort.

The State and Federal governments provide approximately 67% and 8%, respectively, of the operating budget for the Cumberland County School Administrative Unit. For the fiscal year ended June 30, 2004, the County appropriated \$58,775,000 from General Fund revenues for school current operations. For the fiscal year ending June 30, 2005, the County appropriation is \$60,861,512 from General Fund revenues.

The County School Capital Fund is supported from the designated portions of two local option one-half cent sales taxes which must be used for school capital outlay expenditures or the retirement of school bond indebtedness. For the fiscal year ended June 30, 2004, the budgeted sales taxes totaled \$5,043,640. For the fiscal year ending June 30, 2005, budgeted sales tax is \$9,000,000. The State also provides support through the Public School Building Capital Fund. The revenue is distributed by the Office of State Budget and Management based on average daily membership ("ADM") and may be used to pay up to 75% of school construction costs for approved projects. The Public School Building Capital Fund provided \$2.0 million to the Cumberland County School Administrative Unit for the fiscal year ended June 30, 2004. At June 30, 2004, the County had received \$33,737,696 from the Public School Building Capital Fund since its inception in 1987.

The following table shows the number of schools and the Average Daily Membership, ADM, for the Cumberland County School Administrative Unit.

County Schools ADM							
Year	K-5		6-8		9-12		Total ADM
	# Schools	ADM	# Schools	ADM	# Schools	ADM	
2003-2004	54	24,547	17	12,445	13	16,097	52,089
2002-2003	54	24,432	17	12,199	12	15,592	52,223
2001-2002	54	24,435	17	12,156	12	15,134	51,725
2000-2001	53	24,459	16	12,039	12	14,481	50,979
1999-2000	51	29,181	14	12,406	10	9,762	51,349

Private and Parochial Schools

There are six private schools and 18 parochial schools in the County.

Colleges and Universities

There are three institutions of higher learning, as well as a Fort Bragg facility on the military installation offering off-campus "resident-credit" courses for several North Carolina and certain out-of-state other colleges and universities.

Fayetteville Technical Community College: Fayetteville Technical Community College ("FTCC"), a post-secondary institution located within the County, was established as a member of the North Carolina System of Community Colleges and Technical Institutes. FTCC is the second largest community college in the State.

FTCC, a two-year public institution, offers associate degrees, diplomas and certificates in more than 112 academic programs. In an average year, hundreds of classes teach new skills and improve quality of life. These programs provide specialized occupational education to help fill the manpower needs of local industrial, business, health and public service employers. Through FTCC's Center for Business and Industry, opportunities for retraining and upgrading are available. The Advanced Technology Center provides additional training and education in the community. In the fall of 2001, a state-of-the-art Early Childhood Center was opened to care for 153 children. Construction began in October 2002 on FTCC's two-story Spring Lake education center which was dedicated in September 2004. In March 2004, ground was broken for FTCC's horticulture technology center. Construction on this new facility is scheduled to be completed by the summer of 2005.

The responsibility for financial support of FTCC is shared by the State and County governments. Appropriations from the County to FTCC for operating expenses for the fiscal year ended June 30, 2004 total \$5,891,481. The County also appropriated capital outlay funds in the amount of \$500,000. For the fiscal year ending June 30, 2005, the appropriations from the County to FTCC are \$6,646,823 for operating expenses and an additional \$500,000 for capital outlay.

Fayetteville State University: Founded in 1867, Fayetteville State University ("FSU"), a constituent institution of the University of North Carolina, is the second oldest state-supported educational institution in North Carolina. FSU has 40 buildings on a 156-acre campus and currently offers over 39 baccalaureate degrees and master's degrees in 20 programs, including the Master of Business Administration and one doctoral program in educational leadership. Beginning this fall, FSU will offer a master's degree in business administration program for health-care management. In the summer of 2005, the school's new Bachelor of Science nursing program is slated to begin. The Weekend and Evening College provides an opportunity for education to non-traditional students who are ready to make a career change. The Center for Continuing Education offers

outreach and public service activities and a program of higher education to military personnel and their dependents through FSU military education centers. The Center provides specialized technical and management training.

Currently, FSU has 15 renovation projects either under construction or planned through 2006. Some of the estimated \$46.9 million will go to renovate Seabrook Auditorium, an addition to Spaulding Infirmary, sprinklers in residence halls, 256-bed "Bronco" residence hall, new construction and renovation to Cook dining hall, construction of an annex for the Lyons Science Building and conversion of Lilly Gymnasium to a one-stop center for student services.

Methodist College: Methodist College ("Methodist") is a private, four-year, co-educational college of liberal arts and sciences established in 1956. Methodist offers bachelor's degrees in 57 fields and a master's degree program in physician assistant studies. Methodist will launch its second master's degree program, a Master of Business Administration with a Concentration in Leisure Studies, this fall. The college offers day, evening, and online courses year-round. Its business, teacher education, physician assistant, professional golf management, professional tennis management and social work programs are nationally accredited. The Methodist campus presents a blend of modern architecture and natural beauty, occupying 617 acres along the Cape Fear River six miles north of downtown Fayetteville. The campus includes 32 buildings, an 18-hole golf course, a three-and-a-half mile nature trail and an amphitheater. The College recently completed its second apartment-style residence hall, bringing residential capacity to approximately 869 students. Construction is slated to begin next year on a \$3.5 million campus fitness and intramural center.

The following table shows the enrollment figures for the institutions of higher education located in the County:

Enrollment		
	Total Enrollment	Full-Time/FTEs
Fayetteville State University		
Undergraduate	3,888	3,268
Graduate	742	170
Methodist College	2,046	1,522
Fayetteville Technical Community College		
Curriculum Students	13,874	6,847
Continuing Education Students	24,773	2,482

MAJOR INITIATIVES

For the Coming Years

For FY2005, the County has funded the design and construction of a new animal shelter. Construction for the estimated \$2.8 million project had been on hold for several years due to lack of available funding. In addition, a \$3.5 million Sheriff's Training Facility, co-located with the animal shelter, is in the final planning stages. Construction on these two facilities is expected to begin in the spring of 2005.

The County and the City of Fayetteville entered into an Operations Agreement, effective July 1, 2004, under which the City will manage and operate a consolidated parks and recreation department funded from two separate sources. The urban area will be funded by City revenues and the County Recreation District will be funded through the current \$.05 County recreation tax. As of July 1, 2004, County employees were transferred to the City. Annual budgets will be reviewed by the County and City Managers who will then submit them to their respective governing boards for approval. The Operations Agreement further stipulates that all property, other than real property, will become the property of the City.

The two governing bodies have also agreed to form a combined Human Relations department that will be more responsive to community needs.

During the FY2005 budget process, the County Commissioners designated \$3.9 million of available General Fund fund balance to be used for much needed maintenance and renovations to County facilities. In addition, they also set aside \$2.86 million to partner with the City and the Public Works Commission to upgrade the City's 800 MHz emergency radio system.

The County is issuing General Obligation School Bonds in the amount of \$5,075,000 on November 9, 2004 and General Obligation Refunding Bonds in the par amount of \$35,505,000 on November, 23, 2004. The proceeds of the School Bonds with additional funds in the amount of \$2,194,400 from the Cumberland County Board of Education will be used for additions at six elementary schools. The refunding of the \$35,505,000 G.O. Bonds will result in a total estimated net present value savings of \$1,850,514 over the remaining life of the bonds.

FINANCIAL INFORMATION

Internal Control

The management of the County of Cumberland is responsible for establishing and maintaining an internal control framework designed to ensure that the assets of the County are protected from loss, theft or misuse and that accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control framework is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the County's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions in compliance with laws and regulations, contracts and grants.

Single Audit

As a recipient of Federal and State financial assistance, the County is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. As part of the County's single audit, tests are made to determine the adequacy of the internal control structure including that portion related to federal and state financial assistance programs, as well as to determine that the County has complied with applicable laws and regulations.

Budgeting Controls

In government, more so than business, the budget is an integral part of a unit's accounting system and daily operations. An annual or project budget ordinance, as amended by the Board of County Commissioners, creates a legal limit on spending authorizations. For the County of Cumberland, annual budgets are adopted for General, Special Revenue, Permanent, Proprietary, and Pension Trust Funds. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amounts) is at the department level for the General Fund, Special Revenue Funds, Permanent Funds and at the fund level for Proprietary and Pension Trust Funds. Expenditures for construction contracts are monitored at the project level for the Capital Project Funds. Any amendments or transfers of appropriation between departments or funds must be authorized by the County Manager's office and approved by the Board of County Commissioners. In addition, the County maintains budgetary controls. The objective of these controls is to ensure compliance with the legal provisions embodied in the annual budget ordinance adopted by the Board of Commissioners. Any appropriation remaining in the department at the end of the fiscal year automatically lapse and are transferred to available fund balance. The year-end fund balance, along with projected revenues, becomes available for appropriation the following year. An encumbrance accounting system is used

to facilitate effective budgetary control. An encumbrance reserves a portion of an appropriation at the time a commitment is made to acquire goods or services. Open encumbrances are reported as reservations of fund balance at fiscal year-end and are re-appropriated as part of the following year's budget ordinance.

Risk Management

The County is self-insured for group medical insurance and contracts with Blue Cross Blue Shield of North Carolina to administer the program. The contract provides for stop loss pooling of individual claims in excess of \$150,000 and an aggregate stop loss of 120% of expected claims during the contract year.

The County of Cumberland is self-insured for Workers' Compensation. The program is administered by Key Risk Management Services, Inc. with a liability limit of \$500,000 per incident. The County is also self-insured for Unemployment Compensation.

All property and casualty insurance is reviewed on a continuing basis to insure that the County's assets are protected.

Debt Administration

At June 30, 2004, the County's General Obligation Bond debt was \$115,895,000.

In September 1999, Standard and Poor's Rating Group upgraded the County's Bond Rating from A+ to AA-. Moody's Investor Service upgraded the County's rating from A1 to Aa3 in February 2000 and the North Carolina Municipal Council upgraded the debt rating for the County from 85 to 86 in July 2002. Their decisions were based upon the County's improved financial performance due to prudent fiscal management coupled with an expanded economic base. In October 2004, all three rating agencies affirmed their ratings on the County's outstanding debt. The County does not anticipate any changes in the ratings for the foreseeable future.

Under current statutes, the County's debt limit is subject to a legal limitation of 8% of the total assessed value of real and personal property. As of June 30, 2004, the General Obligation Debt of \$115,895,000 was significantly less than the legal debt margin of \$1,164,427,000.

Revenue bonds have been issued to finance the construction of facilities utilized in the operation of the Health System and to purchase Highsmith-Rainey Memorial Hospital. Cape Fear Valley Medical Center issued \$59,998,914 in revenue bonds in June 1991, \$29,168,199 in May 1993, and \$116,005,000 in May 1999. The principal and interest on the bonds are payable from the net revenues of the Hospital and not the County. Cape Fear Valley Medical Center's outstanding debt at September 30, 2003, was \$136,796,000.

Cash Management

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, obligations of the U.S. Treasury and commercial paper. The County earned interest revenue of \$1,552,852 on all investments for the year ended June 30, 2004. The General Fund's share of the revenue was \$891,441 which represents an equivalent tax rate of 0.66 cents.

The County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral on deposits are held by the State Treasurer's agent in the name of the State Treasurer. The majority of the County's investments are in the two lowest risk categories as defined by the Governmental Accounting Standards Board.

OTHER INFORMATION

Independent Audit

North Carolina General Statute 159-34 requires an annual audit by independent certified public accountants. The accounting firm of Cherry, Bekaert, and Holland, L.L.P., was selected by the Board of Commissioners. In addition to meeting the requirements set for in the State Statute, the audit was also designed to meet the requirements of the Single Audit Act of 1996 and the related OMB Circular A-133. The auditor's unqualified report on the basic financial statements is included in the Financial Section of the Comprehensive Annual Financial Report. The auditor's reports related specifically to the single audit are presented in the Compliance Section.

Awards

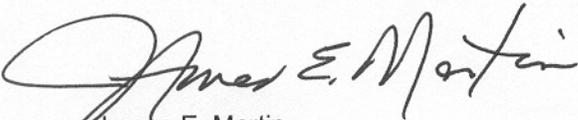
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Cumberland for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the twelfth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

We appreciate the assistance and dedication of the Finance Department and Internal Auditor throughout the year, especially during the preparation of this CAFR. We would like to thank all members of the Department who contributed to its preparation and the County's independent certified public accountants, Cherry, Bekaert, & Holland, LLP, for their assistance and guidance. The cooperation of each County Department is appreciated as we work together in conducting the County's financial operations. We also express our appreciation to the members of the Board of County Commissioners for their continued support, guidance and advice in planning and conducting the financial activities of the County in a responsible and progressive manner.

Respectfully submitted,


James E. Martin
County Manager


Amy H. Cannon, CPA
Assistant County Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Cumberland,
North Carolina

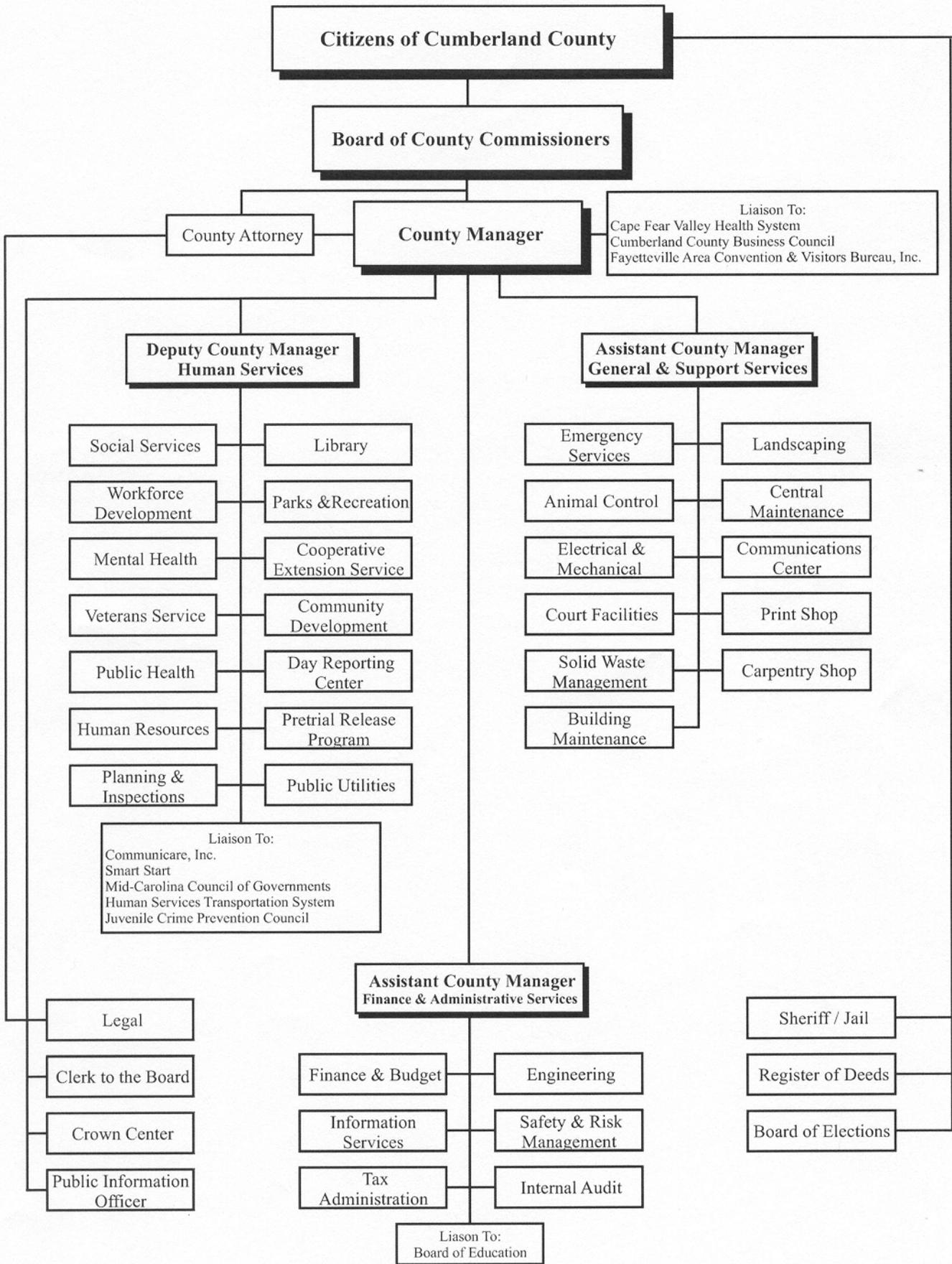
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director





INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
County of Cumberland, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Eastover Sanitary District discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Cumberland, North Carolina (the County) as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Cumberland County Hospital Systems, Inc. or the Cumberland County ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cumberland County Hospital Systems, Inc. and the Cumberland County ABC Board, is based solely on the report of the other auditors.

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 basic financial statements are free of material misstatement. The financial statements of the Cumberland County ABC Board were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2004 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, the schedules of funding progress and employer contributions and the notes to the required schedules for the Law Enforcement Officer's Special Separation Allowance and the Cumberland County Hospital Plan are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the County. The combining and individual fund statements and schedules for the years ended June 30, 2004 and 2003, as well as the accompanying schedule of expenditures of Federal and State awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act for the year ended June 30, 2004, the introductory, the statistical and the continuing disclosures sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules for the years ended June 30, 2004 and 2003, as well as the accompanying schedule of expenditures of Federal and State awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act for the year ended June 30, 2004, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, statistical and continuing disclosure sections of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry, Behaerts + Holland JHP

Fayetteville, North Carolina
November 16, 2004

Management's Discussion and Analysis

As management of the County of Cumberland, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County of Cumberland for the fiscal year ended June 30, 2004. 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

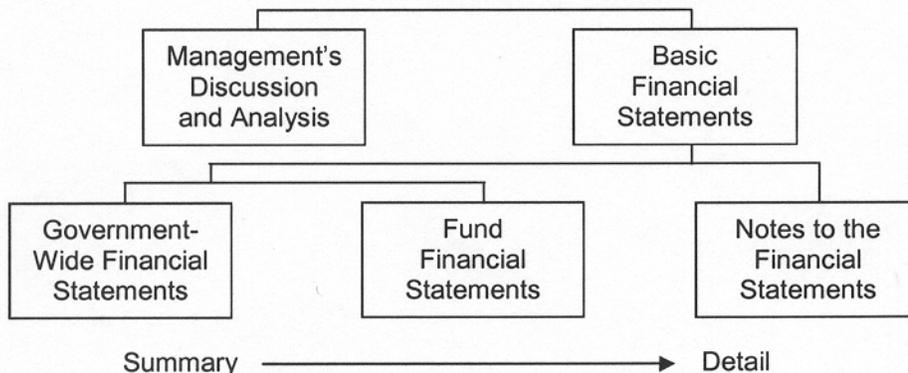
- The assets of the County of Cumberland exceeded its liabilities at the close of the fiscal year by \$102,655,382 (*net assets*). In accordance with North Carolina law, liabilities of the county include approximately \$108,095,000 in long-term debt associated with assets belonging to the Cumberland County Board of Education and Fayetteville Technical Community College. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reflected in the County's financial statements, the County reports a corresponding lower net asset amount.
- The government's total net assets increased by \$8,044,594 (8.5%), primarily due to increased ad valorem tax collections and sales tax receipts.
- As of the close of the current fiscal year, the County of Cumberland's governmental funds reported combined ending fund balances of \$118,733,266 an increase of \$24,845,262 from the prior year. Approximately 74.3 percent of this total amount, or \$88,191,249, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, undesignated and designated fund balance for the General Fund was \$56,526,272 or 23.06 percent of total general fund expenditures for the fiscal year. Of this amount, \$20,165,571 has been designated for subsequent year's expenditures and other purposes leaving \$36,360,701 or 14.84 percent of total general fund expenditures as undesignated.
- The County of Cumberland's total debt decreased by \$13,531,392 (5.28%) during the current fiscal year. This decrease was due to continuing reduction in outstanding principal.
- Recently, both Standard and Poor's Rating Group and Moody's Investor Service reaffirmed the County's bond rating of AA- and Aa3, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County of Cumberland'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 the County of Cumberland.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (pages D-1 and D-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 (pages E-1 through E-10) 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 next 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. After the notes, **supplemental information** is provided to show details about the County's non-major governmental funds and internal service funds, 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.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

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 assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities and 3) component units. The governmental activities include most of the County's basic services such as general government, public safety, economic and physical development, human services, cultural and recreational, and education. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include Solid Waste Management, Cumberland County Crown Complex, Arena Ventures, Kelly Hills and Norcross Water and Sewer Districts and other proprietary funds. The final category is component units. The Cumberland County Hospital System, Inc. is a public hospital operated by a not-for-profit corporation. The County appoints the board of trustees for the Health System and has issued debt on its behalf. Although legally separate from the County, the Cumberland County ABC Board is important to the County because the County is financially accountable for the Board by appointing its members and because the Board is required to distribute its profits to the County. The Eastover Sanitary District, although legally separate, is included because exclusion would be misleading to the reporting unit.

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. The County of Cumberland, 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 the County of Cumberland 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 and the amount of funds 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 Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County of Cumberland 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 Statement of Revenues, Expenditures, and Changes in Fund Balance. 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 statements.

Proprietary Funds – The County of Cumberland has two types of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County of Cumberland uses enterprise funds to account for its Crown Center Complex activity, Solid Waste operations, Arena Ventures, and two water and sewer districts. *Internal Service Funds* account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis. The County has four Internal Service Funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County of Cumberland has seven fiduciary funds, one of which is a pension trust fund and six of which are 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 start on page F-1 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page G-1 of this report.

Government-Wide Financial Analysis

The County of Cumberland is in its third year of financial reporting based on the requirements of GASB 34. Effective with this reporting year, all units of government across the United States must comply with this accounting standard. Prior to fiscal year 2002, the County of Cumberland maintained governmental, proprietary, and fiduciary fund groups as separate and very distinct types of accounting without any type of consolidated statement that reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the County. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Government Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the County of Cumberland's financial reports as well as those of other units of government. While the County and other large governments were

required to implement these changes for fiscal year 2002, other units were required to implement the changes last year and any remaining governments have implemented in FY2004.

The County of Cumberland's Net Assets

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2004	2003 Restated	2004	2003 Restated	2004	2003 Restated
Assets						
Current and other	\$ 151,181,873	\$ 157,337,973	\$ 28,247,309	\$ 24,313,089	\$ 179,429,182	\$ 181,651,062
Capital	126,534,553	129,208,608	69,662,512	71,746,332	196,197,065	200,954,940
Total assets	<u>277,716,426</u>	<u>286,546,581</u>	<u>97,909,821</u>	<u>96,059,421</u>	<u>375,626,247</u>	<u>382,606,002</u>
Liabilities						
Long-term outstanding	198,326,022	209,836,143	49,120,590	55,686,140	247,446,612	265,522,283
Other	18,234,025	20,596,791	7,290,228	1,876,140	25,524,253	22,472,931
Total liabilities	<u>216,560,047</u>	<u>230,432,934</u>	<u>56,410,818</u>	<u>57,562,280</u>	<u>272,970,865</u>	<u>287,995,214</u>
Net assets:						
Invested in capital, net						
Of related debt	30,253,418	33,445,127	20,708,795	21,071,073	50,962,213	54,516,200
Restricted	26,581,596	10,650,586	1,489,089	1,073,253	28,070,685	11,723,839
Unrestricted	4,321,365	12,017,934	19,301,119	16,352,815	23,622,484	28,370,749
Total net assets	<u>\$ 61,156,379</u>	<u>\$ 56,113,647</u>	<u>\$ 41,499,003</u>	<u>\$ 38,497,141</u>	<u>\$ 102,655,382</u>	<u>\$ 94,610,788</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the County of Cumberland exceeded liabilities by \$102,655,382 as of June 30, 2004. The County's net assets increased by \$8,044,594 for the fiscal year ended June 30, 2004. One of the largest portions \$50,962,213 (49.6%), reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The County of Cumberland 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 the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the County of Cumberland's net assets, \$28,070,685 (27.3%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$23,622,484 (23.0%) may be used to meet the County's ongoing obligations to citizens and creditors.

As with many counties in the State of North Carolina, the County's *unrestricted net assets*, is low due primarily to the portion of the County's outstanding debt incurred for the County Board of Education (the "school system") and Fayetteville Technical Community College (FTCC). Under North Carolina law, the County is responsible for providing capital funding for the school systems. The County has chosen to meet its legal obligation to provide the school systems capital funding by using a mixture of County funds and general obligation debt. The assets funded by the County; however, are owned and utilized by the school systems. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$108,095,000 of the outstanding debt on the County's financial statements was related to assets included in the school systems' financial statements. However, since the majority of this school systems related debt is general obligation debt; it is collateralized by the full faith, credit, and taxing power of the County. Accordingly, the County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay the debt service on its general

obligation bonds. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

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

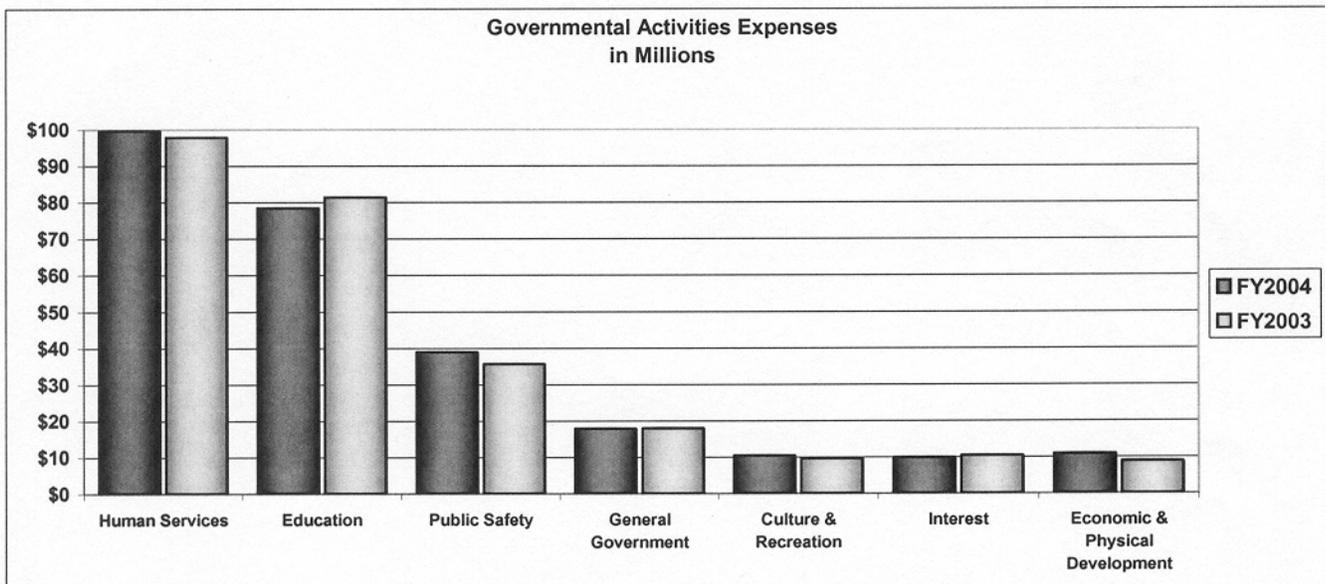
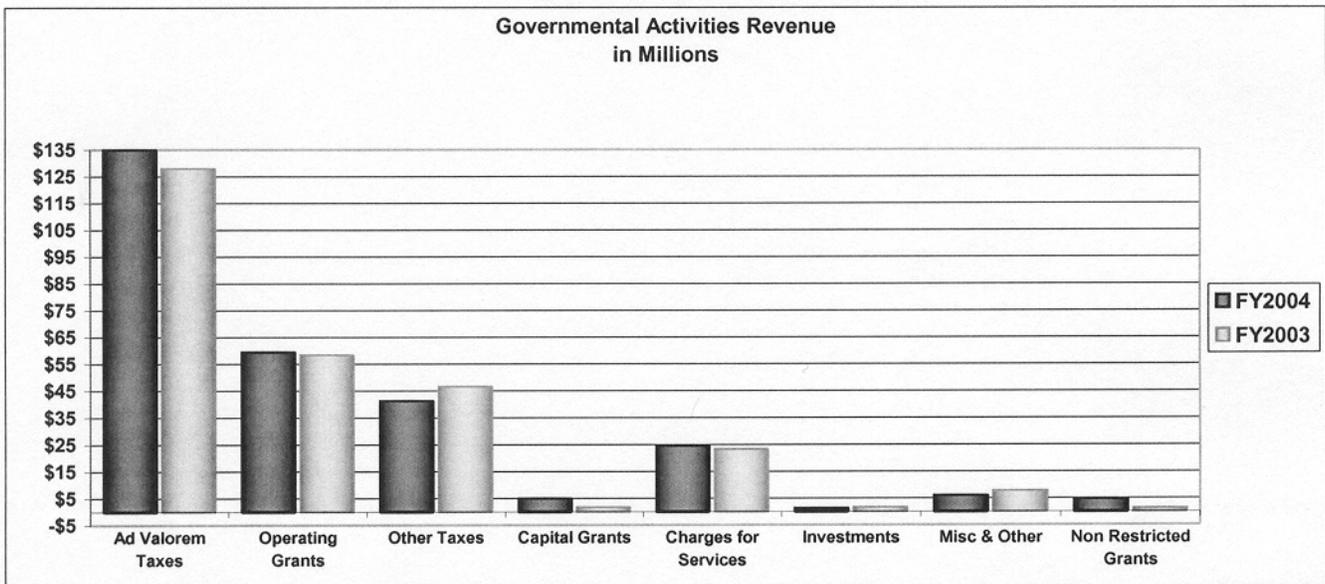
- Continued diligence in the collection of current year property taxes by maintaining a collection percentage of 97.23% for real and personal property and 81.22% for motor vehicles.
- Maintaining an average overall tax collection rate including collection of prior year taxes of 98.7%.
- Continued low cost of debt due to the County's high bond rating.

The County of Cumberland Changes in Net Assets
Figure 3

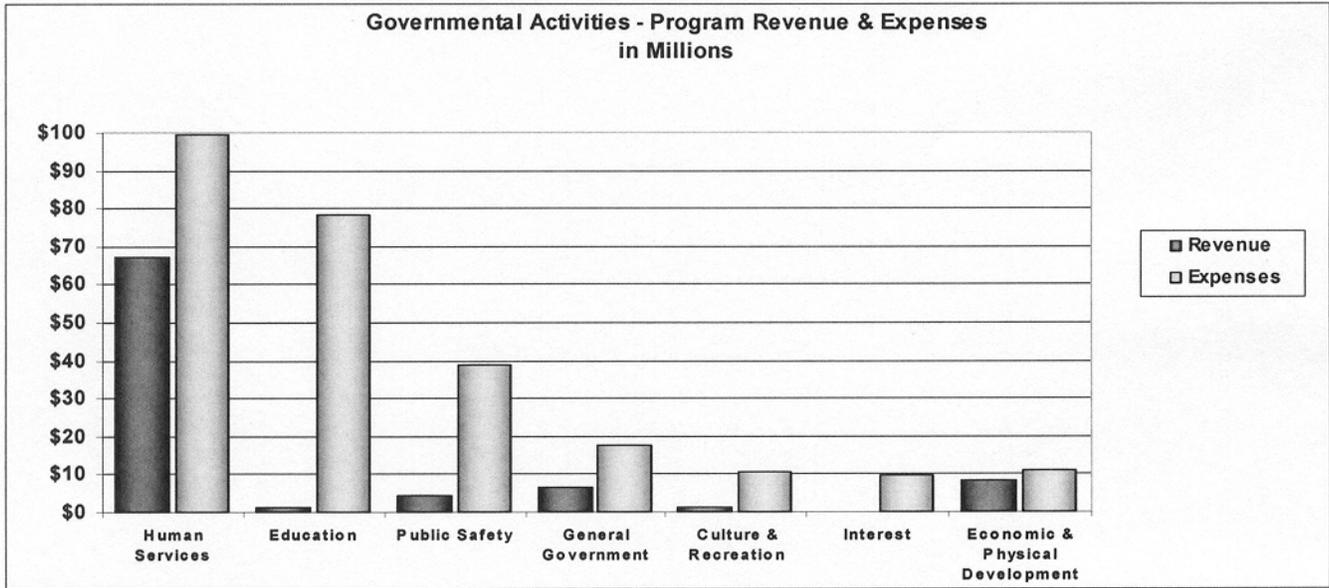
	Governmental Activities		Business-type Activities		Total	
	2004	2003 Restated	2004	2003 Restated	2004	2003 Restated
Revenues:						
Program revenues:						
Charges for services	\$ 24,671,407	\$ 23,311,239	\$ 4,538,368	\$ 4,812,519	\$ 29,209,775	\$ 28,123,758
Operating grants and	59,489,106	58,425,272			59,489,106	58,425,272
Capital grants and contributions	5,003,149	1,732,003	347,793	523,180	5,350,942	2,255,183
General revenues:						
Property taxes	135,015,932	128,145,164			135,015,932	128,145,164
Other taxes	41,353,221	61,097,585	5,239,545	5,142,538	46,592,766	66,240,123
Grants and contributions not restricted to specific programs	4,739,443	1,265,058			4,739,443	1,265,058
Unrestricted investment earnings	1,267,506	1,649,334	285,346	326,113	1,552,852	1,975,447
Gain on sale of assets						
Payments from component units		287,142				287,142
Miscellaneous	6,082,715	7,585,811	(16,777)	17,089	6,065,938	7,602,900
Total revenues	<u>277,622,479</u>	<u>283,498,608</u>	<u>10,394,275</u>	<u>10,821,439</u>	<u>288,016,754</u>	<u>294,320,047</u>
Expenses:						
General government	17,855,161	19,116,789			17,855,161	19,116,789
Public safety	38,908,990	35,710,422			38,908,990	35,710,422
Economic and physical development	10,852,650	8,903,243			10,852,650	8,903,243
Human services	99,736,931	97,860,270			99,736,931	97,860,270
Culture and recreation	10,426,819	9,670,353			10,426,819	9,670,353
Education	78,521,977	81,385,988			78,521,977	81,385,988
Interest on long-term debt	9,933,650	10,411,524			9,933,650	10,411,524
Crown center			9,346,520	8,922,890	9,346,520	8,922,890
Solid waste			4,389,462	4,495,079	4,389,462	4,495,079
Arena Ventures				166,670		166,670
Kelly Hills Water and Sewer District						
Norcross Water and Sewer District						
Total expenses	<u>266,236,178</u>	<u>263,058,589</u>	<u>13,735,982</u>	<u>13,584,639</u>	<u>279,972,160</u>	<u>276,643,228</u>
Increase in net assets before transfers	11,386,301	20,440,019	(3,341,707)	(2,763,200)	8,044,594	17,676,819
Transfers	(6,343,569)	(6,119,464)	6,343,569	6,119,464		
Increase in net assets	5,042,732	14,320,555	3,001,862	3,356,264	8,044,594	17,676,819
Net assets, July 1	56,113,647	41,793,092	38,497,141	35,140,877	94,610,788	76,933,969
Net assets, June 30	<u>\$ 61,156,379</u>	<u>\$ 56,113,647</u>	<u>\$ 41,499,003</u>	<u>\$ 38,497,141</u>	<u>\$ 102,655,382</u>	<u>\$ 94,610,788</u>

Governmental activities. Governmental activities increased the County's net assets by \$5,042,732, thereby accounting for 62.7% of the total growth in net assets of the County of Cumberland. Key elements of this increase are as follows:

- Spending on salaries and related benefits increased by \$3,113,880 from FY2003 due to a 3.0% COLA for all full-time and a pro-rata share for most part-time employees, the addition of 51 new positions and the reclassification of 87 other employees.
- Operating expenses increased by \$4,280,515. The largest increase, \$2,150,608, was for contracted and other services and \$1,057,029 for computer hardware and software.
- Other charges and services decreased \$701,205. Major changes for FY2004 included: \$1,740,519 increase for current expense for county schools and FTCC, and a \$2,783,808 reduction in Social Service spending on foster care, child care and Medicaid.
- Ad valorem and other taxes increased net assets by \$18,756,553. This large increase was due to the over estimation of revaluation appeals and releases which resulted in an under estimation of taxes to be collected and the underestimation of sales taxes received due to the large numbers of reservists flowing through Fort Bragg.
- Intergovernmental revenues increased \$7,982,153 as a result of increase revenue from ABC Store profits, sales tax equalization, and NC School Building and Bond Funds.

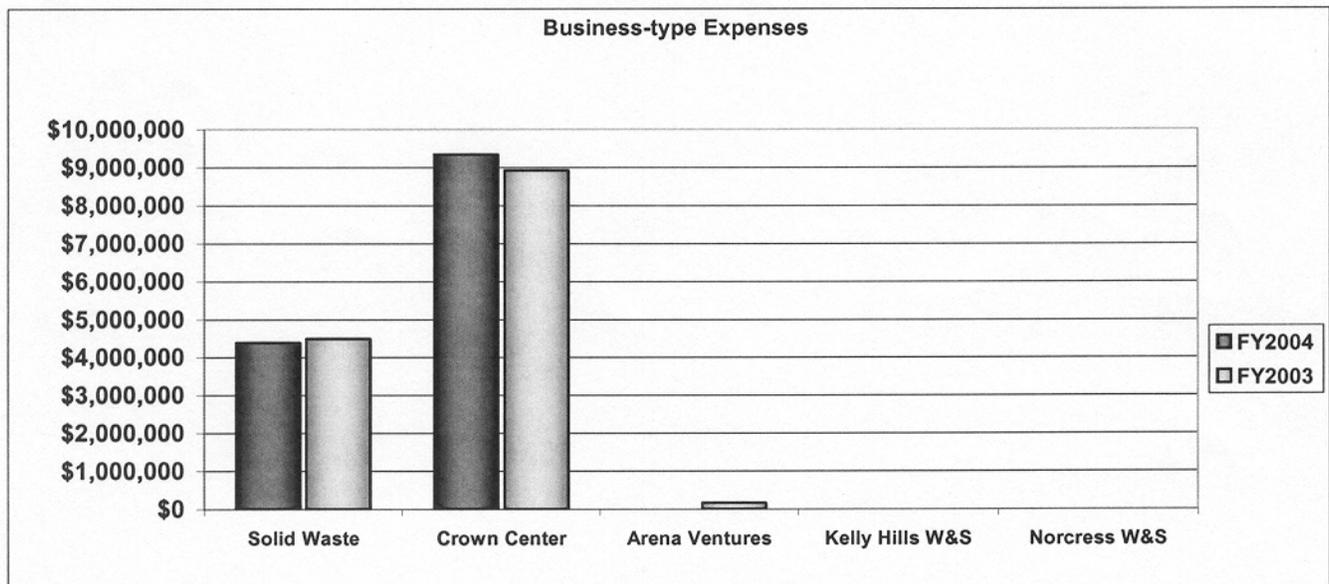


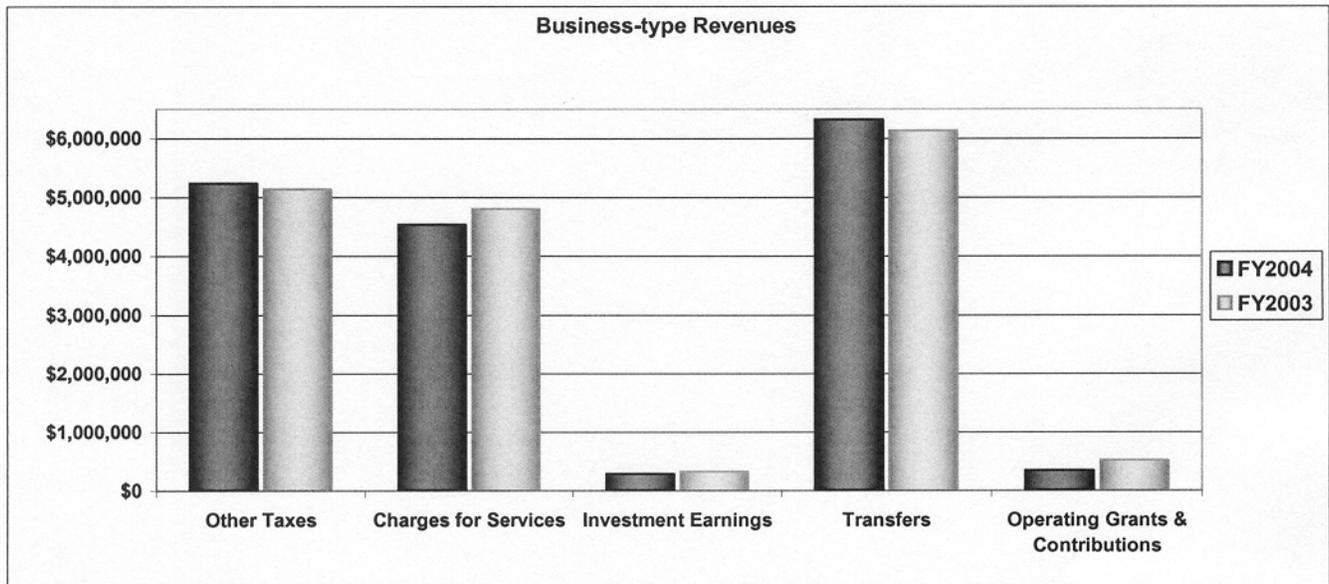
The graph below represents a comparison of program revenues to program expenses for governmental activities. For each activity, general revenues were required to support expenses. Program revenues covered 33.49% of County expenses at June 30, 2004 and 31.87% at June 30, 2003. The largest general revenue source for governmental activities was ad valorem taxes on property and motor vehicles. Total Ad Valorem Tax revenue of \$135,015,932 amounted to 71.6% of the total general revenue excluding transfers. The second largest general revenue source was Other Taxes at \$41,353,221 or 21.9% of the governmental activities revenues. All other general revenue amounted to \$12,089,664 or 6.5%.



Business-type activities: Business-type activities increased the County of Cumberland's net assets by \$3,001,862 accounting for 37.3% of the total growth in the government's net assets. Key elements of this increase are as follows:

- The Solid Waste Fund reported an increase in net assets of \$2,776,386, which represented 92.4% of the total business-type activities increase in net assets. This increase of \$2,776,386 was on par with the \$2,789,194 increase posted last year.





Financial Analysis of the County's Funds

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

Governmental Funds. The focus of the County of Cumberland's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financing requirements. Specifically, unreserved fund balance 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 the County of Cumberland. At the end of the current fiscal year, unreserved and undesignated fund balance of the General Fund was \$36,360,701, while total fund balance reached \$81,315,228. As a measure of the general fund's liquidity, it may be useful to compare both unreserved and undesignated fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14.84 percent of total General Fund expenditures, while total fund balance represents 33.18 percent of that same amount.

At June 30, 2004, the governmental funds of the County of Cumberland reported a combined fund balance of \$118,733,266, a 9.6 percent increase over last year. The primary reason for the increase is directly related to the strong performance of the General Fund, a 19.1% increase. This large increase in the General Fund's fund balance was due to a \$6,860,245 increase in current ad valorem tax collections and a full years' collection of the Article 44 half-cent sales tax amounting to an increase of \$6,748,345.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of four categories: 1) amendments to appropriate fund balance for encumbrances from the prior year 2) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 3) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 4) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenue by \$11,685,634 or 4.43 percent. Of this amount, \$2,755,661 represents additional/and or adjustments to federal and state funding estimates. Local fees and other revenue increased \$1,894,051. The remaining \$7,035,922 or 2.69% of increase is from fund balance. \$4,571,262 of this amount was appropriated to fund prior year obligations and \$2,464,660, 0.94%, was for new initiatives.

Total actual revenues, excluding transfers, for the General Fund exceeded the budgeted amount by \$7,468,534 (103.03%). Ad Valorem taxes collected exceeded the budget by \$5,730,175. This large increase was due, in part, to the over estimation of revaluation appeals and releases which resulted in an under estimation of taxes to be collected. Total sales tax collections exceeded budget estimates by \$5,387,390. While the original two half-cent sales taxes were slightly under budget, the new Article 44 half-cent sales tax collections exceeded the budgeted estimate by \$1,545,451. The one-cent point-of-sale sales tax exceeded the budget by \$3,952,953 due to spending by the large number of reservists flowing through Fort Bragg. Restricted Intergovernmental revenues were less than the budgeted amount by \$4,860,524. This was due to grant funds budgeted but not yet spent and reimbursed and the under spending of grants.

Total actual expenditures, excluding transfers, were less than the budgeted amount by \$23,829,197. Due to turnover and vacancies, personnel expenditures were \$7,619,230 less than budgeted. Basic operating expenditures were \$7,613,432 under budget. Of this amount, \$2,606,159 was for contracted services and \$2,056,328 for maintenance & repair. Other charges & services was \$5,713,903 under budget. Under spending in Mental Health and Social Services programs of \$4,644,365 accounted for 81.3% of the total. While capital outlay was under spent by \$2,872,615, the majority of those funds will be re-budgeted in fiscal year 2005.

Proprietary Funds. The County of Cumberland's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Solid Waste Fund at the end of the fiscal year amounted to \$19,611,907, an 18.75% increase over the previous year, and those for the Cumberland County Crown Complex equaled \$(95,559), a 42.35% increase. The other three new proprietary funds had combined unrestricted net assets of \$(215,229). The total growth in net assets for Solid Waste was \$2,526,851, an 8.88% increase and the Crown Center was \$113,010, a 1.19% increase.

Capital Asset and Debt Administration

Capital assets. The County of Cumberland's capital assets for its governmental and business-type activities as of June 30, 2004, totals \$196,197,065 (net of accumulated depreciation). Capital assets include land, land improvements, buildings and improvements, vehicles and heavy equipment, furniture, machinery, and other equipment, and construction in progress. Capital assets are reported in the government-wide financial statements and in the enterprise fund financial statements. Governmental funds treat capital acquisitions as expenditures in the period in which they are purchased. The only significant change was the county's minimum capitalization cost increased from \$2,500 to \$5,000 resulting in a write-off of \$1,138,311 for equipment, furniture and fixtures.

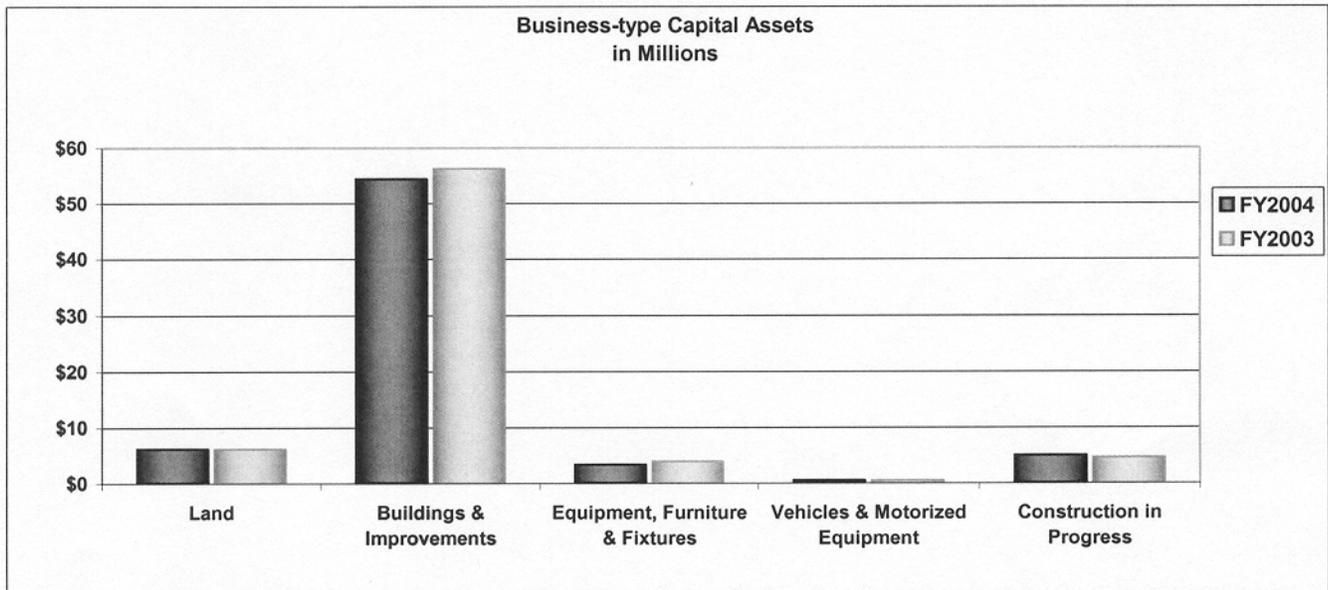
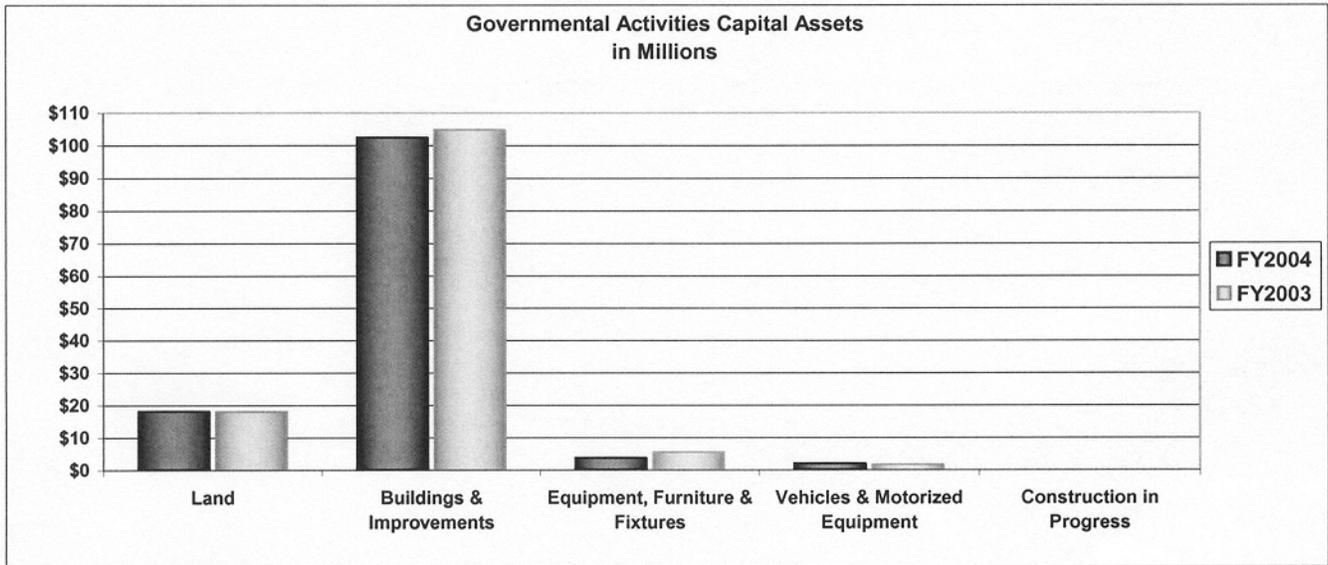
The County of Cumberland's Capital Assets

Figure 4

(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 18,210,621	\$ 18,134,211	\$ 6,224,324	\$ 6,224,324	\$ 24,434,945	\$ 24,358,535
Buildings and Improvements	102,505,675	104,933,119	54,443,160	56,335,970	156,948,835	161,269,089
Equipment, furniture and fixtures	3,781,750	5,560,862	3,359,057	3,950,471	7,140,807	9,511,333
Vehicles and motorized equipment	2,031,981	1,718,727	586,417	585,188	2,618,398	2,303,915
Construction in progress	4,526		5,049,554	4,650,379	5,054,080	4,650,379
Total	\$126,534,553	\$130,346,919	\$ 69,662,512	\$ 71,746,332	\$ 196,197,065	\$202,093,251

Additional information on the County's capital assets can be found in note 4 of the Basic Financial Statements.

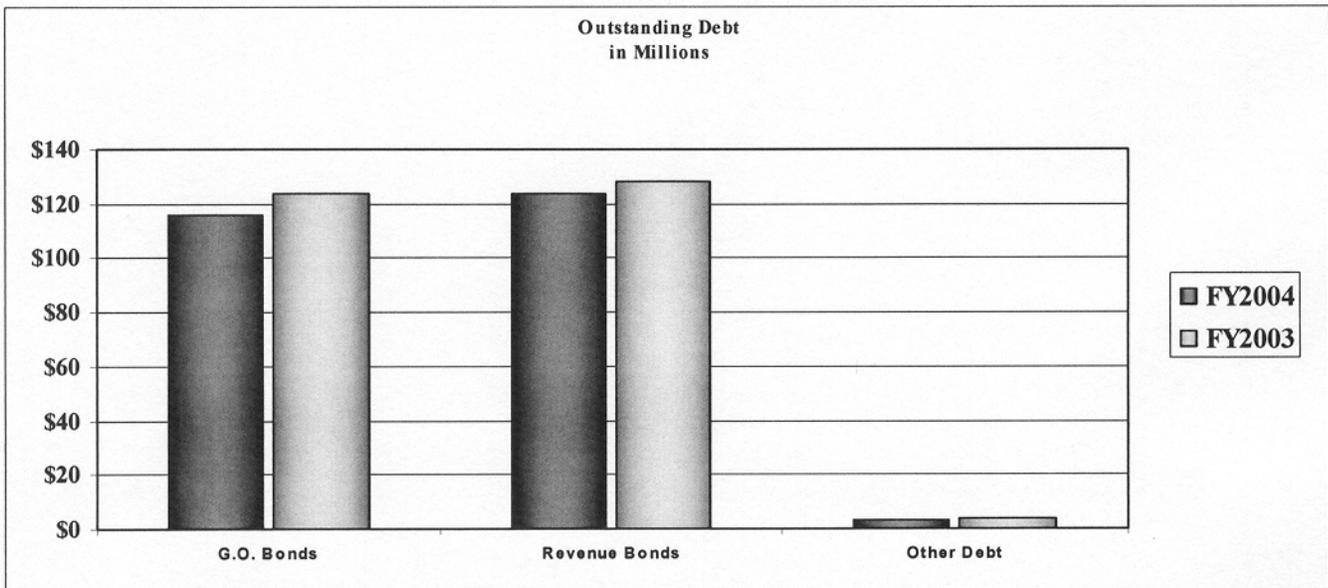


Long-term Debt. As of June 30, 2004, the County of Cumberland had total bonded debt outstanding of \$115,895,000 all of which is backed by the full faith and credit of the County.

**The County of Cumberland's Outstanding Debt
General Obligation and Revenue Bonds**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General Obligation bonds	\$ 115,895,000	\$ 123,510,000	\$ -	\$ -	\$ 115,895,000	\$ 123,510,000
Revenue bonds	74,570,000	77,955,000	48,953,852	50,639,933	123,523,852	128,594,933
Other debt	3,234,457	3,992,463	-	87,305	3,234,457	4,079,768
Total debt	\$ 193,699,457	\$ 205,457,463	\$ 48,953,852	\$ 50,727,238	\$ 242,653,309	\$ 256,184,701



The County of Cumberland's total debt of \$242,653,309 (net of amortization of refunding gain) decreased \$13,531,392 (5.28%) during the past fiscal year, primarily due to principal payments on existing debt

As mentioned in the financial highlights section of this document, the County of Cumberland has maintained an AA- bond rating from Standard and Poor's Rating Group and an Aa3 rating from Moody's Investor Service. This bond rating is a clear indication of the sound financial condition of the County. These high ratings are a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the County is \$1,164,427,000.

Additional information regarding the County of Cumberland's long-term debt can be found in note 9 beginning on page F-26 of this audited financial report.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County.

- The County has an unemployment rate of 4.3%, significantly lower than the state average of 5.7%.
- Retail sales increased 11.07%.

Budget Highlights for the Fiscal Year Ending June 30, 2005

The County approved a \$269,931,631 General Fund budget for fiscal year 2005, which represents a \$8,130,957 (3.01%) increase over fiscal year 2004 approved budget. *Ad Valorem Taxes* have been budgeted at an increase of \$4,680,376 (3.90%). Because of revaluation, the General Fund tax rate was lowered from 92.5 cents to 88.0 cents for fiscal year 2004 to approximate a revenue neutral ad valorem tax rate. The estimate for appeals and releases was higher than actual resulting in an underestimation of realized tax revenue. *Other Taxes* are projected to increase \$969,719 (2.70%) primarily due to increased growth in sales taxes. *Unrestricted Intergovernmental* revenue is projected to increase \$2,404,743 (64.79%) due to a reimbursement of \$2,009,533 from the City of Fayetteville and a \$250,000 increase in projected profits from the County's ABC Board. *Restricted Intergovernmental* revenue has been budgeted at a net increase of \$1,832,556 (3.43%) based on a

budget of \$55,279,855. Mental Health restricted revenue is projected to increase \$4,189,723 (34.82%) due to an increase of \$5,842,279 in new state revenue. The increases in Mental Health revenues were offset by a \$2,916,040 (18.41%) decrease in DSS Child Care funding. *Licenses and Permits* revenue will decrease a total of \$368,437 (9.88%) due mainly to the decrease of Register of Deeds fees. *Sales and Service* fees are projected to decrease \$769,361 (4.09%) due to decreases in Mental Health fees of \$853,801 (6.78%) and the elimination of Health Card fees of \$290,000. *Miscellaneous* revenue will decrease \$432,926 (7.46%) due to reductions in building rents. *Other Financing Sources* will have a slight decrease of \$185,713 (0.925) due to decreases in fund balance appropriated and transfers from the county school capital fund.

Budgeted expenditures in the General Fund are \$269,931,631 which represents an increase of \$8,130,957 (3.01%) over fiscal year 2004. *Personnel Services* increased \$3,180,455 (3.43%) due to the net addition of 32 new positions and a 3.0% cost-of-living increase. *Operating Expenditures* will decrease \$427,942 (0.39%). While educational expenditures will increase \$3,350,255, Child Care expenditures will decrease \$2,916,040 (18.41%) and Medicaid expenditures will add another decrease of \$869,838 (7.03). *Capital Outlay* decreased \$235,734 (11.33%)

The fiscal year 2005 budget was adopted based in part on the City of Fayetteville annexing approximately 43,000 residents on June 30, 2004. The Homebuilders Association of Fayetteville, the Cumberland County Citizens United and a soldier stationed at Fort Bragg challenged the annexation in court. In June, a Cumberland County Superior Court judge ruled in favor of the City. The cases were appealed to the Court of Appeals which issued a stay of annexation on June 29 in order to review the cases. Although the Court of Appeals lifted its stay on July 7, the cases were then appealed to the State Supreme Court which issued a stay of annexation on July 12. The stay effectively ended the City's opportunity for annexation in fiscal year 2005. Annexation would have negatively affected several budgeted shared revenues such as sales taxes, cablevisions fees, and beer & wine taxes. Because of the annexation stay, that overall effect will not occur and the General Fund should benefit by approximately \$1.5 million.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, the County of Cumberland, 117 Dick Street, Fayetteville, NC 28301.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type Activities	Total Primary Government	Cumberland County ABC Board	Cumberland County Hospital Systems, Inc.	Eastover Sanitary District
Assets						
Cash and cash equivalents	\$ 49,292,056	\$ 11,650,558	\$ 60,942,614	\$ 2,199,069	\$ 96,240,000	\$ 213,710
Investments	51,285,108	14,065,441	65,350,549	-	-	-
Taxes receivable, net	8,168,002	298,714	8,466,716	-	-	-
Accounts receivable, net	66,014	-	66,014	-	63,619,000	-
Sales tax receivable	14,568,508	29,172	14,597,680	-	-	-
Due from other governments	8,899,752	322,313	9,222,065	-	-	68,646
Patient receivables	2,371,559	-	2,371,559	-	-	-
Other receivables, net	199,572	188,169	387,741	-	-	-
Internal balances	(203,579)	203,579	-	-	-	-
Due from component units	201,685	-	201,685	-	-	-
Inventories	204,886	-	204,886	1,584,953	5,253,000	-
Prepaid expenses	-	-	-	8,991	3,140,000	-
Restricted cash and cash equivalents	11,983,116	1,489,224	13,472,340	24,375	11,713,000	-
Restricted investments	4,123,416	-	4,123,416	-	77,513,000	-
Restricted accounts receivable	21,778	139	21,917	-	-	46,996
Capital assets:						
Nondepreciable	18,215,147	11,273,878	29,489,025	650,670	29,583,000	46,996
Depreciable, net	108,319,406	58,388,634	166,708,040	871,653	148,232,000	5,999,759
Other assets	-	-	-	-	20,115,000	-
Total assets	277,716,426	97,909,821	375,626,247	5,339,711	455,408,000	6,376,107
Liabilities						
Accounts and vouchers payable	7,761,373	583,419	8,344,792	1,122,183	24,174,000	21,996
Due to other governments	2,077,929	165,942	2,243,871	-	-	-
Accrued payroll	4,480,914	96,131	4,577,045	-	19,891,000	-
Accrued interest payable	2,361,318	1,459,483	3,820,801	172,651	-	14,578
Other payables	102,572	4,990	107,562	-	18,713,000	-
Due to agencies	-	-	-	-	23,454,000	-
Post closing cost	-	4,980,263	4,980,263	-	-	-
Due to primary government	-	-	-	-	-	25,000
Unearned revenue	1,449,919	-	1,449,919	-	-	-
Long-term liabilities:						
Due in less than one year	13,833,246	2,178,825	16,012,071	-	5,371,903	42,500
Due in more than one year	184,492,776	46,941,765	231,434,541	-	130,703,097	3,861,500
Total liabilities	216,560,047	56,410,818	272,970,865	1,294,834	222,307,000	3,965,574
Net assets						
Invested in capital assets net of related debt	30,253,418	20,708,795	50,962,213	1,522,323	56,559,000	2,229,367
Restricted for debt service	5,714,758	1,489,089	7,203,847	2,513,563	15,317,000	-
Restricted by grants	20,866,838	-	20,866,838	-	-	-
Unrestricted	4,321,365	19,301,119	23,622,484	8,991	161,225,000	181,166
Total net assets	\$ 61,156,379	\$ 41,499,003	\$ 102,655,382	\$ 4,044,877	\$ 233,101,000	\$ 2,410,533

COUNTY OF CUMBERLAND, NORTH CAROLINA
Statement of Activities
Year Ended June 30, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Primary Government Business-type Activities		Cumberland County ABC Board	Cumberland County Hospital Systems, Inc.	Eastover Sanitary District
			Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities			
Governmental activities:										
General government	\$ 17,855,161	\$ 3,856,357	\$ 577,627	\$ 2,000,000						
Public safety	38,908,990	2,135,055	893,109	1,209,212	(11,421,177)	\$ -				\$ -
Economic and physical development	10,852,650	933,363	7,070,855	327,215	(34,671,614)					
Human services	99,736,931	17,149,531	50,144,930	-	(2,521,217)					
Cultural and recreational	10,426,819	597,101	802,585	-	(32,442,470)					
Education	78,521,977	-	-	1,466,722	(9,027,133)					
Interest on long-term debt	9,933,650	-	-	-	(77,055,255)					
Total governmental activities	266,236,178	24,671,407	59,489,106	5,003,149	(9,933,650)					
					(177,072,516)					
Business-type activities:										
Crown center	9,346,520	2,079,161	-	-	-	(7,267,359)				
Solid waste	4,389,462	2,444,999	-	-	-	(1,944,463)				
NORCESS Water and Sewer District	-	14,208	-	263,472	-	277,680				
Kelly Hills Water and Sewer District	-	-	-	84,321	-	84,321				
Total business-type activities	13,735,982	4,538,366	-	347,793	-	(8,849,821)				
Total primary government	\$ 279,972,160	\$ 29,209,775	\$ 59,489,106	\$ 5,350,942	(177,072,516)	(8,849,821)				
Component unit:										
ABC Board	\$ 12,566,245	\$ 12,119,921	\$ -	\$ -				(446,324)		
Cumberland County Hospital System	397,163,000	406,197,000	-	-				9,034,000		
Eastover Sanitary District	342,245	258,953	-	46,996						(36,296)
Total component unit	\$ 410,071,490	\$ 418,575,874	\$ -	\$ 46,996				(446,324)	9,034,000	(36,296)
General revenues:										
Property taxes					135,015,932					
Other taxes					41,353,221					
Grants and contributions not restricted to specific programs					5,239,545					
Unrestricted investment earnings					4,739,443					
Miscellaneous					285,346			24,648		1,581
Contributions					6,082,715			6,423		
Transfers					(6,343,569)					
Total general revenues and transfers					182,115,248			31,071	2,893,000	1,581
Change in net assets					5,042,732	3,001,862		(415,253)	11,927,000	(34,715)
Net assets - beginning, as previously reported					42,851,405	38,497,141		4,498,405	221,174,000	2,445,248
Prior period adjustment - sales tax (Note 1, 15)					14,400,553	-		-	-	-
Prior period adjustment - capital assets (Note 4)					(1,138,311)	-		-	-	-
Prior period adjustment - other					56,113,647	38,497,141		(38,275)	-	-
Net assets - beginning, as restated					102,227,294	77,032,282		4,460,130	221,174,000	2,445,248
Net assets - ending					\$ 61,156,379	\$ 41,499,003		\$ 4,044,877	\$ 233,101,000	\$ 2,410,533

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2004**

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 26,654,299	\$ 22,637,757	\$ 49,292,056
Investments	46,657,708	4,627,400	51,285,108
Taxes receivable, net	6,423,486	748,380	7,171,866
Sales tax receivable	12,115,393	2,453,115	14,568,508
Due from other governments	7,807,250	1,092,502	8,899,752
Patient receivables	2,371,559	-	2,371,559
Other receivables, net	166,428	33,144	199,572
Due from other funds	686,519	-	686,519
Due from component units	201,685	-	201,685
Inventories	204,886	-	204,886
Restricted assets:			
Cash and cash equivalents	228,875	5,313,927	5,542,802
Investments	-	4,123,416	4,123,416
Accounts receivable	-	21,778	21,778
Total assets	<u>\$ 103,518,088</u>	<u>\$ 41,051,419</u>	<u>\$ 144,569,507</u>
Liabilities and fund balances			
Liabilities:			
Accounts and vouchers payable	\$ 4,543,729	\$ 1,772,741	\$ 6,316,470
Due to other governments	2,028,845	49,084	2,077,929
Accrued payroll	4,324,269	156,645	4,480,914
Other payables	31,274	71,298	102,572
Due to other funds	-	852,073	852,073
Deferred revenue	11,274,743	731,540	12,006,283
Total liabilities	<u>22,202,860</u>	<u>3,633,381</u>	<u>25,836,241</u>
Fund balances:			
Reserved:			
Reserved for inventories	204,886	-	204,886
Reserved for register of deeds	140,680	-	140,680
Reserved for mental health programs	60,230	-	60,230
Reserved for encumbrances	4,435,664	1,957,387	6,393,051
Reserved by State statute	19,947,496	3,617,379	23,564,875
Reserved for inmates	-	284,724	284,724
Reserved for cemetery	-	34,251	34,251
Unreserved:			
Designated for subsequent year's expenditures	11,380,770	-	11,380,770
Designated for other purposes	2,018,754	-	2,018,754
Designated for Technology	2,861,997	-	2,861,997
Designated for renovations and maintenance	3,904,050	-	3,904,050
Undesignated	36,360,701	-	36,360,701
Unreserved, reported in nonmajor:			
Designated for subsequent year's expenditures			
Special revenue	-	3,958,056	3,958,056
Undesignated			
Special revenue	-	16,908,782	16,908,782
Capital projects	-	10,657,459	10,657,459
Total fund balances	<u>81,315,228</u>	<u>37,418,038</u>	<u>118,733,266</u>
Total liabilities and fund balances	<u>\$ 103,518,088</u>	<u>\$ 41,051,419</u>	<u>\$ 144,569,507</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2004

Amounts reported for governmental activities in the statement of net assets are different because:

Ending fund balance - governmental funds		\$ 118,733,266
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		126,534,553
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Deferred Revenue	\$ 10,556,364	
Accrued Tax Penalties	<u>996,136</u>	
		11,552,500
Internal service funds are used by management to charge the costs of group insurance, employee flexible benefits, workers' compensation, and general litigation costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		5,023,400
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Long term liabilities	\$ (198,326,022)	
Accrued interest payable	<u>(2,361,318)</u>	
		(200,687,340)
Net assets of governmental activities		<u>\$ 61,156,379</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2004**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Ad valorem taxes	\$ 125,725,376	\$ 9,530,991	\$ 135,256,367
Other taxes	41,921,970	12,266,301	54,188,271
Unrestricted intergovernmental revenue	4,857,430	-	4,857,430
Restricted intergovernmental revenue	51,337,436	13,209,620	64,547,056
Licenses and permits	4,432,579	-	4,432,579
Sales and services	19,443,599	622,441	20,066,040
Interest earned on investments	891,441	334,413	1,225,854
Miscellaneous	5,013,107	1,208,747	6,221,854
Total revenues	<u>253,622,938</u>	<u>37,172,513</u>	<u>290,795,451</u>
Expenditures			
Current:			
General government	15,419,929	445,689	15,865,618
Public safety	29,903,718	6,825,658	36,729,376
Economic and physical development	3,424,135	6,963,457	10,387,592
Human services	96,410,543	1,534,124	97,944,667
Cultural and recreational	6,925,879	3,676,356	10,602,235
Education	64,671,911	13,497,807	78,169,718
Capital outlay	-	488,141	488,141
Debt service:			
Principal payments	11,608,005	150,000	11,758,005
Interest and fees	10,023,860	69,929	10,093,789
Total expenditures	<u>238,387,980</u>	<u>33,651,161</u>	<u>272,039,141</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,234,958</u>	<u>3,521,352</u>	<u>18,756,310</u>
Other financing sources (uses)			
Transfers in	4,499,913	3,495,873	7,995,786
Transfers out	(6,701,700)	(9,605,687)	(16,307,387)
Total other financing sources (uses)	<u>(2,201,787)</u>	<u>(6,109,814)</u>	<u>(8,311,601)</u>
Net change in fund balances	13,033,171	(2,588,462)	10,444,709
Fund balance - beginning, as previously reported	56,666,502	37,221,502	93,888,004
Prior period adjustment	11,615,555	2,784,998	14,400,553
Fund balance - beginning, as restated	<u>68,282,057</u>	<u>40,006,500</u>	<u>108,288,557</u>
Fund balance - ending	<u>\$ 81,315,228</u>	<u>\$ 37,418,038</u>	<u>\$ 118,733,266</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 10,444,709

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	\$ 3,371,535	
Depreciation	<u>(6,007,812)</u>	(2,636,277)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) to increase net assets. (37,778)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Prepaid pension	\$ (8,228)	
Accrued tax penalties	(67,509)	
Deferred revenues	<u>(13,008,422)</u>	(13,084,159)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the

Principal payments	\$ 11,758,006	
Accrued interest payable	160,139	
Accrued vacation payable	<u>(247,885)</u>	11,670,260

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

The net revenue of certain activities of the internal service fund is reported with governmental activities. (1,314,023)

Change in net assets of governmental activities \$ 5,042,732

COUNTY OF CUMBERLAND, NORTH CAROLINA

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances-
Budget and Actual
Year Ended June 30, 2004**

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 119,995,201	\$ 119,995,201	\$ 125,725,376	\$ 5,730,175
Other taxes	35,869,725	35,902,583	41,921,970	6,019,387
Unrestricted intergovernmental revenue	3,711,543	3,715,579	4,857,430	1,141,851
Restricted intergovernmental revenue	53,432,299	56,228,258	51,337,436	(4,890,822)
Licenses and permits	3,742,719	3,868,174	4,432,579	564,405
Sales and services	18,790,112	20,355,668	19,443,599	(912,069)
Interest earned on investments	815,136	815,136	891,441	76,305
Miscellaneous	5,153,457	5,273,805	5,013,107	(260,698)
Total revenues	<u>241,510,192</u>	<u>246,154,404</u>	<u>253,622,938</u>	<u>7,468,534</u>
Expenditures:				
Current:				
General government	16,810,946	19,951,685	15,419,929	4,531,756
Public safety	30,472,412	32,293,489	29,903,718	2,389,771
Economic and physical development	3,618,360	3,830,396	3,424,135	406,261
Human services	107,527,245	110,898,440	96,410,543	14,487,897
Cultural and recreational	7,122,222	7,226,705	6,925,879	300,826
Education	65,166,481	66,373,404	64,671,911	1,701,493
Debt service:				
Principal payments	11,550,918	11,608,007	11,608,005	2
Interest and fees	10,031,262	10,035,051	10,023,860	11,191
Total expenditures	<u>252,299,846</u>	<u>262,217,177</u>	<u>238,387,980</u>	<u>23,829,197</u>
Revenues over (under) expenditures	<u>(10,789,654)</u>	<u>(16,062,773)</u>	<u>15,234,958</u>	<u>(31,297,731)</u>
Other financing sources (uses):				
Transfers in	4,497,203	4,502,703	4,499,913	2,790
Transfers out	(5,044,775)	(6,813,078)	(6,701,700)	(111,378)
Appropriated fund balance	11,337,226	18,373,148	-	18,373,148
Total other financing sources (uses)	<u>10,789,654</u>	<u>16,062,773</u>	<u>(2,201,787)</u>	<u>18,264,560</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>13,033,171</u>	<u>\$ (13,033,171)</u>
Fund Balances:				
Beginning of year, July 1, as previously reported			56,666,502	
Prior period adjustment			<u>11,615,555</u>	
Beginning of year, July 1, as restated			68,282,057	
End of year, June 30			<u>\$ 81,315,228</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

Statement of Net Assets
Proprietary Funds
June 30, 2004

	Enterprise Funds					Total	Internal Service Funds
	Cumberland County Solid Waste Fund	Cumberland County Crown Center Fund	Arena Ventures Marketing Fund	Kelly Hills Water and Sewer District Fund	NORCRESS Water and Sewer District Fund		
Assets							
Current assets							
Cash and cash equivalents	\$ 9,957,021	\$ 1,693,537	\$ -	\$ -	\$ -	\$ 11,650,558	\$ -
Investments	14,065,441	-	-	-	-	14,065,441	-
Taxes receivable	298,714	-	-	-	-	298,714	-
Sales tax receivable	7,363	21,809	-	-	-	29,172	37
Due from other governments	103,689	143,604	-	53,620	21,400	322,313	-
Other receivables	188,169	-	-	-	-	188,169	27,952
Due from other funds	259,199	-	-	-	-	259,199	-
Total current assets	24,879,596	1,858,950	-	53,620	21,400	26,813,566	27,989
Noncurrent assets							
Restricted:							
Cash and cash equivalents	662,074	609,895	-	-	217,255	1,489,224	6,440,314
Accounts receivable	-	139	-	-	-	139	-
Capital assets, net of accumulated depreciation	10,715,080	58,025,077	-	234,801	687,554	69,662,512	-
Total noncurrent assets	11,377,154	58,635,111	-	234,801	904,809	71,151,875	6,440,314
Total assets	36,256,750	60,494,061	-	288,421	926,209	97,965,441	6,468,303
Liabilities and net assets							
Current liabilities							
Accounts and vouchers payable	140,989	205,801	-	-	236,629	583,419	33,912
Due to other governments	-	165,942	-	-	-	165,942	-
Accrued payroll	51,003	45,128	-	-	-	96,131	11,238
Accrued interest payable	-	1,459,483	-	-	-	1,459,483	-
Other payables	4,990	-	-	-	-	4,990	-
Incurred but not reported	-	-	-	-	-	-	1,399,753
Current portion of long-term debt	-	2,125,000	-	-	-	2,125,000	-
Due to other funds	-	2,000	-	53,620	-	55,620	-
Total current liabilities	196,982	4,003,354	-	53,620	236,629	4,490,585	1,444,903
Noncurrent liabilities							
Post closing liability	4,980,263	-	-	-	-	4,980,263	-
Long-term debt	-	46,828,852	-	-	-	46,828,852	-
Accrued vacation	90,444	76,294	-	-	-	166,738	-
Total noncurrent liabilities	5,070,707	46,905,146	-	-	-	51,975,853	-
Total liabilities	5,267,689	50,908,500	-	53,620	236,629	56,466,438	1,444,903
Net assets							
Invested in capital assets, net of related debt	10,715,080	9,071,360	-	234,801	687,554	20,708,795	-
Restricted net assets	662,074	609,760	-	-	217,255	1,489,089	-
Unrestricted	19,611,907	(95,559)	-	-	(215,229)	19,301,119	5,023,400
Total net assets	\$ 30,989,061	\$ 9,585,561	\$ -	\$ 234,801	\$ 689,580	\$ 41,499,003	\$ 5,023,400

COUNTY OF CUMBERLAND, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2004

	Enterprise Funds					Total	Internal Service Funds
	Cumberland County Solid Waste Fund	Cumberland County Crown Center Fund	Arena Ventures Marketing Fund	Kelly Hills Water and Sewer District Fund	NORCRESS Water and Sewer District Fund		
Operating revenues							
Charges for services	\$ 2,010,085	\$ 2,079,161	\$ -	\$ -	\$ 14,208	\$ 4,103,454	\$ -
Contributions	-	-	-	-	-	-	9,273,460
Other operating revenue	305,585	-	-	-	-	305,585	21,656
Total operating revenues	<u>2,315,670</u>	<u>2,079,161</u>	<u>-</u>	<u>-</u>	<u>14,208</u>	<u>4,409,039</u>	<u>9,295,116</u>
Operating expenses							
Salaries and employee benefits	1,659,868	1,585,070	-	-	-	3,244,938	12,099,867
Other supplies	951,753	176,445	-	-	-	1,128,198	-
Repairs and maintenance	433,385	318,644	-	-	-	752,029	-
Utilities	52,741	702,066	-	-	-	754,807	-
Administrative costs	374,361	1,510,253	-	-	-	1,884,614	525,812
Depreciation	750,910	1,922,458	-	-	-	2,673,368	-
Landfill closure and postclosure care costs	166,444	-	-	-	-	166,444	-
Total operating expenses	<u>4,389,462</u>	<u>6,214,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,604,398</u>	<u>12,625,679</u>
Operating income (loss)	<u>(2,073,792)</u>	<u>(4,135,775)</u>	<u>-</u>	<u>-</u>	<u>14,208</u>	<u>(6,195,359)</u>	<u>(3,330,563)</u>
Nonoperating revenue (expense)							
Interest earned on investments	280,565	4,781	-	-	-	285,346	48,508
Motel occupancy tax	-	782,484	-	-	-	782,484	-
Miscellaneous	112,552	-	-	-	-	112,552	-
Taxes	4,457,061	-	-	-	-	4,457,061	-
Interest expense	-	(3,108,110)	-	-	-	(3,108,110)	-
Tax distribution fee	-	(23,474)	-	-	-	(23,474)	-
Total nonoperating revenue (expense)	<u>4,850,178</u>	<u>(2,344,319)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,505,859</u>	<u>48,508</u>
Income (loss) before transfers and contributions	<u>2,776,386</u>	<u>(6,480,094)</u>	<u>-</u>	<u>-</u>	<u>14,208</u>	<u>(3,689,500)</u>	<u>(3,282,055)</u>
Transfers in	-	6,593,104	-	-	-	6,593,104	2,021,697
Transfers out	(249,535)	-	-	-	-	(249,535)	(53,665)
Capital contributions	-	-	-	84,321	263,472	347,793	-
Change in net assets	<u>2,526,851</u>	<u>113,010</u>	<u>-</u>	<u>84,321</u>	<u>277,680</u>	<u>3,001,862</u>	<u>(1,314,023)</u>
Total net assets - beginning	<u>28,462,210</u>	<u>9,472,551</u>	<u>-</u>	<u>150,480</u>	<u>411,900</u>	<u>38,497,141</u>	<u>6,337,423</u>
Total net assets - ending	<u>\$ 30,989,061</u>	<u>\$ 9,585,561</u>	<u>\$ -</u>	<u>\$ 234,801</u>	<u>\$ 689,580</u>	<u>\$ 41,499,003</u>	<u>\$ 5,023,400</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2004

	Enterprise Funds					Total	Internal Service Funds
	Cumberland County Solid Waste Fund	Cumberland County Crown Center Fund	Arena Ventures Marketing Fund	Kelly Hills Water and Sewer District Fund	NORCRESS Water and Sewer District Fund		
Operating activities							
Cash received from customers	\$ 2,018,383	\$ 2,079,022	\$ -	\$ -	\$ 14,208	\$ 4,111,613	\$ -
Other operating revenue	285,759	-	-	-	-	285,759	21,656
Cash received from contributions	-	-	-	-	-	-	9,273,714
Cash paid to employees	(1,663,955)	(1,571,156)	(3,287)	-	-	(3,238,398)	-
Cash paid for goods and services	(1,738,451)	(2,613,340)	-	(30,543)	218,173	(4,164,161)	(141,504)
Cash paid for claims	-	-	-	-	-	-	(11,719,510)
Net cash provided by (used in) operating activities	(1,098,264)	(2,105,474)	(3,287)	(30,543)	232,381	(3,005,187)	(2,565,644)
Noncapital financing activities							
Transfers in	-	6,593,104	-	-	-	6,593,104	2,021,697
Transfers out	(306,333)	-	-	30,543	-	(275,790)	(53,665)
Net cash provided (used) by noncapital financing activities	(306,333)	6,593,104	-	30,543	-	6,317,314	1,968,032
Capital and related financing activities							
Acquisition and construction of capital assets	(162,457)	(8,897)	-	-	(51,382)	(222,736)	-
Principal paid on long-term debt	-	(1,776,003)	-	-	-	(1,776,003)	-
Interest paid on bonds	-	(2,863,569)	-	-	-	(2,863,569)	-
Motel occupancy tax	4,457,061	782,484	-	-	-	5,239,545	-
Tax distribution fee	-	(23,474)	-	-	-	(23,474)	-
Other miscellaneous transactions	(141,087)	-	-	-	-	(141,087)	-
Net cash provided (used) by capital and related financing activities	4,153,517	(3,889,459)	-	-	(51,382)	212,676	-
Investing activities							
Proceeds from sale of investments	(1,371,460)	-	-	-	-	(1,371,460)	1,494,417
Investment earnings	280,565	4,781	-	-	-	285,346	48,508
Net cash provided (used) in investing activities	(1,090,895)	4,781	-	-	-	(1,086,114)	1,542,925
Net increase in cash and cash equivalents	1,658,025	602,952	(3,287)	-	180,999	2,438,689	945,313
Cash and cash equivalents							
Beginning of year	8,961,070	1,700,480	3,287	-	36,256	10,701,093	5,495,001
End of year	\$ 10,619,095	\$ 2,303,432	\$ -	\$ -	\$ 217,255	\$ 13,139,782	\$ 6,440,314
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ (2,073,792)	\$ (4,135,775)	\$ -	\$ -	\$ 14,208	\$ (6,195,359)	\$ (3,330,563)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	750,910	1,922,458	-	-	-	2,673,368	-
Landfill closure and post closure care costs	166,444	-	-	-	-	166,444	-
Change in assets and liabilities							
(Increase) decrease in accounts receivable	8,298	-	-	-	-	8,298	-
(Increase) decrease in other receivables	(19,826)	28,541	-	-	-	8,715	11,953
(Increase) decrease in inventories	(6,290)	3,989	-	-	-	(2,301)	368,953
(Increase) decrease in internal balances	4,990	-	-	11,461	(18,456)	(2,005)	-
Increase (decrease) in accounts payable and accrued liabilities	75,089	61,399	-	-	-	136,488	411,414
Increase (decrease) in compensated absences payable	7,741	13,914	(1,004)	-	-	20,651	-
Increase (decrease) in deferred revenue	-	-	-	(42,004)	236,629	194,625	(446)
Increase (decrease) in contract retainage	(11,828)	-	(2,283)	-	-	(14,111)	(26,955)
Total adjustments	975,528	2,030,301	(3,287)	(30,543)	218,173	3,190,172	764,919
Net cash provided by (used in) operating activities	(1,098,264)	(2,105,474)	(3,287)	(30,543)	\$ 232,381	\$ (3,005,187)	\$ (2,565,644)
Noncash investing, capital, and financing activities:							
Capital contributions	\$ -	\$ -	\$ -	\$ 84,321	\$ 263,472	\$ 347,793	\$ -

COUNTY OF CUMBERLAND, NORTH CAROLINA

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	<u>Pension Trust Fund</u>	
	<u>Special Separation Allowance Fund</u>	<u>Agency Funds</u>
Assets		
Taxes receivable	\$ -	\$ 4,877,198
Restricted cash and cash equivalents	844,296	1,246,332
Total assets	<u>\$ 844,296</u>	<u>\$ 6,123,530</u>
Liabilities		
Accounts and vouchers payable	-	\$ 6,085,505
Due to other funds	-	38,025
Total liabilities	<u>-</u>	<u>\$ 6,123,530</u>
Net assets		
Reserved for employees pension benefits	<u>\$ 844,296</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2004

	Pension Trust Fund
	Special Separation Allowance Fund
Additions	
Employee contributions	\$ 200,000
Interest earned on investments	7,118
Total additions	<u>207,118</u>
Deductions	
Benefits	109,785
Total deductions	<u>109,785</u>
Change in net assets	97,333
Total net assets - beginning	<u>746,963</u>
Total net assets - ending	<u>\$ 844,296</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements

June 30, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the County of Cumberland, North Carolina ("the County") and its discretely presented component units conform to accounting principles generally accepted in the United States of America 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 seven-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 units, legally separate entities for which the County is financially accountable. GASB Statement Number 14, as amended by GASB Statement Number 39, defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and a) it is able to impose its will on that organization or b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens upon, the primary government.

This statement provides two methods for reporting component units in the financial statements of the primary government: discrete presentation and blending. Discrete presentation means that data will be presented in one or more separate columns to the right of the primary government data columns. Blending means that the component unit's financial data is reported as though the unit is part of the primary government. If the units provide services or benefits exclusively, or almost exclusively, to the primary government, or if the component units and the primary government have "substantively identical boards," the legally separate component units should be incorporated by blending. If the units do not meet these criteria, their data should be incorporated by discrete presentation.

Based on evaluating these characteristics, the following is a brief review of the component units in the County's reporting entity:

Blended Component Units

NORCRESS Water and Sewer Authority and Kelly Hills Water and Sewer Authority (the "Authorities") exist to provide and maintain a sanitary sewer system for the county residents within those districts. The Authorities, which have June 30 year-ends, are considered proprietary funds of the County and adopt budgets on an annual basis.

Discretely Presented Component Units

Cumberland County Industrial Facility and Pollution Control Financing Authority ("the Authority") exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. Cumberland County Finance Corporation ("the Corporation"), a North Carolina nonprofit corporation, exists to issue obligations pursuant to Internal Revenue Service Revenue Ruling 63-20 and Internal Revenue Service Revenue Procedure 82-26. The Corporation has no financial transactions or account balances; therefore, it is not presented in the basic financial statements.

The Cumberland County Hospital System, Inc. ("the Health System"), which has a September 30 year-end, is presented as if it were a proprietary fund. The Cumberland County ABC Board ("the ABC Board"), which has a June 30 year-end, is presented as if it were a proprietary fund. Eastover Sanitary District ("the District"), which has a June 30 year-end, is presented as if it were a proprietary fund.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

A - Reporting Entity (continued)

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
NORCRESS Water and Sewer Authority	Blended	Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the Authority.	None issued.
Kelly Hills Water and Sewer Authority	Blended	Under State law [NCGS 162A-89], the County's board of commissioners also serve as the governing board for the Authority.	None issued.
Cumberland County Industrial Facility and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board of commissioners that is appointed by the county commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued.
Cumberland County Finance Corporation	Discrete	The Corporation is governed by a seven-member board of commissioners that is appointed by the county commissioners. The County can remove any commissioner of the Corporation with or without cause.	None issued.
Cumberland County Hospital System, Inc.	Discrete	The Hospital is a public hospital operated by a not-for-profit corporation which has leased the hospital facilities from the County for a period of 30 years. The County appoints the board of trustees for the Hospital.	Cumberland County Hospital System, Inc. 1638 Owen Drive Fayetteville, NC 28334
Cumberland County ABC Board	Discrete	The members of the ABC Board's governing board are appointed by the County. The ABC Board is required by State statute to distribute its surpluses to the General Fund of the County.	Cumberland County ABC Board 1705 Owen Drive Fayetteville, NC 28334
Eastover Sanitary District	Discrete	The District is considered to be fiscally dependent upon the County such that excluding the entity would cause the County's statements to be incomplete.	Included in the County's financial statements.

B - Basis of Presentation - Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed 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 (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

B - Basis of Presentation - Basis of Accounting (continued)

Basis of Presentation (continued)

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. 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. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental fund:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The County reports the following major enterprise funds:

Cumberland County Solid Waste Fund. This fund accounts for the operation, maintenance, and development of various landfills and disposal sites.

Cumberland County Crown Center Fund. This fund accounts for the operations of the Crown Arena, the Crown Theatre, the Crown Exposition Center and the Crown Coliseum.

Arena Ventures Marketing Fund. This fund accounts for the operations with Arena Ventures at the Crown Center.

Kelly Hills Water and Sewer District Fund. This fund accounts for the water and sewer operations for the district.

NORCRESS Water and Sewer District Fund. This fund accounts for the water and sewer operations for the district.

The County reports the following fund types:

Internal Service Funds. The County has a Group Insurance Fund, Employee Flexible Benefit Fund, Workers' Compensation Fund and General Litigation Fund. These funds are used to account for the financing services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis.

Pension Trust Fund. The County has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

B - Basis of Presentation - Basis of Accounting (continued)

Basis of Presentation (continued)

Agency Funds. Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the City Tax Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the County for various municipalities and special districts within the County; the Payee Account Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Inmate Payee Fund which accounts for funds held by the County on behalf of inmates of the County jail; the Intergovernmental Custodial Fund, which accounts for various legal fines and forfeitures that the County is required to remit to Cumberland County Board of Education; the Stormwater Utility Fund, which accounts for monies collected in connection with the joint storm water utility agreement with the City of Fayetteville, and the Tourism Development Authority Fund, which is used to account for the monies collected as part of the occupancy tax that are passed through to the Fayetteville Area Convention and Visitors Bureau.

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, proprietary 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. 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 nonoperating revenues and expenses.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

B - Basis of Presentation - Basis of Accounting (continued)

Measurement Focus, Basis of Accounting (continued)

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 general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and 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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Cumberland County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2003 through February 2004 apply to the fiscal year ended June 30, 2004. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2004 because they are intended to finance the County's operations during the 2004 fiscal year.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, 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 driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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 assets 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.

All governmental and business-type activities and proprietary funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

C - Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, the special revenue, the permanent, the enterprise funds, and the internal services funds. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the capital project funds and the enterprise capital project funds. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the departmental level for the general, special revenue, and permanent funds, at the fund level for the enterprise and pension trust funds, and at the construction level for the capital project funds. The County Manager is authorized by the budget ordinance to transfer appropriations between functional areas within a department, however, any revisions that alter total expenditures of any fund or that alter revenues or relate to salary increases must be approved by the governing board. During the year, several amendments to the original budget were necessary. 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.

A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

- April 30 - Each department head will transmit to the budget officer the budget requests and revenues estimates for their department for the budget year.
- May 15 - The finance officer for the school board transmits the budget and the budget message to the County.
- June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.
- July 1 - The budget ordinance shall be adopted by the governing board.

As required by State law {G.S. 159-26(d)}, the County maintains encumbrance accounts which are considered to be "budgetary accounts". Encumbrances outstanding at year end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year end are completed. Encumbrances outstanding at year end do not constitute expenditures or liabilities. These encumbrances outstanding are reported as "reserved for encumbrances" in the fund balance section of the balance sheet and will be charged against the subsequent year's budget.

D - Assets, Liabilities and Fund Equity

1. Deposits and Investments

All deposits of the County, the Health System, the ABC Board, and the District are made in board-designated official depositories and are secured as required by G.S. 159-31. The County, the Health System, the ABC Board, and the District may designate as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County, the Health System, the ABC Board, and the District may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

D - Assets, Liabilities and Fund Equity (continued)

1. Deposits and Investments (continued)

State law [G.S. 159-30(c)] authorizes the County, the Health System, the ABC Board, and the District 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), an SEC-registered (2a-7) money market mutual fund.

The County, the Health System, the ABC Board, and the District investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. 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 earnings and investment contracts are reported at cost.

2. Cash and Cash Equivalents

The County pools money from several funds, except the pension trust fund, 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. The County, the ABC Board, the Health System, and the District consider demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

3. Restricted Assets

Amounts on hand at year end for future construction, payment of asserted and unasserted malpractice claims, self-insurance, trust arrangements and customer deposits for future services have been restricted. Restrictions in the general fund relate to the several ongoing capital projects.

4. 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, 2003. As allowed by State law, the County has established a schedule of discounts that apply to taxes, which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts. The discount for fiscal year 2004 and future years has been eliminated, unless otherwise reinstated by the County Board of Commissioners.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

D - Assets, Liabilities and Fund Equity (continued)

5. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. The County and the Health System provide credit in the normal course of business to customers primarily located in Fayetteville, North Carolina. The County and the Health System perform ongoing credit evaluations of its customers and maintains allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends, and other information. Credit losses, when realized have been within the range of the County's and Health System's estimations and historically have not been significant.

6. Inventories and Prepaid Items

The inventories of the County, the Health System, and the ABC Board are valued at cost (first-in, first-out), which approximates market. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. The inventory of the County's enterprise funds as well as those of the Health System and the ABC Board consist of materials and supplies held for consumption. The cost of the inventory carried in the County's enterprise funds and that of the Health System and the ABC Board is recorded as an expense as it is consumed.

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.

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are \$5,000 for all asset categories. 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 Cumberland 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, once 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 Cumberland County Board of Education.

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

	<u>Years</u>
Buildings	40
Improvements	25
Furniture and equipment	5 – 20
Vehicles	3

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

D - Assets, Liabilities and Fund Equity (continued)

7. Capital Assets (continued)

Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

	<u>Years</u>
Buildings and improvements	25 – 33
Furniture and equipment	5 – 10
Leasehold improvements	10 – 20
Vehicles	5
Computers	5

For the Health System, depreciation is computed by the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Land improvements	12 – 20
Buildings	10 – 40
Furniture/Equipment	3 – 10

For the District, water lines are depreciated over a 40-year life.

8. 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 assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Compensated Absences

The vacation policies of the County, the Health System and the ABC Board 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, the Health System and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded within those funds as the leave is earned.

The sick leave policies of the County, the Health System and the ABC Board provide for 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 none of the entities has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

D - Assets, Liabilities and Fund Equity (continued)

10. Net Assets/Fund Balances

Net Assets

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

Fund Balances

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

Reserved

Reserved for inventories - portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Reserved for register of deeds – portion of fund balance funded by 10% of the fees collected and maintained by the register of deeds' office. The funds are available for appropriation but are legally restricted for computer and imaging technology in the register of deeds office.

Reserved for mental health programs - portion of fund balance not available for appropriation because it represents the year-end resources reserved for mental health programs which are not expendable, available resources.

Reserved for encumbrances - portion of fund balance available to pay for any commitments related to purchase orders and contracts that remain unperformed at year-end.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that are not offset by deferred revenues.

Reserved for inmates - portion of total fund balance available for use by inmates in the County jail.

Reserved for cemetery - portion or total fund balance restricted to maintain the cemetery.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

D - Assets, Liabilities and Fund Equity (continued)

10. Net Assets/Fund Balances (continued)

Fund Balances (continued)

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2004-2005 budget ordinance.

Designated for other purposes – portion of total fund balance designated by the management for future operational reserves.

Designated for technology – portion of total fund balance designated by the management for future technology upgrades to communications department

Designated for renovations and maintenance – portion of total fund balance designated by the management for various maintenance and renovation on County facilities

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

11. Reclassifications

Certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

12. Accounting Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

13. Net Patient Service Revenue

For the Health System, net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

14. Charity Care

The Health System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

D - Assets, Liabilities and Fund Equity (continued)

15. Prior Period Adjustments

During the year, the state of North Carolina changed its distribution method for Local Option Sales Tax that it collects on behalf of local governments. These taxes are now distributed on a monthly rather than a quarterly basis. Taxes on sales for the month of June 2004 are distributed by the state on or around September 15, 2004. Beginning in the current fiscal year, on advice from the North Carolina State Treasurer's Office, the County now considers sales tax distributions as revenue as of June 30 if it is received within 90 days of year-end. The County previously considered sales tax receivables as revenue only if it was received within 60 days of year-end. The result of this prior period adjustment was to increase net assets and fund balance by \$14,400,553 (\$11,615,555 for the General Fund and \$2,784,998 for the County School Special Revenue Fund).

Note 2 - Cash, Cash Equivalents and Investments

A - Deposits

All of the County's, the Health System's, the ABC Board's, and the District'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, the District's, the Health System's or the ABC Board's agents 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, the Health System, the ABC Board, and the District, 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, the Health System, the ABC Board, the District, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the Health System, the ABC Board, or the District under the Pooling Method, the potential exists for undercollateralization, 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.

At June 30, 2004, the County's deposits had a carrying amount of \$52,281,528 and a bank balance of \$54,847,880. Of the bank balance, \$966,109 was covered by Federal depository insurance, \$53,684,021 was covered by collateral under the Pooling Method, and \$197,750 was related to retainage from an insurance administrator for future claim payments. Included in the County's deposits is cash of \$213,710 for the District.

At June 30, 2004, the ABC Board's deposits had a carrying amount of \$2,223,444 and a bank balance of \$2,153,619. Of the bank balance, \$300,000 was covered by Federal depository insurance and \$1,853,619 was covered by collateral under the Pooling Method.

At September 30, 2003, the Health System's deposits had a carrying amount of approximately \$15,377,000 and a bank balance of approximately \$17,914,000. Of the bank balance, \$200,000 was covered by Federal depository insurance and approximately \$17,714,000 was covered by collateral under the Pooling Method.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 2 - Cash, Cash Equivalents and Investments (continued)

B - Investments

The County's and the Health System's investments are categorized to give an indication of the level of custodial risk assumed by each of these entities at year end. In the following tables, Column A includes investments that are insured or registered or for which the securities are held by the County, the Health System or their agents in the entity's name. Column B includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's or the Health System's name. Column C includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's or Health System's name. The hospital funds held by trustees are held by third-party custodians who take delivery of the investments on behalf of the Health System. The County's and the Health System's investments in the North Carolina Capital Management Trust are exempt from risk categorization because the County and the Health System do not own any identifiable securities in these mutual funds

At June 30, 2004 the County's cash and investment balances were as follows:

	<u>A</u>	<u>B</u>	<u>C</u>	<u>Reported Value</u>	<u>Fair Value</u>
Commercial paper	\$ -	\$ 7,984,320	\$ -	\$ 7,984,320	\$ 7,984,320
Bankers Acceptances	-	4,910,993	-	4,910,993	4,910,993
U.S. government agencies	-	59,269,973	-	59,269,973	59,269,973
	<u>\$ -</u>	<u>\$ 72,165,286</u>	<u>\$ -</u>	72,165,286	72,165,286
N.C. Capital Management Trust				21,716,165	21,716,165
				93,881,451	93,881,451
Certificate of deposit				30,278	30,278
Demand Deposits				<u>52,067,818</u>	<u>52,067,818</u>
Total cash and investments				<u>\$ 145,979,547</u>	<u>\$ 145,979,547</u>

The above investments with maturities of more than three months amounted to \$69,473,965.

During 2004 the County did not sell any investments, they were held to maturity. The net increase in the fair value of investments during 2004 for the County was \$64,472. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at year-end for the County was \$64,472. There were no realized or unrealized gains or losses on the Hospital or ABC Board's investments during 2004.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 2 - Cash, Cash Equivalents and Investments (continued)

B - Investments (continued)

At September 30, 2003 the Health System's investments consisted of the following:

	<u>A</u>	<u>B</u>	<u>C</u>	<u>Reported Value</u>	<u>Fair Value</u>
Fixed Income Funds	\$	\$ 125,093,000	\$	\$ 125,093,000	\$ 125,093,000
	\$	\$ 125,093,000	\$	125,093,000	125,093,000
N.C. Capital Management Trust				44,996,000	44,996,000
				170,089,000	170,089,000
Demand Deposits				15,377,000	15,377,000
Total cash and investments				\$ 185,466,000	\$ 185,466,000

The above investments with maturities of more than three months amounted to \$77,513,000.

Interest earned on investments is allocated to all funds based on the cash balances outstanding at the end of each month.

Note 3 - Receivables - Allowance for Doubtful Accounts

Allowances for uncollectible accounts receivable are generally established using historical collection data, specific account analysis and subsequent account analysis and subsequent cash receipts. The allowance at June 30, 2004 is as follows:

Taxes receivable - General Fund	\$ 8,013,759
Other receivables - Water and Sewer Special Revenue Fund	\$ 4,266,231
Accounts receivable - ABC Board	\$ 24,191,000

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 4 - Capital Assets

Primary Government

Capital asset activity for the governmental activities for the year ended June 30, 2004 was as follows:

	Beginning Balances	Restatement related to threshold change	Restated beginning balance	Increases	Decreases	Ending Balances
Governmental activities:						
Capital assets not being depreciated:						
Land	\$ 18,134,211	\$ -	\$ 18,134,211	\$ 76,410	\$ -	\$ 18,210,621
Construction in progress	-	-	-	4,526	-	4,526
Total capital assets not being depreciated	18,134,211	-	18,134,211	80,936	-	18,215,147
Capital assets being depreciated:						
Buildings and improvements	140,410,349	(70,341)	140,340,008	1,663,895	(74)	142,003,829
Equipment, furniture and fixtures	20,164,570	(5,476,717)	14,687,853	472,238	-	15,160,091
Vehicles	9,656,852	-	9,656,852	1,154,466	(641,171)	10,170,147
Total capital assets being depreciated	170,231,771	(5,547,058)	164,684,713	3,290,599	(641,245)	167,334,067
Less accumulated depreciation for:						
Buildings and improvements	35,477,230	(27,328)	35,449,902	4,047,875	377	39,498,154
Equipment, furniture and fixtures	14,603,708	(4,381,419)	10,222,289	1,132,375	23,677	11,378,341
Vehicles	7,938,125	-	7,938,125	827,562	(627,521)	8,138,166
Total accumulated depreciation	58,019,063	(4,408,747)	53,610,316	\$ 6,007,812	\$ (603,467)	59,014,661
Total capital assets being depreciated, net	112,212,708	(1,138,311)	111,074,397			108,319,406
Governmental activity capital assets, net	\$ 130,346,919	\$ (1,138,311)	\$ 129,208,608			\$ 126,534,553

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

General government	\$ 917,830
Public safety	2,470,808
Human services	1,449,928
Economic and physical development	368,669
Cultural and recreational	800,577
Total depreciation expense	\$ 6,007,812

During the year, the County increased its minimum capitalization costs from \$2,500 in the prior year to \$5,000 for all asset categories. As a result, all assets under the new threshold were disposed of. This prior period adjustment resulted in a write-off of \$1,138,311 of net book value (\$5,547,058 of cost and \$4,408,747 of accumulated depreciation).

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 4 - Capital Assets (continued)

Primary Government (continued)

The following is a summary of the County's business-type assets:

Business-type activities:	Beginning		Adjustments &		Ending
	Balances	Increases	Decreases	Balances	
Cumberland County Solid Waste					
Capital assets not being depreciated:					
Land	\$ 2,896,495	\$ -	\$ -		\$ 2,896,495
Construction in progress	4,127,199	-	-		4,127,199
Total capital assets not being depreciated	<u>7,023,694</u>	<u>-</u>	<u>-</u>		<u>7,023,694</u>
Capital assets being depreciated:					
Landfill	7,198,817	-	-		7,198,817
Buildings and building improvements	4,532,743	-	-		4,532,743
Furniture, fixtures and equipment	4,950,026	53,728	-		5,003,754
Vehicles	1,736,903	108,728	(97,938)		1,747,693
Total capital assets being depreciated	<u>18,418,489</u>	<u>162,456</u>	<u>(97,938)</u>		<u>18,483,007</u>
Less accumulated depreciation for:					
Landfill	7,198,817	-	-		7,198,817
Buildings and building improvements	2,887,028	178,772	-		3,065,800
Furniture, fixtures and equipment	2,920,109	438,929	(19,020)		3,340,018
Vehicles	1,151,715	133,209	(97,938)		1,186,986
Total accumulated depreciation	<u>14,157,669</u>	<u>\$ 750,910</u>	<u>\$ (116,958)</u>		<u>14,791,621</u>
Total capital assets being depreciated, net	<u>4,260,820</u>				<u>3,691,386</u>
Cumberland County Solid Waste capital assets, net	<u>\$ 11,284,514</u>				<u>\$ 10,715,080</u>
Cumberland County Crown Center					
Capital assets not being depreciated:					
Land	\$ 3,327,829	\$ -	\$ -		\$ 3,327,829
Capital assets being depreciated:					
Buildings and building improvements	67,729,808	-	-		67,729,808
Furniture, fixtures and equipment	3,282,171	6,701	-		3,288,872
Vehicles	50,163	25,724	(11,502)		64,385
Total capital assets being depreciated	<u>71,062,142</u>	<u>32,425</u>	<u>(11,502)</u>		<u>71,083,065</u>
Less accumulated depreciation for:					
Building and building improvements	13,039,553	1,714,038	-		14,753,591
Furniture, fixtures and equipment	1,361,617	204,647	27,287		1,593,551
Vehicles	50,163	3,773	(15,261)		38,675
Total accumulated depreciation	<u>14,451,333</u>	<u>\$ 1,922,458</u>	<u>\$ 12,026</u>		<u>16,385,817</u>
Total capital assets being depreciated, net	<u>56,610,809</u>				<u>54,697,248</u>
Cumberland County Crown Center capital assets, net	<u>\$ 59,938,638</u>				<u>\$ 58,025,077</u>
Kelly Hills Water and Sewer District					
Capital assets not being depreciated:					
Construction in progress	\$ 150,480	\$ 84,321	\$ -		\$ 234,801
Total capital assets not being depreciated	<u>150,480</u>	<u>\$ 84,321</u>	<u>\$ -</u>		<u>234,801</u>
Kelly Hills Water and Sewer District capital assets, net	<u>\$ 150,480</u>				<u>\$ 234,801</u>
Norcross Water and Sewer District					
Capital assets not being depreciated:					
Construction in progress	\$ 372,700	\$ 314,854	\$ -		\$ 687,554
Total capital assets not being depreciated	<u>372,700</u>	<u>\$ 314,854</u>	<u>\$ -</u>		<u>687,554</u>
Norcross Water and Sewer District capital assets, net	<u>\$ 372,700</u>				<u>\$ 687,554</u>
Business-type activities capital assets, net	<u>\$ 71,746,332</u>				<u>\$ 69,662,512</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 4 - Capital Assets (continued)

Primary Government (continued)

Construction contracts of approximately \$73,006,996 exist for various renovation and construction projects for the County. At June 30, 2004, the remaining commitment on these contracts approximated \$14,499,222.

Discretely presented component units

The following is a summary of proprietary fund-type capital assets for the ABC Board at June 30:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 421,810	\$ -	\$ -	\$ 421,810
Construction in Progress	-	228,860	-	228,860
Total capital assets not being depreciated	<u>421,810</u>	<u>228,860</u>	<u>-</u>	<u>650,670</u>
Capital assets being depreciated:				
Buildings and improvements	1,384,716	-	-	1,384,716
Leasehold improvements	67,526	43,218	-	110,744
Furniture and equipment	525,471	41,116	-	566,587
Vehicles	190,365	24,746	-	215,111
ABE equipment	2,585	-	-	2,585
Total capital assets being depreciated	<u>2,170,663</u>	<u>109,080</u>	<u>-</u>	<u>2,279,743</u>
Less accumulated depreciation	<u>(1,292,621)</u>	<u>(115,469)</u>	<u>-</u>	<u>(1,408,090)</u>
Total capital assets being depreciated, net	<u>878,042</u>	<u>\$ (6,389)</u>	<u>\$ -</u>	<u>871,653</u>
ABC capital assets, net	<u>\$ 1,299,852</u>			<u>\$ 1,522,323</u>

The following is a summary of proprietary fund-type capital assets for the Health System at September 30, 2003:

	Beginning Balances	Increases	Decreases Transfers	Ending Balance
Capital assets not being depreciated:				
Land and land improvements	\$ 22,421,000	\$ 387,000	\$ -	\$ 22,808,000
Construction in progress	3,342,000	10,889,000	(7,456,000)	6,775,000
Total capital assets not being depreciated	<u>25,763,000</u>	<u>11,276,000</u>	<u>(7,456,000)</u>	<u>29,583,000</u>
Capital assets being depreciated:				
Buildings	188,904,000	6,638,000	(101,000)	195,441,000
Furniture, fixtures and equipment	127,668,000	11,095,000	(6,171,000)	132,592,000
Total capital assets being depreciated	<u>316,572,000</u>	<u>17,733,000</u>	<u>(6,272,000)</u>	<u>328,033,000</u>
Less accumulated depreciation	<u>(162,647,000)</u>	<u>(22,807,000)</u>	<u>5,653,000</u>	<u>(179,801,000)</u>
Total capital assets being depreciated, net	<u>153,925,000</u>	<u>\$ (5,074,000)</u>	<u>\$ (619,000)</u>	<u>148,232,000</u>
Health System capital assets, net	<u>\$ 179,688,000</u>			<u>\$ 177,815,000</u>

Construction contracts of approximately \$2,701,406 exist for the renovation or construction of Hospital facilities for the Health System. At September 30, 2003, the remaining commitment on these contracts approximated \$1,207,442.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 4 - Capital Assets (continued)

Discretely presented component units (continued)

The following is a summary of proprietary fund-type capital assets for the District at June 30:

	Beginning Balances	Increases	Decreases Transfers	Ending Balance
<i>Eastover Sanitary District</i>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 46,996	\$ -	\$ 46,996
Total capital assets not being depreciated	<u>-</u>	<u>46,996</u>	<u>-</u>	<u>46,996</u>
Capital assets being depreciated:				
Water lines	6,315,201	239	-	6,315,440
Total capital assets being depreciated	<u>6,315,201</u>	<u>239</u>	<u>-</u>	<u>6,315,440</u>
Less accumulated depreciation	(157,880)	(157,801)	-	(315,681)
Total capital assets being depreciated, net	<u>6,157,321</u>	<u>\$ (157,562)</u>	<u>\$ -</u>	<u>5,999,759</u>
Eastover Sanitary District capital assets, net	<u>\$ 6,157,321</u>			<u>\$ 6,046,755</u>

Note 5 - Pension Plan Obligations

The County maintains a single employer, defined benefit pension plan (the Law Enforcement Officers Special Separation Allowance System), which covers law enforcement officers. In addition, the County participates in the statewide local government retirement system, a multiple-employer, cost sharing public employee pension plan and the Supplemental Retirement Income Plan, a defined contribution pension plan. These plans cover substantially all employees including the ABC Board. The County contributes to the Register of Deeds' Supplemental Pension Fund, a non-contributory, defined contribution plan. Finally, the Health System maintains a single employer, defined benefit pension fund which covers Health System employees and the Health System Retirement Income Replacement Program, a defined contribution plan.

A - Law Enforcement Officers Special Separation Allowance System

Plan Description

The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G. S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the County's report as a pension trust fund. 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, 2003, the Separation Allowance's membership consisted of:

Retirees receiving benefits	17
Active plan members	<u>277</u>
Total	<u><u>294</u></u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 5 - Pension Plan Obligations (continued)

A - Law Enforcement Officers Special Separation Allowance System (continued)

Summary of Significant Accounting Policies

Basis of Accounting: Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions by the County to the plan are recognized when due and when the County has made a formal commitment to provide the contributions. The County benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments: Investments are reported at fair value. Deposits and the North Carolina Capital Management Trust investments are reported at cost or amortized cost, which approximates fair value. Certain longer term United States Government and United States Agency securities are valued at the last reported sales price.

Contributions

The County is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$200,000. There were no contributions made by employees. 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 annual required contribution for the current year was determined as part of the December 31, 2002 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.9 to 9.8% per year. Both (a) and (b) included an inflation component of 3.75%. The assumptions did not include post retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2002 was 28 years.

The County's prepaid pension benefit, which is included in other assets in the Statement of Net Assets, for the current year was as follows:

Annual required contribution	\$	214,216
Interest on net pension obligation		(597)
Adjustment to annual required contribution		<u>451</u>
Annual pension cost		214,070
Contributions made		<u>(200,000)</u>
Decrease in prepaid pension benefit		14,070
Prepaid pension benefit beginning of year		<u>(8,228)</u>
Pension obligation end of year	\$	<u><u>5,842</u></u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 5 - Pension Plan Obligations (continued)

B - Local Governmental Employees' Retirement System

Contributions (continued)

Three Year Trend Information

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 208,451	7.84%	\$ (53,963)
2003	205,735	77.77%	(8,228)
2004	214,070	93.43%	5,842

ABC Board

In regard to the Law Enforcement Officers Special Separation Allowance System, the ABC Board is governed by the same laws as the County and has also established a Separation Allowance for its law enforcement officers. At June 30, 2004, membership of the Board's Separation Allowance consisted of two retirees receiving benefits and five active plan members. The Board has chosen to pay benefits and administration costs on a pay as you go basis. The Board paid benefits of \$19,900 and \$6,724 for the years ending June 30, 2004 and 2003, respectively. No contributions were made to the plan by employees. The Board has chosen not to have an actuarial study performed because the liability is considered immaterial.

Plan Description

Cumberland County and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental 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; or by calling (919) 981-5454.

Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement, for law enforcement officers, and Crown Center employees is 4.90%, 4.78%, and 4.92%, respectively, of annual covered payroll. For the ABC Board, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.59% and 7.36% respectively, of annual covered payroll. The contribution requirements of members and of the County and the ABC Board are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2004, 2003 and 2002 were \$3,427,140, \$3,345,538 and \$3,303,047, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2004, 2003 and 2002 were \$98,950, \$90,392, and \$89,180, respectively. The contributions made by the County and the ABC Board equaled the required contributions for the year.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 5 - Pension Plan Obligations (continued)

C – Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

The County and the ABC Board contribute 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 and the ABC Board. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy

Article 12E of G. S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2004 were \$1,005,262, which consisted of \$445,749 from the County and \$559,513 from the law enforcement officers.

Article 12E of G.S. Chapter 143 requires the ABC Board to contribute each month an amount equal to five percent of each officer's salary. Effective October 1, 1997, the Board's voluntary contribution for employees not engaged in law enforcement was increased to five percent. All amounts contributed are vested immediately. Also, employees participating may make voluntary contributions to the plan. For the year ended June 30, 2004, contributions for law enforcement officers were \$19,152, which consisted of \$10,551 from the Board and \$8,601 from the law enforcement officers. Total contributions for employees not engaged in law enforcement for the year ended June 30, 2004 were \$151,298, which consisted of \$84,498 from the Board and \$66,800 from the employees.

D - Register of Deeds' Supplemental Pension Fund

Plan Description

The County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any 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.

Funding Policy

On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G. S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund. For the fiscal year ended June 30, 2004, the County's required and actual contributions were \$106,334.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 5 - Pension Plan Obligations (continued)

E - The Health System Pension Plan

Plan Description

The Health System Pension Plan (Plan) is a single-employer defined benefit pension plan administered by the Pension Committee of the Health System. The Plan provides retirement benefits to plan members and beneficiaries. The Health System reserves the right to amend or terminate the Plan at any time. Financial information regarding the Plan may be obtained by contacting the administrative offices of the Health System.

Funding Policy

The employer intends to fund the Annual Required Contribution (ARC), during the employer's fiscal year beginning after the valuation date. The ARC is comprised of the normal cost plus amortization of the Unfunded Actuarial Accrued Liability on a level dollar basis over an open period of ten years.

The Health System's contribution to the Plan for the current year was \$5,578,000, or 7% of annual covered payroll, which equaled the annual required contribution. There were no contributions made to the plan by the employees.

The annual required contribution for the current year was determined as of January 1, 2002. The actuarial cost method used to determine the Required Annual Contribution is called the Attained Age Normal Method. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases of 5.5%. The assumptions did not include post-retirement benefit increases. Insurance company contracts are valued at contract value, and all other assets are valued at market value.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2003	\$ 5,578,000	100%	\$ -
9/30/2002	5,287,000	100%	-
9/30/2001	4,528,000	100%	-

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 5 - Pension Plan Obligations (continued)

F - Health System Retirement Income Replacement Program

The Health System, as a means of promoting staff retention, implemented a retirement income replacement program, effective January 1, 1998, to supplement the existing defined benefit pension plan for certain eligible employees. Eligible employees include all physicians employed by the Health System and certain members of administration. The program consists of two major components; a pension supplement plan and an individual deferred compensation plan. Both of these components are designed to qualify as IRC Section 457 (f) deferred compensation plans. The pension supplement plan is designed to provide participants with a retirement benefit that, when combined with amounts received from Social Security and other Health System plans, will approximate 55% of the participant's final average pay. The individual deferred compensation plan allows the participant to defer a portion of their compensation, on an elective basis, and provides for a portion of the deferral to be matched by the Health System. All amounts credited to participants under both plans, including amounts deferred by participants, are subject to forfeiture under a term of service agreement and a covenant not to compete. Although not required to do so by any of the plan documents, the Health System is currently paying an amount of money, which approximates the amount credited to each participant's account, into life insurance policies that are jointly owned by the participant and the Health System. Total cost of the retirement income replacement program for the fiscal year ended September 30, 2003 and 2002, amounted to \$447,000 and \$2,949,000, respectively, net of the cash surrender value of the life insurance policies.

G - Post-employment Benefits

According to a County resolution, the County provides health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least ten consecutive years of creditable service with the County. The County pays the full cost of coverage for these benefits. Retirees not eligible for Medicare are enrolled in the same plan as active County employees. The retiree may also purchase coverage for their dependents at the County's existing group rates until the dependent attains age 65 at which time the coverage ceases. Retirees eligible for Medicare who have Medicare Part A & B are enrolled in a Medicare carve-out plan with Medicare being the primary provider. The retiree pays the premium for Part A & B and the County pays all remaining costs. Currently 163 retirees are enrolled in the regular plan and 214 are enrolled in the Medicare carve-out plan. For the fiscal year ending June 30, 2004 the County made payments for post retirement health benefits of \$1,726,896. The county is self-insured and contracts with a private insurer to provide all administrative services.

The County has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer State-administered cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to employees' death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 5 - Pension Plan Obligations (continued)

G - Post-employment Benefits (continued)

For the calendar year ended December 31, 2003 the County made contributions to the State for death benefits of \$75,657. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .10 percent and .14 percent of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

The ABC Board has elected to provide a post-retirement death benefit to the beneficiaries of retired employees. The ABC Board provides \$1,000 to the spouse or estate of a retired employee upon death. Former employees who are currently receiving retirement benefits under the System are eligible for this benefit. This benefit is a fixed amount and can only be changed by action of the Board. The ABC Board has chosen to fund this death benefit on a pay as you go basis and recognize all expenses as they become due. The ABC Board paid \$0 and \$1,000 of benefits for the years ended June 30, 2004 and 2003 respectively. There are currently 21 retirees whose spouses or estates are eligible to receive this death benefit.

Note 6 - Closure and Postclosure Care Costs - Ann Street Sanitary Landfill Facility

State and federal laws and regulations require the County to place a final cover on its Ann Street Sanitary Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure 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 postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$4,980,263 reported as landfill closure and postclosure care liability at June 30, 2004 consists of a closed landfill with estimated costs of \$1,159,874, a phase 2 C & D landfill with estimated costs of \$366,716 and the subtitle D landfill with estimated costs of \$3,453,673. The costs associated with the phase 2 C & D landfill and the subtitle D landfill represent a cumulative amount reported to date based on the use of 11% and 28%, respectively of the total estimated capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$3,037,084 and \$8,869,757 for the phase 2 C & D landfill and subtitle D landfill, respectively, as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2004. The County expects to close the phase 2 C & D landfill and the subtitle D landfill in the year 2041 and 2020, respectively. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 7 - Deferred/Unearned Revenues

The balance of deferred revenues in the fund financial statements (includes both the deferred and unearned amounts disclosed below) and unearned revenues in the government-wide financial statements at year-end is composed of the following elements:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Taxes receivable net of allowance - General Fund	\$ 6,423,199	\$ -
Taxes receivable net of allowance - Other Governmental Funds	748,673	-
Accounts receivable - General Fund	3,401,625	-
Accounts receivable - Other Governmental Funds	(17,133)	-
Prepaid taxes not yet earned - General Fund	-	1,449,919
	<u>\$ 10,556,364</u>	<u>\$ 1,449,919</u>

Note 8 - Risk Management

The County is self-insured with respect to health insurance (up to \$150,000 per occurrence), worker's compensation (up to \$500,000 per occurrence), unemployment compensation and some general liability risks. Losses from asserted claims and from unasserted claims identified under the County's incident reporting system are accrued based on estimates that incorporate the County's past experience, as well as other considerations including the nature of each claim and relevant trend factors. Incurred but not reported claims have been accrued as a liability based upon the carrier's estimate. Additional Health Insurance stop loss coverage is purchased through the NCACC Health insurance trust for claims in excess of coverage.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded coverage in any of the last three fiscal years.

The Health System is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Health System provides for losses from malpractice and workers' compensation claims through a combination of purchased insurance policies and self-insurance. A self-insurance liability has been accrued for the estimated ultimate cost of losses resulting from claims asserted, incidents reported through the Health System's risk-management system and an estimate of incidents that occurred but have not been reported.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 8 - Risk Management (continued)

The Health System has established revocable trust funds for the payment of self-insured claim settlements. Professional insurance consultants have been retained to assist the Health System in determining amounts to be deposited in the trust fund. The assets of the trust fund are presented on the balance sheet as assets whose use is limited or restricted.

The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to assure health insurance portability, reduce healthcare fraud and abuse, guarantee security and privacy of health information and enforce standards for health information. Organizations are required to be in compliance with certain HIPAA provisions beginning April 2004. Provisions not yet finalized are required to be implemented two years after the effective date of the regulation. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management is in the process of evaluating the impact of this legislation on its operations including future financial commitments that will be required to comply with the legislation.

The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Health System is in compliance with fraud and abuse as well as other applicable government laws and regulations. While no material regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The ABC Board is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has property, general liability, auto liability, workers' compensation and employee health coverage as well as liquor legal liability through commercial coverage. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

The claims liability of each insurance fund at June 30, 2004 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 8 - Risk Management (continued)

Changes in the balances of claim liabilities during the years ended June 30, 2004 and 2003 were as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2003-04	\$ 1,024,348	\$ 10,809,656	\$ (10,434,251)	\$ 1,399,753
2002-03	\$ 1,102,623	\$ 8,433,681	\$ (8,511,956)	\$ 1,024,348

Note 9 - Long-term Obligations

A - Capital Lease Obligations

During the current fiscal year the County was the lessee in a lease agreement for financing the acquisition of a building and renovations to the Courthouse. The lease agreement qualified as a capital lease for accounting purposes and, therefore, was recorded at the present value of its minimum lease payments as of the date of its inception.

The term of the capital lease obligation was as follows:

Governmental Activities

Capital lease obligation payable in semi-annual installments of \$186,663 from May 1, 1997 through November 1, 2003 including interest at 4.87%.

\$ _____ -

Under the terms of the lease, title passed to the County at the end of the lease term. The lease expired on November 1, 2003. At June 30, 2004, the value of the capital assets associated with this lease was \$1,361,753, which consisted of \$2,750,106 and related accumulated depreciation of \$1,388,353.

B - General Obligation Bonds - County

The County records long-term debt of the governmental funds at face value in the general long-term debt account group. All general obligation bonds serviced by the County's general fund are collateralized by the full faith, credit, and taxing power of the County. Principal and interest payments are appropriated when due.

The County's general obligation bonds payable at June 30, 2004 are comprised of the following individual issues:

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 9 - Long-term Obligations (continued)

B - General Obligation Bonds – County (continued)

Governmental Activities

\$38,000,000 General Obligation Bonds, Series 1994

Serial bonds payable annually from May 1, 1997 through May 1, 2013 in amounts ranging from \$150,000 to \$460,000; interest ranges from 5.75% to 6.10%.

\$ 3,260,000

\$12,000,000 General Obligation Bonds, Series 1995

Serial bonds payable annually from October 1, 1997 through October 1, 2014 in amounts ranging from \$525,000 to \$1,650,000; interest ranges from 5.25% to 5.60%.

7,275,000

\$23,325,000 General Obligation Bonds, School Refunding Series 1998

Serial bonds payable annually from February 1, 1999 through February 1, 2013 in amounts ranging from \$565,000 to \$2,240,000; interest ranges from 4.5% to 5.0%.

18,260,000

\$53,180,000 General Obligation Bonds, School Series 1998

Serial bonds payable annually from March 1, 1999 through March 1, 2017 in amounts ranging from \$2,300,000 to \$5,105,000; interest ranges from 4.8% to 5.0%.

39,380,000

\$ 11,400,000 General Obligation Bonds, Library Series 1998

Serial bonds payable annually from March 1, 1999 through March 1, 2016 in amounts ranging from \$600,000 to \$900,000; interest ranges from 4.75% to 5.0%.

7,800,000

\$29,945,000 General Obligation Bonds, School Series 2000

Serial bonds payable annually from September 1, 2000 through March 1, 2020 in amounts ranging from \$1,100,000 to \$4,400,000; interest ranges from 5.5% to 5.8%.

25,545,000

\$14,875,000 General Obligation Bonds, School Series 2002

Serial bonds payable annually from February 1, 2004 through February 1, 2021 in amounts ranging from \$500,000 to \$2,000,000; Interest ranges from 4.00% to 5.00%.

14,375,000

Total

\$115,895,000

At June 30, 2004, the County had bonds authorized but unissued of \$6,605,000 and a legal debt margin of \$1,164,427,000.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 9- Long-term Obligations (continued)

C - Certificates of Participation

The County issued certificates of participation in 1995 to finance the construction of a new Coliseum. In July 1998, the County issued refunding certificates of participation to refinance this debt, which is accounted for in the County's enterprise fund. Certificates outstanding for the year ended June 30, 2004 are as follows:

Business-type Activities

\$6,375,000 Current Interest Serial 1995A Certificates, due in various annual installments ranging from \$205,000 to \$1,660,000, from December 1, 1998 through December 1, 2004. Interest is paid semi-annually at rates ranging from 5.25% to 5.9%. \$ 1,660,000

\$1,428,781 Capital Appreciation Serial 1995A Certificates, maturing in installments of \$1,555,000 from December 1, 2011 through December 1, 2013. Interest is paid at maturity at rates ranging from 6.7% to 6.8%. 1,428,781

\$22,955,000 Current Interest Term 1998 Refunding Certificates, due in various annual installments ranging from \$380,000 to \$3,780,000, from December 1, 1998 through December 1, 2013. Interest is paid semi-annually at rates ranging from 3.625% to 5.0%. 20,100,000

\$11,610,000 Current Interest Term 1998 Refunding Certificates, due in various annual installments ranging from \$2,095,000 to \$2,560,000, from December 1, 2014 through December 1, 2018. Interest is paid semi-annually at a rate of 5.0%. 11,610,000

\$18,385,000 Current Interest Term 1998 Refunding Certificates, due in various annual installments ranging from \$2,695,000 to \$3,460,000, from December 1, 2019 through December 1, 2024. Interest is paid semi-annually at a rate of 5.0%. 18,385,000

Less gain on defeasance

53,183,781
(4,229,929)

\$ 48,953,852

The County has issued certificates of participation, which are being used to finance the construction of new Department of Social Services, Community Corrections Center and Detention Center buildings and to make renovations to an existing mental health facility. Certificates outstanding for the year ended June 30, 2004 are as follows:

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 9 - Long-term Obligations (continued)

C - Certificates of Participation (continued)

Governmental Activities

\$29,090,000 Current Interest Serial 1998 Certificates, due in various annual installments ranging from \$780,000 to \$2,500,000, from December 1, 1998 through December 1, 2014. Interest is paid semi-annually at rates ranging from 3.6% to 4.7%. \$ 22,180,000

\$8,260,000 Current Interest Term 1998 Certificates, due in various annual installments ranging from \$2,625,000 to \$2,885,000, from December 1, 2015 through December 1, 2017. Interest is paid semi-annually at a rate of 4.75%. 8,260,000

\$42,305,000 Current Interest Serial 2000 Refunding Certificates, due in annual installments ranging from \$900,000 to \$2,575,000 from June 1, 2001 through June 1, 2020. Interest is paid semi-annually at rates ranging from 4.30% to 5.625% 35,655,000

\$8,475,000 Current Interest Term 2000 Refunding Certificates, due in annual installments ranging from \$2,110,000 to \$2,130,000 from June 1, 2021 through June 1, 2024. Interest is paid semi-annually at the rate of 5.25%. 8,475,000

\$ 74,570,000

D - Notes Payable

Notes payable included in the accompanying financial statements include the purchase of real estate, equipment and various claims. The County's notes payable are comprised of the following:

Governmental Activities

Note payable in semi-annual installments ranging from \$58,370 to \$185,678 including interest ranging from 5.25% to 7.875%. \$ 1,485,296

Note payable in annual installments of \$86,839 including interest of 4.625%. 83,000

Note payable in ten annual installments of \$150,000 plus variable interest at an average rate of 5.86% 900,000

Note payable in four annual installments ranging from \$124,270 to \$137,020 including interest of 3.0%, an additional first year principal payment of \$60,878, plus a balloon payment in the fifth year of \$454,451 including interest of 3.0% 766,161

\$ 3,234,457

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 9 - Long-term Obligations (continued)

E- Long-term Obligation Activity

The following is a summary of changes in the County's long-term obligations as of June 30, 2004:

	Balance June 30, 2003	Additions	Payments	Balance June 30, 2004	Current Portion of Long-term Liabilities
Governmental activities:					
Bonds payable	\$ 123,510,000	\$ -	\$ 7,615,000	\$ 115,895,000	\$ 7,600,000
Capital lease obligations	182,226	-	182,226	-	-
Certificates of participation payable	77,955,000	-	3,385,000	74,570,000	3,935,000
Notes payable	3,810,237	-	575,780	3,234,457	462,579
Accrued vacation	3,761,620	2,083,552	1,835,667	4,009,505	-
Arbitrage rebate payable	617,060	-	-	617,060	1,835,667
Total governmental activities	\$ 209,836,143	\$ 2,083,552	\$ 13,593,673	\$ 198,326,022	\$ 13,833,246

	Balance June 30, 2003	Additions	Payments	Balance June 30, 2004	Current Portion of Long-term Liabilities
Business-type activities:					
Certificates of participation payable	\$ 55,083,781	\$ -	\$ 1,900,000	\$ 53,183,781	\$ 2,125,000
Defeasance	(4,443,848)	213,919	-	(4,229,929)	-
Notes payable	87,305	-	87,305	-	-
Accrued landfill closure and post closure costs	4,813,819	166,444	-	4,980,263	-
Accrued vacation	145,083	75,480	53,825	166,738	53,825
Total business-type activities	\$ 55,686,140	\$ 455,843	\$ 2,041,130	\$ 54,100,853	\$ 2,178,825

Compensated absences typically have been liquidated in the general fund and are accounted for on a Last in, First out basis, assuming that employees are taking leave time as it is earned.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Notes to the Financial Statements (continued)

June 30, 2004

Note 9 - Long-term Obligations (continued)

F- Long-term Obligation Activity

The following summarizes the annual debt service requirements to maturity for the County (excluding accrued vacation and arbitrage rebate payable, accrued landfill closure and postclosure costs):

	General Obligation Bonds		Certificates of Participation		Notes Payable		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities:								
2005	\$ 7,600,000	\$ 5,848,640	\$ 3,935,000	\$ 3,548,015	\$ 462,579	\$ 153,712	\$ 11,997,579	\$ 9,550,367
2006	7,585,000	5,477,590	4,160,000	3,379,075	385,792	132,826	12,130,792	8,989,491
2007	7,565,000	5,106,455	4,225,000	3,199,640	392,694	111,854	12,182,694	8,417,949
2008	7,645,000	4,736,240	4,300,000	3,014,065	735,448	88,549	12,680,448	7,838,854
2009	7,620,000	4,361,095	4,365,000	2,823,408	212,299	150,091	12,197,299	7,334,594
2010-2014	38,105,000	16,120,620	21,605,000	11,135,160	859,967	258,143	60,569,967	27,513,923
2015-2019	35,755,000	6,408,800	21,375,000	5,626,288	185,678	5,106	57,315,678	12,040,194
2020-2024	4,020,000	289,910	10,605,000	1,675,388	-	-	14,625,000	1,965,298
	<u>115,895,000</u>	<u>48,349,350</u>	<u>74,570,000</u>	<u>34,401,039</u>	<u>3,234,457</u>	<u>900,281</u>	<u>193,699,457</u>	<u>83,650,670</u>
Business-type Activities:								
2005	-	-	2,125,000	2,539,143	-	-	2,125,000	2,539,143
2006	-	-	2,365,000	2,421,050	-	-	2,365,000	2,421,050
2007	-	-	2,615,000	2,296,550	-	-	2,615,000	2,296,550
2008	-	-	2,880,000	2,159,175	-	-	2,880,000	2,159,175
2009	-	-	3,160,000	2,008,175	-	-	3,160,000	2,008,175
2010-2014	-	-	10,043,781	11,343,327	-	-	10,043,781	11,343,327
2015-2019	-	-	11,610,000	6,106,000	-	-	11,610,000	6,106,000
2020-2024	-	-	14,925,000	2,805,125	-	-	14,925,000	2,805,125
2025	-	-	3,460,000	86,500	-	-	3,460,000	86,500
	<u>-</u>	<u>-</u>	<u>53,183,781</u>	<u>31,765,045</u>	<u>-</u>	<u>-</u>	<u>53,183,781</u>	<u>31,765,045</u>
Less: Gain on defeasance (net of amortization)	-	-	(4,229,929)	-	-	-	(4,229,929)	-
	<u>\$ 115,895,000</u>	<u>\$ 48,349,350</u>	<u>\$ 123,523,852</u>	<u>\$ 66,166,084</u>	<u>\$ 3,234,457</u>	<u>\$ 900,281</u>	<u>\$ 242,653,309</u>	<u>\$ 115,415,715</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 9- Long-term Obligations (continued)

G- Conduit Debt Obligations

The County's Industrial Facility and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2004, there were \$1,175,000 series of industrial revenue bonds outstanding.

H - Prior Years' Defeasance of Debt

In prior years, the County has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and related fixed earnings are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the County's liabilities. As of June 30, 2004, the amount of prior year defeased debt outstanding and removed from the County's liabilities amounted to \$107,980,000.

Gains and losses from debt refundings must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In addition, gains or losses related to the debt refundings are to be used in determining the carrying value of the new debt issued to finance debt refundings. The carrying value of the Certificates of Participation has been adjusted for the gain from defeasance (net of amortization) of \$4,229,929.

I - Health System Revenue Bonds and Defeasance of Debt

The Revenue bonds were issued to finance the construction of facilities utilized in the operations of the Health System and to purchase Highsmith-Rainey Memorial Hospital. The principal and interest on the revenue bonds are payable from the net revenues of the Health System. The revenue bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the County's property or upon its income, receipts, or revenues. The taxing power of the County is not pledged for the payment of the principal or interest on the revenue bonds, and no owner has the right to compel the exercise of the taxing power of the County or the forfeiture of any of its property in connection with any default under the bond order.

The Health System's bonds payable are comprised of the following issues:

Bonds payable

\$59,998,914 Hospital Facility Bonds, Series 1991

Serial and term bonds payable annually from October 1, 1996 through October 1, 2009 in amounts ranging from \$658,000 to \$765,000; interest ranges from 6.70% to 6.80%.

\$ 6,720,000

\$29,168,199 Hospital Facility Refunding Bonds, Series 1993

Serial and term bonds payable annually from October 1, 1999 through October 1, 2014; in amounts ranging from \$846,000 to \$2,690,000; interest ranges from 4.75% to 5.85%.

24,120,000

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 9 - Long-term Obligations (continued)

I - Health System Revenue Bonds and Defeasance of Debt (continued)

\$116,005,000 Hospital Facility Revenue Bonds, Series 1999

Serial and term bonds payable annually 1999 through 2029, in amounts ranging from \$1,480,000 to \$6,905,000; interest ranges from 4.00% to 5.25%.

109,465,000

109,465,000

Note Payable

Note payable monthly through August, 2006, in the amount of \$84,000; interest ranges from 3.43%.

2,807,000
143,112,000

Less unamortized discount (3,375,000)

Less deferred loss on early extinguishment of 1991 bond issue (3,662,000)

Total \$ 136,075,000

The following is a summary of changes in the Health System's long-term obligations as of September 30, 2003:

	Balance September 30, 2002	Additions	Payments	Balance September 30, 2003	Current Portion of Long-term Liabilities
Revenue bonds	\$ 145,470,000	\$ -	\$ 5,165,000	\$ 140,305,000	\$ 5,385,000
Note payable	3,707,000	-	900,000	2,807,000	931,000
	<u>149,177,000</u>	<u>-</u>	<u>6,065,000</u>	<u>143,112,000</u>	<u>6,316,000</u>
Less:					
Unamortized discount	(4,321,000)	-	(659,000)	(3,662,000)	(665,212)
Deferred loss on early extinguishment of 1991 bonds	(3,678,000)	-	(303,000)	(3,375,000)	(278,885)
Total	<u>\$ 141,178,000</u>	<u>\$ -</u>	<u>\$ 5,103,000</u>	<u>\$ 136,075,000</u>	<u>\$ 5,371,903</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 9 - Long-term Obligations (continued)

I – Health System Revenue Bonds and Defeasance of Debt (continued)

Annual debt service requirements to maturity for the Health System's revenue bonds are as follows:

	Revenue Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2004	\$ 5,385,000	\$ 6,538,000	\$ 931,000	\$ 82,000
2005	5,625,000	6,292,000	964,000	49,000
2006	5,875,000	6,029,000	912,000	16,000
2007	5,500,000	5,752,000	-	-
2008	5,785,000	5,521,000	-	-
2009-2013	31,320,000	25,056,000	-	-
2014-2018	30,715,000	16,920,000	-	-
2019-2023	28,170,000	9,134,000	-	-
2024-2028	14,845,000	3,887,000	-	-
2029-2030	7,085,000	377,000	-	-
	<u>140,305,000</u>	<u>85,506,000</u>	<u>2,807,000</u>	<u>147,000</u>
Less:				
Unamortized discounts	(3,662,000)	-	-	-
Deferred loss on early extinguishment of debt	<u>(3,375,000)</u>	-	-	-
	<u>\$ 133,268,000</u>	<u>\$ 85,506,000</u>	<u>\$ 2,807,000</u>	<u>\$ 147,000</u>

In accordance with GASB Statements No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, the loss incurred on bond extinguishment has been recorded as a reduction of the Series 1991 Bonds in the accompanying balance sheet and is being amortized over the remaining life of the original bonds.

Under the terms of the series Bond Indentures, the Health System is required to maintain certain deposits with a trustee. Such deposits are included in the financial statements with assets whose use is limited or restricted. The indentures also place certain limits on the incurrence of additional borrowings by the Health System. The Health System is in compliance with the Series Bond Indentures.

In prior years, the Health System defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government obligations that were placed in the trust funds. The investment and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the Health System's books. As of September 30, 2003, the amount of defeased debt outstanding but removed from the Health System's books amounted to \$7,037,000 including unamortized discounts.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 9 - Long-term Obligations (continued)

J- General Obligation Bonds- Eastover Sanitary District

The general obligation bonds of the District, which are for the acquisition and construction of a major sanitary system capital improvement, are collateralized by the full faith, credit, and taxing power of the District. Principal and interest payments are appropriated when due. There were no issuances or payments in fiscal year 2004.

The District's general obligation bonds payable at June 30, 2004 are comprised of the following individual issues:

\$2,802,000 General Obligation Water Bonds, Series 2002A

Serial bonds payable annually from June 1, 2004 through June 1, 2042 in amounts ranging from \$0 to \$124,000;

Interest is paid annually at rate of 4.375%.

\$ 2,802,000

\$1,102,000 General Obligation Water Bonds, Series 2002B

Serial bonds payable annually from June 1, 2004 through June 1, 2042 in amounts ranging from \$0 to \$46,000;

Interest is paid annually at rate of 4.75%.

1,102,000

Total

\$ 3,904,000

Annual debt service requirements to maturity for the District's general obligation bonds are as follows:

	Eastover Sanitary District	
	Principal	Interest
2005	\$ 42,500	\$ 174,933
2006	44,000	173,030
2007	46,000	171,060
2008	48,000	169,001
2009	50,500	166,852
2010-2014	287,000	798,337
2015-2019	358,000	727,976
2020-2024	446,000	640,212
2025-2029	555,000	530,919
2030-2034	691,000	394,809
2035-2039	826,000	226,638
2040-2042	510,000	45,660
	<u>\$ 3,904,000</u>	<u>\$ 4,219,427</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 10 - Interfund Balances and Activity

Due From/To Other Funds

The composition of interfund balances as of June 30, 2004 are as follows:

	Payable Fund				Total
	Nonmajor Governmental	Cumberland County Crown Center	Kelly Hills Water and Sewer District	Fiduciary	
Receivable Fund					
General	\$ 592,874	\$ 2,000	\$ 53,620	\$ 38,025	\$ 686,519
Solid waste	259,199	-	-	-	259,199
Total	<u>\$ 852,073</u>	<u>\$ 2,000</u>	<u>\$ 53,620</u>	<u>\$ 38,025</u>	<u>\$ 945,718</u>

Amounts were due to the general fund from other individual major, nonmajor and fiduciary funds primarily for operating purposes.

Transfers to/from Other Funds

Transfers in (out) for the year ended June 30, 2004 are summarized below:

	Transfer in:				Total
	General	Nonmajor Governmental	Cumberland County Crown Center	Internal service	
Transfer out:					
General	\$ -	\$ 1,315,873	\$ 3,364,130	\$ 2,021,697	\$ 6,701,700
Nonmajor governmental	4,196,713	2,180,000	3,228,974	-	9,605,687
Solid Waste	249,535	-	-	-	249,535
Internal service	53,665	-	-	-	53,665
Total Transfers out	<u>\$ 4,499,913</u>	<u>\$ 3,495,873</u>	<u>\$ 6,593,104</u>	<u>\$ 2,021,697</u>	<u>\$ 16,610,587</u>

Transfers between the major funds, other nonmajor governmental and enterprise funds, and internal service funds were primarily to support a new capital project and operations of the funds. There were no transfers between the primary government and its component units.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 11 - Joint Venture

The County, in conjunction with the State of North Carolina and the Cumberland County Board of Education, participates in a joint venture to operate the Fayetteville Technical Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the community college. The president of the community college's student government serves as an ex-officio nonvoting member of the community college's 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 the facilities, the County periodically issues general obligation bonds to provide financing for new and restructured facilities. Of the last general obligation bond issue for this purpose, \$3,260,000 in debt is still outstanding. 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 \$5,891,481 and \$5,430 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2004. In addition, the County made debt service payments of \$564,610 during the fiscal year on general obligation bonds issued for community college capital 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, 2004. Complete financial statements for the community college may be obtained from the Fayetteville Technical Community College's administrative offices at 2201 Hull Road, Fayetteville, North Carolina 28303.

The Health System purchased a 22% limited partnership interest in Fayetteville Ambulatory Surgery Center Limited Partnership on October 1, 1995. The investment is accounted for using the equity method. The Health System's share of the Partnership's income for the year ended September 30, 2003, approximates \$852,000. The Health System's investment in the Partnership at September 30, 2003 is approximately \$1,553,218.

The Health System has a 50% equity interest in Cedar Creek Medical Services, LLC. The Health Systems' share of the LLC's income for the year ended September 30, 2003 approximated \$58,293. The Health System's investment in the LLC at September 30, 2003 is approximately \$462,000.

The Health System purchased a 33% interest in Carolina Summit Healthcare, Inc. in December 1998. The investment is accounted for using the equity method. The Health System's investment in Carolina Summit Healthcare, Inc. at September 30, 2003 is approximately \$1,614,000. At September 30, 2003, the carrying amount of the investment exceeded the Health System's underlying equity in the net assets of the corporation by approximately \$299,529. The original excess carrying amount of \$570,532 is being amortized over ten years from the date of the stock purchase, with six years and three months remaining at September 30, 2003. The Health System's share of the corporate loss including amortization of excess carrying amount totaled \$83,741.

The Health System is an investor in five other medical related organizations with a book value of \$917,000.

Information about the availability of separate financial statements of the above mentioned investees may be obtained from the Health System's office of financial services.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 12 - Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from Federal and State moneys. County personnel are involved with certain functions, primarily eligibility determinations, that cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients which do not appear in the basic financial statements because they are not revenues and expenditures of the County.

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 133,025,186	\$ 57,842,025
TANF	6,658,228	(955)
Family Support Payments	19,631	(5,567)
Special Assistance for Adults	-	2,020,411
Energy Assistance	578,287	-
Adoption Subsidy	56,854	493,584
WIC Food Vouchers	8,042,218	-
Adoption Assistance	784,364	232,618
	<u>\$ 149,164,768</u>	<u>\$ 60,582,116</u>

Note 13 - Leases

A - Lessor Arrangements

Operating Lease

The County leases land on the northern right-of-way of Technology Drive to Cingular Wireless. The term of the lease is for an initial period of five years commencing June 1998 with an option to extend for four additional consecutive five-year periods. During 2003, the County extended the lease for an additional 5-year term. Remaining payments are as follows:

<u>Fiscal Year Ended</u>	
2005	\$ 6,900
2006	6,900
2007	6,900
2008	6,900
	<u>\$ 27,600</u>

The Health System is committed under various leases for equipment. These leases are considered, for accounting purposes, to be operating leases. Total rent expense for the year ended September 30, 2003 was \$6,775,000.

Management Lease

The County entered into a ten year lease and franchise agreement with Service America Corporation to provide food and beverage operations for the Cumberland County Civic Center Complex. Service America Corporation ("the franchisee") will pay sales commissions as outlined in the franchise agreement. The minimum lease income to the County will be the greater of 60% of the prior year's commissions paid or \$250,000. In no case shall the minimum lease income to the County be less than \$250,000 per year.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 13 - Leases (continued)

A - Lessor Arrangements (continued)

Management Lease (continued)

Under a management lease agreement entered into on June 16, 1998, effective as of March 15, 1998, and amended on April 30, 1999, Cumberland County shall lease to the Health System all land, buildings, furniture, equipment, and other facilities owned by the County which are used in connection with the operation of the two facilities known as Cape Fear Valley Medical Center and Highsmith-Rainey Memorial Hospital.

The term of the amended lease commenced on May 1, 1999 and shall terminate on April 30, 2029, provided, however, that after March 15, 2001, the County may terminate this lease as of April 30 in any year by giving the Health System at least one year's written notice prior to the April 30, as of which such termination shall be effective. Upon termination of this agreement, all of the land, buildings, furniture, equipment and other facilities leased hereunder shall revert to and vest fully in the County without any further action or notice required. Upon the County's request, however, the Health System will upon such termination quitclaim and assign to the County or its designee all the Health System's assets, claims, entitlements, rights, funds, equipment and property of every nature. The Health System further agrees, upon written request of the County, to dissolve the Corporation in accordance with its corporate charter and the General Statutes of North Carolina, and expeditiously to wind up its affairs.

The annual rent payments include a base rent for all property leased annually beginning July 1, 1999, and annually thereafter as long as the lease shall be in effect. Additionally, an amount equal to the ad valorem taxes that would have been received by the County on any real property acquired by or for the use of the Health System after January 1, 1998, will be paid annually.

Future minimum rental payments required under the operating lease for the two facilities known as Cape Fear Valley Medical Center and Highsmith-Rainey Memorial Hospital are as follows:

<u>Fiscal Year</u> <u>End</u>	<u>Health</u> <u>System</u>
2005	\$ 3,130,000
2006	3,065,000
2007	3,065,000
2008	4,065,000
2009-2013	15,325,000
2014-2018	15,325,000
2019-2023	15,325,000
2024-2028	15,325,000
2029	3,065,000
	<u>\$ 77,690,000</u>

Effective with the year ending 2010, the base rent shall be the previous lease year's base rent amount adjusted by the most recently published Consumer Price Index for South Urban Size C Communities. Minimum lease payments above do not include a Consumer Price Index adjustment or a property tax increase.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 13 - Leases (continued)

B - Lessee Arrangements

The Health System's leasing operations consist principally of the leasing of various types of equipment and outpatient clinic locations. These leases are classified as operating leases with various expiration dates. Management expects that in the normal course of events leases will be renewed or replaced by other leases. Minimum lease payments projected below also include servicing and licensing agreements.

Future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year, as of September 30, 2003, are as follows:

<u>Fiscal Year</u> <u>Ended</u>		
2004	\$	257,000
2005		154,000
2006		154,000
2007		154,000
2008		154,000
2009-2013		603,000
	\$	<u>1,476,000</u>

The ABC Board leases real property for four store locations under operating leases expiring in various years through the year 2007. At June 30, 2004 future minimum lease payments under all leases are as follows:

2005	\$	101,717
2006		73,392
2007		39,812
	\$	<u>214,921</u>

Total rent expense under leases for the year ended June 30, 2004 was \$120,696.

Note 14 - Contingent Liabilities

Federal and State Assisted Programs

The County has received proceeds from several 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 moneys 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 refunds of grant moneys.

The Health System participates in government reimbursement programs under Title XVIII and Title XIX. Allowable patient service costs under these agreements are subject to audit and retroactive adjustment by third party payors. Cost reports for fiscal years ended September 30, 2003 and 2002 are open to audit by the intermediary. Provisions for estimated settlement under these agreements have been provided for in the accompanying financial statements. Any increase or decrease to this provision will be reflected as an adjustment to income in the year so determined by intermediary audit and final settlement.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 14 - Contingent Liabilities (continued)

Claims and judgments

The County is a defendant in various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these matters will not have a material adverse effect on the financial condition of the County.

Arbitrage

The County's bond issues are subject to federal arbitrage regulations, and the County has elected to review its potential arbitrage liability annually on the bond issue dates. The arbitrage rebate payments are payable on the fifth anniversary of the bond issue date and every fifth year subsequent to that date. Although the actual amount to be paid is not presently determinable, the County believes that arbitrage payables have been adequately provided for in the accompanying financial statements.

Note 15 - Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Note 16 - Goodwill

Other assets for the Health System consists of goodwill, bond issuance costs, other benefit plan assets and investments in healthcare-related businesses. Goodwill is being amortized over a period of not more than ten years. Bond issuance costs, which include underwriters' discounts, printing costs, legal expenses and other fees incurred in issuing the debt, are being amortized over the life of the related debt.

Note 17 - Law Enforcement and Alcoholic Education Expenses

The ABC Board is required by law to expend at least 5% of its total profits for law enforcement, and not less than 7% of its profits for education on the excessive use of alcoholic beverages and for rehabilitation of alcoholics. Profits are defined by law for these calculations as income before law enforcement and educational expenses, less the 3.5% markup provided in G. S. 18B-804(b)(5) and the bottle charge provided for in G. S. 18B-804(b)(6b).

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2004

Note 18 – Subsequent Events

Subsequent to year-end the County issued \$5,075,000 of General Obligation Serial Bonds. The County also issued \$35,505,000 in general obligation refunding bonds for the purpose of refunding \$34,655,000 of debt with the remaining \$850,000 used to pay costs of issuance. The bonds are payable in annual installments through November 1, 2023 in amounts ranging from \$175,000 to \$4,830,000. Interest rates range from 3% to 5%.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Law Enforcement Officers' Special Separation Allowance
 Required Supplementary Information
 Schedule of Funding Progress

Calendar Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a/c)
1994	\$ 551,167	\$ 711,318	\$ 160,151	77.49%	\$ 5,926,653	2.70%
1995	531,934	736,212	204,278	72.25%	6,217,879	3.29%
1996	657,596	772,179	114,583	85.16%	6,648,222	1.72%
1997	768,307	828,588	60,281	92.72%	7,438,100	0.81%
1998	814,479	971,723	157,244	83.82%	9,226,176	1.70%
1999	766,749	1,065,499	298,750	71.96%	9,784,928	3.05%
2000	726,819	1,759,985	1,033,166	41.30%	10,019,486	10.31%
2001	708,456	1,706,390	997,934	41.52%	9,483,327	10.52%
2002	619,478	1,783,284	1,163,806	34.74%	9,142,355	12.73%
2003	894,510	1,919,964	1,025,454	46.59%	8,955,910	11.45%

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions**

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1995	\$ 75,595	176.51%
1996	57,961	43.13%
1997	68,157	110.04%
1998	74,615	33.51%
1999	75,775	127.93%
2000	107,263	25.20%
2001	129,441	33.01%
2002	208,451	7.83%
2003	205,735	77.77%
2004	214,070	93.43%

Notes to Required Schedules

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

Valuation date	12/31/2003
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	27 years
Asset valuation method	Market value
Actuarial assumption	
Investment rate of return*	7.25%
Projected salary increase	5.9 to 9.8%
* Includes inflation at	3.75%
Cost-of-living adjustments	N/A

COUNTY OF CUMBERLAND, NORTH CAROLINA

Health System Pension Plan
 Required Supplementary Information
 Schedule of Funding Progress

January 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Attained Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a/c)
1995	\$ 16,411,828	\$ 21,193,749	\$ 4,781,921	77.4%	\$ 30,484,292	15.7%
1996	19,320,639	23,922,126	4,601,487	80.8%	33,489,766	13.7%
1997	22,198,755	27,005,312	4,806,557	82.2%	36,381,250	13.2%
1998	27,756,425	30,076,448	2,320,023	92.3%	40,375,156	5.7%
1999	32,097,572	33,813,081	1,715,509	94.9%	46,093,234	3.7%
2000	34,940,516	38,669,757	3,729,241	90.4%	56,920,009	6.6%
2001	39,946,895	45,789,991	5,843,096	87.2%	66,039,819	8.8%
2002	43,240,000	50,915,000	7,675,000	84.9%	67,483,000	11.4%
2003	47,232,000	59,884,000	12,652,000	78.9%	77,771,000	16.3%

COUNTY OF CUMBERLAND, NORTH CAROLINA

Health System Pension Plan
 Required Supplementary Information
 Schedule of Employer Contributions

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
1999	\$ 3,036,775	100.00%
2000	3,367,819	100.00%
2001	4,528,000	100.00%
2002	5,287,000	100.00%
2003	5,578,000	100.00%

Notes to Required Schedules

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

Valuation date	01/01/2003
Actuarial cost method	Attained Age Normal Method
Amortization method	Level dollar open
Remaining amortization period	10 years
Asset valuation method	Insurance company contracts are valued at contract value, and all other assets are valued at market value
Actuarial assumption	
Investment rate of return*	8.00%
Projected salary increase	5.50%
* Includes inflation at	None
Cost-of-living adjustments	None

COUNTY OF CUMBERLAND, NORTH CAROLINA

Comparative Balance Sheets
General Fund

June 30, 2004 and 2003

	2004	2003 Restated
ASSETS		
Cash and cash equivalents	\$ 26,654,299	\$ 22,789,881
Investments	46,657,708	39,613,356
Taxes receivable	6,423,486	6,587,442
Accounts receivable	-	-
Accrued penalties	-	-
Sales tax receivable	12,115,393	9,662,524
Due from other governments	7,807,250	8,606,314
Patient receivables	2,371,559	3,750,385
Other receivables	166,428	140,851
Due from other funds	686,519	439,029
Due from component units	201,685	125,884
Inventories	204,886	202,808
Restricted assets		
Cash and cash equivalents	228,875	187,630
Total assets	\$ 103,518,088	\$ 92,106,104
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts and vouchers payable	\$ 4,543,729	\$ 4,433,067
Due to other governments	2,028,845	2,440,180
Accrued payroll	4,324,269	3,583,298
Other payables	31,274	67
Deferred revenues	11,274,743	13,367,435
Total liabilities	22,202,860	23,824,047
Fund balance		
Reserved for inventories	204,886	202,808
Reserved for register of deeds	140,680	111,146
Reserved for mental health programs	60,230	60,230
Reserved for encumbrances	4,435,664	1,770,338
Reserved by State statute	19,947,496	8,740,114
Unreserved (available for future appropriation)		
Designated for subsequent year's expenditures	11,380,770	11,337,226
Designated for other purposes	2,018,754	2,979,503
Designated for Technology	2,861,997	-
Designated for renovatoin and maintenance	3,904,050	-
Undesignated	36,360,701	43,080,692
Total fund balance	81,315,228	68,282,057
Total liabilities and fund balance	\$ 103,518,088	\$ 92,106,104

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (continued)

Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004		Variance Positive (Negative)	2003 Restated
	Budget	Actual		
Revenues				
Ad valorem taxes				
Current year	\$ 103,335,961	\$ 107,220,110	\$ 3,884,149	\$ 100,689,865
Prior years	1,769,345	2,792,049	1,022,704	2,054,796
Penalties and interest	1,044,060	1,347,786	303,726	1,003,874
Motor vehicle - current	11,805,983	11,779,549	(26,434)	11,808,644
Motor vehicle - prior	1,734,481	2,274,785	540,304	1,850,899
Other	305,371	311,097	5,726	309,245
Total ad valorem taxes	119,995,201	125,725,376	5,730,175	117,717,323
Other taxes				
Dog registration fees	262,858	441,763	178,905	172,981
Real estate transfer	700,000	1,069,746	369,746	734,497
Other taxes	575,000	658,219	83,219	657,645
Sales	34,362,295	39,749,685	5,387,390	41,872,802
Other	2,430	2,557	127	2,431
Total other taxes	35,902,583	41,921,970	6,019,387	43,440,356
Unrestricted intergovernmental revenues				
Federal	22,000	21,044	(956)	32,713
State government	118,013	373,378	255,365	215,943
Fayetteville	2,722,511	2,719,387	(3,124)	500,706
Municipalities	103,055	146,078	43,023	114,262
Other governmental	750,000	1,597,543	847,543	401,434
Total unrestricted intergovernmental revenues	3,715,579	4,857,430	1,141,851	1,265,058
Restricted intergovernmental revenues				
Federal	1,411,148	322,819	(1,088,329)	9,561
NC health programs	4,132,350	3,691,515	(440,835)	3,167,847
NC mental health programs	12,110,707	10,426,397	(1,684,310)	10,441,164
NC social services programs	35,696,152	34,917,664	(778,488)	35,446,381
NC library programs	688,767	686,940	(1,827)	726,567
NC other restricted revenue	888,936	403,386	(485,550)	760,406
Other restricted revenue	1,300,198	888,715	(411,483)	1,217,800
Total restricted intergovernmental revenues	56,228,258	51,337,436	(4,890,822)	51,769,726

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (continued)

Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004			2003 Restated
	Budget	Actual	Variance Positive (Negative)	
Revenues (continued)				
Licenses and permits				
Other restricted revenue	\$ -	\$ -	\$ -	\$ 15,605
Inspection department permits	1,089,303	1,180,697	91,394	957,171
Marriage licenses	99,600	110,010	10,410	110,260
Register of Deeds fees	1,976,991	2,176,819	199,828	2,053,509
Miscellaneous permits	702,280	965,053	262,773	926,431
Total licenses and permits	3,868,174	4,432,579	564,405	4,062,976
Sales and services				
Health department fees	2,290,301	2,765,545	475,244	2,286,771
Library fees	338,527	314,607	(23,920)	351,637
Mental health department fees	13,975,823	12,691,276	(1,284,547)	12,392,968
Sheriff department fees	2,084,217	2,001,818	(82,399)	1,908,649
Social services fees	185,753	177,242	(8,511)	267,103
Other department fees	1,481,047	1,493,111	12,064	1,467,389
Total sales and services	20,355,668	19,443,599	(912,069)	18,674,517
Interest earned on investments	815,136	891,441	76,305	1,036,927
Miscellaneous				
Other restricted revenue	-	80	80	90,937
Miscellaneous	428,145	571,235	143,090	397,479
Rent, land, and buildings	4,845,660	4,440,052	(405,608)	5,432,069
Special assessments	-	1,740	1,740	7,123
Total miscellaneous	5,273,805	5,013,107	(260,698)	5,927,608
Total revenues	246,154,404	253,622,938	7,468,534	243,894,491

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (continued)

Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004		Variance Positive (Negative)	2003 Restated
	Budget	Actual		
Expenditures				
Current				
General government				
Governing body	\$ 339,178	\$ 339,152	\$ 26	\$ 323,597
Administration	1,037,438	978,755	58,683	912,527
Court facilities	110,210	95,885	14,325	21,803
Information services	1,222,803	1,218,018	4,785	978,616
Elections	604,037	480,927	123,110	528,824
Finance	788,231	742,659	45,572	748,675
Legal	455,058	447,182	7,876	429,701
Register of Deeds	1,605,814	1,575,157	30,657	1,360,527
Tax assessor	3,342,669	3,198,754	143,915	2,953,593
Print shop	130,660	127,851	2,809	128,450
Public Building	2,191,844	1,869,953	321,891	1,829,440
Message center	136,829	129,331	7,498	129,783
Carpenter shop	153,163	151,923	1,240	144,734
Public buildings - equipment maintenance	664,955	647,742	17,213	559,503
Public buildings - janitorial	485,495	474,030	11,465	434,037
Central maintenance	667,579	642,271	25,308	653,987
Landscaping and grounds	483,682	477,535	6,147	412,011
General government other	5,532,040	1,822,804	3,709,236	3,084,709
Total general government	19,951,685	15,419,929	4,531,756	15,634,517
Public safety				
Emergency dispatch	2,113,173	1,051,736	1,061,437	845,569
Sheriff	16,941,368	16,321,961	619,407	15,577,463
Jail	8,540,576	8,184,207	356,369	6,277,417
Gang intervention grant	149,945	-	149,945	-
School law enforcement-local	2,034,605	1,999,671	34,934	1,998,065
Community policing	108,081	91,358	16,723	78,379
Law enforcement block grant 01	-	-	-	207,406

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (continued)

Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004		Variance Positive (Negative)	2003 Restated
	Budget	Actual		
Expenditures (continued)				
Current (continued)				
Public safety (continued)				
Animal Control	\$ 911,949	\$ 878,947	\$ 33,002	\$ 764,979
Public safety other	959,193	884,976	74,217	863,103
COPS more grant - 98	-	-	-	12,749
Cumberland day reporting center	222,277	208,716	13,561	176,156
Criminal justice unit	242,440	238,910	3,530	230,936
Community correction - probation	69,882	43,236	26,646	51,040
Total public safety	32,293,489	29,903,718	2,389,771	27,083,262
Economic and physical development				
Planning department	2,239,596	2,164,612	74,984	1,851,202
Engineering	251,275	195,964	55,311	210,149
NC cooperative extension service	464,671	403,186	61,485	430,526
Soil conservation district	46,872	45,627	1,245	42,399
Soil conservation cost	45,423	41,244	4,179	39,830
Fort Bragg erosion project	66,283	-	66,283	-
Economic physical development - other	470,385	446,633	23,752	346,639
Industrial park	105,000	26,828	78,172	31,282
Public utilities	140,891	100,041	40,850	-
Total economic and physical development	3,830,396	3,424,135	406,261	2,952,027
Human services				
Mental Health				
Mental Health - C&Y contracts	621,664	122,823	498,841	469,520
Adolescent sex offender treatment	136,226	129,849	6,377	128,099
Family preservation	548,407	380,064	168,343	417,028
Mental Health - Homeless child	45,388	42,382	3,006	36,998
Smart Start	186,246	180,753	5,493	183,182
Mental Health - CBA in-home	215,951	181,689	34,262	171,210
Periodic outpatient service	1,161,202	713,951	447,251	839,349
Mental Health - Winding creek	180,590	51,939	128,651	74,974
Mental Health - Adolescent group home	725,421	667,210	58,211	619,621
Mental Health - Adult homeless	50,611	34,285	16,326	40,417
Case management and referral - SA	34,350	8,533	25,817	32,832

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (continued)

Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004		Variance Positive (Negative)	2003 Restated
	Budget	Actual		
Expenditures (continued)				
Current (continued)				
Human services (continued)				
Mental Health (continued)				
High risk primary prevention	\$ 124,904	\$ 114,600	\$ 10,304	\$ 111,075
Mental Health - Employee assistance treatment	166,054	165,780	274	162,971
Runaway/homeless youth	42,724	-	42,724	6,431
NC Treatment Alternative to street crime	250,754	190,096	60,658	188,117
NC Adolescent Substance Abuse	111,894	72,803	39,091	73,139
Alcohol/Drug - Women	322,974	243,894	79,080	269,742
Mental Health - Substance abuse - periodic	832,610	626,380	206,230	546,618
Mental Health - Workfirst	84,178	39,731	44,447	48,443
Detoxification	834,291	687,283	147,008	640,254
Consultation and education	168,379	166,744	1,635	159,908
Mental Health - Alcohol and drug support	-	-	-	235,748
Mental Health - DD adult outpatient	284,470	220,964	63,506	197,104
Mental Health - Spainhour	554,332	511,241	43,091	606,703
Mental Health - ABLE	284,153	245,379	38,774	258,516
Mental Health - ICF/MR HUD homes	1,453,919	1,373,868	80,051	1,368,567
Mental Health - Autism	94,714	58,007	36,707	40,561
Mental Health - Smart Start daycare	175,814	140,306	35,508	183,019
Mental Health - Early intervention	475,294	385,181	90,113	433,368
Mental Health - DD contracts	1,297,277	1,279,605	17,672	1,263,239
Mental Health - Child Outpatient	176,499	119,924	56,575	117,122
Mental Health - Case Management	1,062,136	641,773	420,363	505,586
Partial hospitalization	928,952	771,468	157,484	709,865
Adult CMI group home	260,000	257,569	2,431	246,244
Mental Health - Adult contracts	34,725	34,725	-	38,240
Mental Health - HUD apartments	274,365	208,523	65,842	238,028
Mental Health - Crisis stabilization	808,938	566,398	242,540	671,582
Mental Health - Adult periodic	1,441,467	1,065,150	376,317	1,097,605
Mental Health - Substance abuse contracts	166,135	164,275	1,860	138,279
Willie M. - Lakewood	500,842	404,290	96,552	387,853
Willie M. - Paraprofessional	-	-	-	145,183
Willie M. - Case management	479,049	395,807	83,242	392,882
Willie M. - Crossroads	460,609	337,982	122,627	408,943
Willie M. - Tiffany group home	430,431	379,553	50,878	388,388
Willie M. - Sprucewood	387,660	116,816	270,844	312,054
Willie M. - Alternative family living	1,508,865	1,400,028	108,837	429,839
Willie M. - Independent Living	-	-	-	8

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (continued)

Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004			2003 Restated
	Budget	Actual	Variance Positive (Negative)	
Expenditures (continued)				
Current (continued)				
Human services (continued)				
Mental Health (continued)				
Willie M. - Outpatient treatment	\$ 164,931	\$ 142,521	\$ 22,410	\$ 137,317
Willie M. - Administration	1,374,871	242,898	1,131,973	267,931
Mental Health Department	1,005,756	838,211	167,545	903,144
Medical services	2,336,197	2,080,748	255,449	1,912,245
Mental Health - general support	658,601	555,051	103,550	694,811
Mental Health - Medical records	508,627	419,299	89,328	419,580
Mental Health - MIS	736,642	512,161	224,481	529,547
Mental Health - Personnel	268,390	236,998	31,392	226,163
Mental Health - Medicaid contracts	1,117,500	1,117,500	-	564,306
Thomas S. - Todd C. specific	1,502,875	1,319,866	183,009	1,315,876
Thomas S. - Administration	149,666	133,420	16,246	122,196
Thomas S. - Crisis diversion	46,597	6,939	39,658	37,462
Thomas S. - Case management	145,578	125,488	20,090	114,895
Mental Health - Majors Grant	245,468	146,412	99,056	168,798
Mental Health - Managed Care	471,735	431,921	39,814	418,221
Mental Health - RCE - TASC	597,295	447,291	150,004	371,394
Mental Health - Adult Community Services	498,738	217,081	281,657	26,411
Mental Health - Developmental Disabilities	828,444	462,537	365,907	614,690
Subtotal - mental health	33,043,375	25,335,963	7,707,412	24,879,441
Health				
Health - administration	1,337,162	1,249,401	87,761	1,161,298
Laboratory	384,985	355,126	29,859	358,805
Mosquito control	73,116	72,473	643	63,066
Pharmacy	232,814	223,402	9,412	220,600
C. C. Jail Health program	1,503,885	1,320,719	183,166	1,247,038
Management Support	159,413	159,093	320	172,792
NC Environmental Health	1,257,181	1,228,743	28,438	1,147,322
Immunization clinic	340,349	336,772	3,577	301,712
School health program	511,701	413,231	98,470	491,845
Child health clinic	643,810	633,242	10,568	661,878
Dental clinic	266,032	256,509	9,523	242,909
Health promotion	275,768	237,312	38,456	218,068
Maternal health clinic	779,414	728,679	50,735	740,206
Medical records	160,779	148,971	11,808	130,984
Childhood lead poison prevention	5,200	4,577	623	3,330
Breast/cervical cancer	99,174	92,472	6,702	78,390

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (continued)

Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004		Variance Positive (Negative)	2003 Restated
	Budget	Actual		
Expenditures (continued)				
Current (continued)				
Human services (continued)				
Health (continued)				
CSC	\$ 539,836	\$ 490,185	\$ 49,651	\$ 387,382
Child fatality prevention	4,264	143	4,121	418
BCCCP-CVD screening	58,310	43,025	15,285	46,579
Chest TB clinic	201,080	146,254	54,826	141,779
Mobile health van	-	967	(967)	-
Family planning clinic	734,338	622,106	112,232	520,071
NC Epilepsy program	12,375	6,271	6,104	8,700
NC General Communicable Disease	255,871	251,603	4,268	224,441
CDC tuberculosis project	48,317	43,040	5,277	33,271
NC AIDS	63,547	57,642	5,905	43,001
Adult health clinic	436,952	397,343	39,609	417,124
School health	389,000	202,090	186,910	63,564
WIC - Clinic services	1,576,679	1,478,357	98,322	1,317,214
Health - other	145,456	145,456	-	143,112
Regional Bioterrorism response grant	569,356	454,929	114,427	211,580
Healthy Carolinians of Cumberland County	-	-	-	7,500
Bioterrorism preparedness	66,757	12,738	54,019	1,278
STD Clinic	306,552	296,982	9,570	222,343
Bioterroism smallpox	88,970	-	88,970	-
Bioterrorism competitive project	77,375	38,435	38,940	27,449
Subtotal - health	13,605,818	12,148,288	1,457,530	11,057,049
Welfare				
Social services department	27,011,646	24,825,646	2,186,000	23,595,023
Social services - other	36,110,037	33,221,446	2,888,591	35,405,533
Grant - FV Care Center	464,300	379,434	84,866	363,054
Welfare - other	410,666	290,922	119,744	284,633
Subtotal - welfare	63,996,649	58,717,448	5,279,201	59,648,243

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (continued)

Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004			2003 Restated
	Budget	Actual	Variance Positive (Negative)	
Expenditures (continued)				
Current (continued)				
Human services (continued)				
Other human services				
Veterans' services	\$ 171,429	\$ 164,948	\$ 6,481	\$ 132,837
Senior aides local support	43,584	39,990	3,594	41,511
Spring Lake Resource Center - Admin	37,585	3,906	33,679	40,552
Subtotal - other human services	252,598	208,844	43,754	214,900
Total human services	110,898,440	96,410,543	14,487,897	95,799,633
Cultural and recreational				
Library	6,207,719	5,986,348	221,371	5,260,624
Library foreign language	56,843	54,242	2,601	50,518
Law library	118,586	117,171	1,415	180,113
Library - Smart Start	299,018	275,663	23,355	287,922
Motherread	74,390	64,400	9,990	69,184
Stadium maintenance	85,695	76,755	8,940	83,969
Culture recreation other	384,454	351,300	33,154	381,300
Total cultural and recreational	7,226,705	6,925,879	300,826	6,313,630
Education				
Public schools - current	58,775,000	58,775,000	-	57,150,000
Community colleges - current	5,891,481	5,891,481	-	5,775,962
Community colleges - capital outlay	1,706,923	5,430	1,701,493	57,487
Total education	66,373,404	64,671,911	1,701,493	62,983,449
Debt service				
Principal payments	11,608,007	11,608,005	2	10,808,755
Interest and fees	10,035,051	10,023,860	11,191	10,193,864
Total debt service	21,643,058	21,631,865	11,193	21,002,619
Total expenditures	262,217,177	238,387,980	23,829,197	231,769,137
Revenues over (under) expenditures	(16,062,773)	15,234,958	31,297,731	12,125,354

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund (concluded)

Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004		Variance Positive (Negative)	2003 Restated
	Budget	Actual		
Other financing sources (uses)				
Transfers in	4,502,703	4,499,913	(2,790)	12,947,592
Transfers out	(6,813,078)	(6,701,700)	111,378	(6,865,313)
Fund balance appropriated	18,373,148	-	(18,373,148)	-
Total other financing sources (uses)	<u>16,062,773</u>	<u>(2,201,787)</u>	<u>(18,264,560)</u>	<u>6,082,279</u>
Revenues and other financing sources (uses) over expenditures	<u>\$ -</u>	13,033,171	<u>\$ 13,033,171</u>	18,207,633
Fund balance				
Beginning of year - July 1, as previously reported		56,666,502		50,074,424
Prior period adjustment		11,615,555		-
Beginning of year - July 1, as restated		<u>68,282,057</u>		<u>50,074,424</u>
End of year - June 30		<u>\$ 81,315,228</u>		<u>\$ 68,282,057</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2004

	Special Revenue Funds	Capital Project Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 20,453,575	\$ 2,184,182	\$ -	\$ 22,637,757
Investments	4,627,400	-	-	4,627,400
Taxes receivable, net	748,380	-	-	748,380
Sales tax receivable	2,453,115	-	-	2,453,115
Due from other governments	1,092,502	-	-	1,092,502
Other receivables, net	29,544	-	3,600	33,144
Restricted assets:				
Cash and cash equivalents	285,724	5,024,230	3,973	5,313,927
Investments	-	4,093,138	30,278	4,123,416
Accounts receivable	-	21,492	286	21,778
Total assets	\$ 29,690,240	\$ 11,323,042	\$ 38,137	\$ 41,051,419
Liabilities and fund balances				
Liabilities:				
Accounts and vouchers payable	\$ 1,386,603	\$ 386,138	\$ -	\$ 1,772,741
Due to other governments	49,084	-	-	49,084
Accrued payroll	156,645	-	-	156,645
Other payables	71,298	-	-	71,298
Due to other funds	627,818	224,255	-	852,073
Deferred revenue	731,254	-	286	731,540
Total liabilities	3,022,702	610,393	286	3,633,381
Fund balances:				
Reserved:				
Reserved for encumbrances	1,923,689	33,698	-	1,957,387
Reserved by State statute	3,592,287	21,492	3,600	3,617,379
Reserved for inmates	284,724	-	-	284,724
Reserved for cemetery	-	-	34,251	34,251
Unreserved:				
Designated for subsequent year's expenditures	3,958,056	-	-	3,958,056
Undesignated	16,908,782	10,657,459	-	27,566,241
Total fund balances	26,667,538	10,712,649	37,851	37,418,038
Total liabilities and fund balances	\$ 29,690,240	\$ 11,323,042	\$ 38,137	\$ 41,051,419

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2004**

	Special Revenue Funds	Capital Project Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
Revenues				
Ad valorem taxes	\$ 9,530,991	\$ -	\$ -	\$ 9,530,991
Other taxes	12,266,301	-	-	12,266,301
Restricted intergovernmental revenue	11,742,898	1,466,722	-	13,209,620
Sales and services	617,780	4,661	-	622,441
Interest earned on investments	260,594	72,895	924	334,413
Miscellaneous	878,023	325,954	4,770	1,208,747
Total revenues	<u>35,296,587</u>	<u>1,870,232</u>	<u>5,694</u>	<u>37,172,513</u>
Expenditures				
Current:				
General government	443,164	-	2,525	445,689
Public safety	6,825,658	-	-	6,825,658
Economic and physical development	6,963,457	-	-	6,963,457
Human services	1,534,124	-	-	1,534,124
Cultural and recreational	3,676,356	-	-	3,676,356
Education	6,057,730	7,440,077	-	13,497,807
Capital outlay	76,410	411,731	-	488,141
Principal payments	150,000	-	-	150,000
Interest and fees	69,929	-	-	69,929
Total expenditures	<u>25,796,828</u>	<u>7,851,808</u>	<u>2,525</u>	<u>33,651,161</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,499,759</u>	<u>(5,981,576)</u>	<u>3,169</u>	<u>3,521,352</u>
Other financing sources (uses)				
Transfers in	1,315,873	2,180,000	-	3,495,873
Transfers out	(9,605,687)	-	-	(9,605,687)
Total other financing sources (uses)	<u>(8,289,814)</u>	<u>2,180,000</u>	<u>-</u>	<u>(6,109,814)</u>
Net change in fund balances	1,209,945	(3,801,576)	3,169	(2,588,462)
Fund balance - beginning, as previously reported	22,672,595	14,514,225	34,682	37,221,502
Prior period adjustment	2,784,998	-	-	2,784,998
Fund balance - beginning, as restated	<u>25,457,593</u>	<u>14,514,225</u>	<u>34,682</u>	<u>40,006,500</u>
Fund balance - ending	<u>\$ 26,667,538</u>	<u>\$ 10,712,649</u>	<u>\$ 37,851</u>	<u>\$ 37,418,038</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

(continued)

	Prepared Food and Beverage Fund	County School Fund	Wireless 911 Emergency Fund	Wireless 911 Fund	Jobs Training Fund	Industrial Development Fund	Water and Sewer Fund	Property Revaluation Fund	Recreation Fund	Juvenile Crime Prevention Fund	Transportation Fund	Flea Hill Drainage District Fund
\$ 1,998,445	\$ 2,067,064	\$ 1,671,013	\$ 963,816	\$ 142,870	\$ 3,501,791	\$ 2,333,499	\$ 208,950	\$ 4,848,963	\$ 307,225	\$ 150,409	\$ 78,134	
-	3,101,431	31,976	-	-	988,939	500,449	-	-	-	4,605	-	
-	-	-	-	-	-	-	-	-	253,471	-	-	
-	2,370,048	5,679	385	9,507	-	-	954	-	39,550	1,193	433	
-	132,840	72,008	19,433	159,783	-	1,931	-	-	4,043	-	73,337	
27,000	9,804	617	-	4,375	6,536	(29,304)	-	-	(499)	-	6,419	
	1,000	-	-	-	-	-	-	-	-	-	-	
\$ 2,025,445	\$ 7,682,187	\$ 1,781,293	\$ 983,634	\$ 316,535	\$ 4,497,266	\$ 2,806,575	\$ 209,904	\$ 5,145,528	\$ 308,418	\$ 235,203	\$ 78,134	
\$ -	\$ 590,446	\$ 1,729	\$ 5,885	\$ 101,520	\$ 103,298	\$ 30,419	\$ 28,081	\$ 169,002	\$ 168,356	\$ 108,978	\$ -	
-	-	-	-	-	-	-	-	-	42,766	6,318	-	
-	-	-	-	35,372	-	-	12,155	63,880	17,387	1,257	-	
-	-	-	-	-	-	-	-	-	23,923	45,258	-	
-	-	-	-	38,221	-	-	-	-	-	48,724	-	
-	6,383	-	-	-	6,159	(29,675)	-	253,473	-	-	-	
-	596,829	10,517	5,885	175,113	109,457	744	40,236	529,121	209,666	210,536	-	
-	-	3,640	-	124,695	1,541,581	106,581	21,048	85,860	3,888	2,711	-	
27,000	2,506,309	78,304	19,818	173,665	377	2,302	954	43,092	1,193	80,189	-	
-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	2,792,977	905,627	-	-	-	40,560	-	
1,998,445	4,579,049	1,686,832	957,931	(156,938)	52,874	1,791,321	147,666	4,487,455	53,111	(59,232)	78,134	
2,025,445	7,085,358	1,770,776	977,749	141,422	4,387,809	2,805,831	169,668	4,616,407	98,752	24,668	78,134	
\$ 2,025,445	\$ 7,682,187	\$ 1,781,293	\$ 983,634	\$ 316,535	\$ 4,497,266	\$ 2,806,575	\$ 209,904	\$ 5,145,528	\$ 308,418	\$ 235,203	\$ 78,134	

Assets
Cash and cash equivalents
Investments
Taxes receivable, net
Sales tax receivable
Due from other governments
Other receivables, net
Restricted assets:
Cash and cash equivalents
Total assets

Liabilities and fund balances
Liabilities:
Accounts and vouchers payable
Due to other governments
Accrued payroll
Other payables
Due to other funds
Deferred revenue
Total liabilities

Fund balances:
Reserved:
Reserved for encumbrances
Reserved by State statute
Reserved for inmates
Unreserved:
Designated for subsequent year's expenditures
Undesignated
Total fund balances
Total liabilities and fund balances

COUNTY OF CUMBERLAND, NORTH CAROLINA

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2004

(concluded)

	Community Development Fund	Fire Protection Fund	Federal Drug Forfeiture Fund	Federal Forfeiture Treasury Fund	North Carolina Controlled Substance Fund	Injured Animal Stabilization Fund	Downtown Revitalization Fund	Inmate Welfare Fund	Total Nonmajor Special Revenue Funds
Cash and cash equivalents	\$ 7,204	\$ 581,778	\$ 1,275,656	\$ 6,665	\$ 109,365	\$ 2,811	\$ 197,917	\$ -	\$ 20,453,575
Investments	-	-	-	-	-	-	-	-	4,627,400
Taxes receivable, net	-	494,909	-	-	-	-	-	-	748,380
Sales tax receivable	20,114	-	-	387	4,865	-	-	-	2,453,115
Due from other governments	629,017	-	-	-	-	110	-	-	1,092,502
Other receivables, net	-	-	4,180	390	26	-	-	-	29,544
Restricted assets:									
Cash and cash equivalents	-	-	-	-	-	-	-	284,724	285,724
Total assets	\$ 656,335	\$ 1,076,687	\$ 1,279,836	\$ 7,442	\$ 114,256	\$ 2,921	\$ 197,917	\$ 284,724	\$ 29,690,240
Liabilities and fund balances:									
Accounts and vouchers payable	\$ 60,962	\$ 19,329	\$ -	\$ 528	\$ (2,120)	\$ 190	\$ -	\$ -	\$ 1,386,603
Due to other governments	-	-	-	-	-	-	-	-	49,084
Accrued payroll	17,806	-	-	-	-	-	-	-	156,645
Other payables	2,117	-	-	-	-	-	-	-	71,298
Due to other funds	540,873	-	-	-	-	-	-	-	627,818
Deferred revenue	-	494,914	-	-	-	-	-	-	731,254
Total liabilities	621,758	514,243	-	528	(2,120)	190	-	-	3,022,702
Fund balances:									
Reserved:									
Reserved for encumbrances	-	-	-	-	33,685	-	-	-	1,923,689
Reserved by State statute	649,131	(5)	4,180	777	4,891	110	-	-	3,592,287
Reserved for inmates	-	-	-	-	-	-	-	284,724	284,724
Unreserved:									
Designated for subsequent year's expenditures	-	-	218,892	-	-	-	-	-	3,958,056
Undesignated	(614,554)	562,449	1,056,764	6,137	77,800	2,621	197,917	-	16,908,782
Total fund balances	34,577	562,444	1,279,836	6,914	116,376	2,731	197,917	284,724	26,667,538
Total liabilities and fund balances	\$ 656,335	\$ 1,076,687	\$ 1,279,836	\$ 7,442	\$ 114,256	\$ 2,921	\$ 197,917	\$ 284,724	\$ 29,690,240

COUNTY OF CUMBERLAND, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2004

(continued)

	Prepared Food and Beverage Fund	County School Fund	911 Emergency Fund	Wireless 911 Emergency Fund	Jobs Training Fund	Industrial Development Fund	Water and Sewer Fund	Property Revaluation Fund	Recreation Fund	Juvenile Crime Prevention Fund	Transportation Fund
Revenues											
Ad valorem taxes	\$ 3,601,246	8,665,055	-	-	-	-	-	-	\$ 3,287,804	-	-
Other taxes	-	2,000,000	752,408	227,456	2,093,128	99,504	37,781	-	80,749	1,128,090	514,933
Restricted intergovernmental revenue	-	-	88,797	-	12,261	-	55,201	-	282,494	162,888	16,139
Sales and services	18,317	60,108	9,740	7,483	490	49,540	26,656	2,300	52,350	1,934	1,458
Interest earned on investments	27,150	447,436	(7,698)	16,871	-	15,286	(5,259)	-	16,713	-	2,957
Miscellaneous	3,646,713	11,172,599	843,247	251,810	2,105,879	164,330	114,379	2,300	3,720,110	1,292,912	535,487
Total revenues											
Expenditures											
Current:											
General government	-	-	-	-	-	-	-	443,164	-	-	-
Public safety	-	-	726,956	5,500	-	-	-	-	-	-	-
Economic and physical development	-	-	-	-	2,076,475	585,914	30,418	-	-	1,534,124	537,897
Human services	-	-	-	-	-	-	-	-	3,668,826	-	-
Cultural and recreational	7,530	-	-	-	-	-	-	-	-	-	-
Education	-	6,057,730	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	76,410	-	-	-	-	-
Principal payments	-	-	-	-	-	-	-	-	-	-	-
Interest and fees	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	7,530	6,057,730	726,956	5,500	2,076,475	662,324	30,418	443,164	3,668,826	1,534,124	537,897
Excess (deficiency) of revenues over (under) expenditures	3,639,183	5,114,869	116,291	246,310	29,404	(497,994)	83,961	(440,864)	51,284	(241,212)	(2,410)
Other financing sources (uses)											
Transfers in	-	-	-	-	14,632	556,104	-	494,078	-	152,867	8,516
Transfers out	(3,266,617)	(4,156,360)	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(3,266,617)	(4,156,360)	-	-	14,632	556,104	-	494,078	-	152,867	8,516
Net change in fund balances	372,566	958,509	116,291	246,310	44,036	58,110	83,961	53,214	51,284	(86,345)	6,106
Fund balance - beginning	1,652,879	3,341,851	1,654,485	731,439	97,386	4,329,699	2,721,870	116,454	4,565,123	187,097	18,562
Prior period adjustment	-	2,784,998	-	-	-	-	-	-	-	-	-
Fund balance - ending	\$ 2,025,445	\$ 7,085,358	\$ 1,770,776	\$ 977,749	\$ 141,422	\$ 4,387,809	\$ 2,805,831	\$ 169,668	\$ 4,616,407	\$ 98,752	\$ 24,668

COUNTY OF CUMBERLAND, NORTH CAROLINA
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2004

(concluded)

	Flea Hill Drainage District Fund	Community Development Fund	Fire Protection Fund	Federal Drug Forfeiture Fund	Federal Treasury Fund	North Carolina Controlled Substance Fund	Injured Animal Stabilization Fund	Downtown Revitalization Fund	Inmate Welfare Fund	Total Nonmajor Special Revenue Funds
Revenues										
Ad valorem taxes	\$ -	\$ -	\$ 6,243,187	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	9,530,991
Other taxes	-	-	-	-	-	-	-	-	-	12,266,301
Restricted intergovernmental revenue	-	3,604,485	-	1,147,394	-	55,857	1,113	-	-	11,742,898
Sales and services	-	-	-	-	-	-	-	-	-	617,780
Interest earned on investments	-	-	1,672	25,096	151	1,168	-	1,750	381	260,594
Miscellaneous	-	5,704	-	(1,124)	-	-	-	-	359,987	878,023
Total revenues	-	3,610,189	6,244,859	1,171,366	151	57,025	1,113	1,750	360,368	35,296,587
Expenditures										
Current:										
General government	-	-	-	-	-	-	-	-	-	443,164
Public safety	-	-	5,733,548	-	18,699	83,483	997	-	256,475	6,825,658
Economic and physical development	-	3,732,753	-	-	-	-	-	-	-	6,963,457
Human services	-	-	-	-	-	-	-	-	-	1,534,124
Cultural and recreational	-	-	-	-	-	-	-	-	-	3,676,356
Education	-	-	-	-	-	-	-	-	-	6,057,730
Capital outlay	-	-	-	-	-	-	-	-	-	76,410
Principal payments	-	150,000	-	-	-	-	-	-	-	150,000
Interest and fees	-	69,929	-	-	-	-	-	-	-	69,929
Total expenditures	-	3,952,682	5,733,548	-	18,699	83,483	997	-	256,475	25,796,828
Excess (deficiency) of revenues over (under) expenditures	-	(342,493)	511,311	1,171,366	(18,548)	(26,458)	116	1,750	103,893	9,499,759
Other financing sources (uses)										
Transfers in	-	89,676	-	-	-	-	-	-	-	1,315,873
Transfers out	-	-	-	(2,182,710)	-	-	-	-	-	(9,605,687)
Total other financing sources (uses)	-	89,676	-	(2,182,710)	-	-	-	-	-	(8,289,814)
Net change in fund balances	-	(252,817)	511,311	(1,011,344)	(18,548)	(26,458)	116	1,750	103,893	1,209,945
Fund balance - beginning	78,134	287,394	51,133	2,291,180	25,462	142,834	2,615	196,167	180,831	22,672,595
Prior period adjustment	-	-	-	-	-	-	-	-	-	2,784,998
Fund balance - ending	\$ 78,134	\$ 34,577	\$ 562,444	\$ 1,279,836	\$ 6,914	\$ 116,376	\$ 2,731	\$ 197,917	\$ 284,724	\$ 26,667,538

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Prepared Food and Beverage Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Other taxes	\$ 3,250,430	\$ 3,601,246	\$ 350,816	\$ 3,377,896
Interest earned on investments	35,000	18,317	(16,683)	22,247
Miscellaneous	27,000	27,150	150	27,000
Total revenues	<u>3,312,430</u>	<u>3,646,713</u>	<u>334,283</u>	<u>3,427,143</u>
Expenditures				
Cultural and recreational	10,016	7,530	2,486	7,495
Total expenditures	<u>10,016</u>	<u>7,530</u>	<u>2,486</u>	<u>7,495</u>
Revenues over expenditures	<u>3,302,414</u>	<u>3,639,183</u>	<u>336,769</u>	<u>3,419,648</u>
Other financing sources (uses)				
Transfers (out)	(3,302,414)	(3,266,617)	35,797	(3,259,184)
Total other financing sources (uses)	<u>(3,302,414)</u>	<u>(3,266,617)</u>	<u>35,797</u>	<u>(3,259,184)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>372,566</u>	<u>\$ 372,566</u>	<u>160,464</u>
Fund balances				
Beginning of year - July 1		1,652,879		1,492,415
End of year - June 30		<u>\$ 2,025,445</u>		<u>\$ 1,652,879</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - County School Fund
Year Ended June 30, 2004
(With Comparative Totals for Year Ended June 30, 2003)**

	2004		Variance Positive (Negative)	2003 (Restated)
	Budget	Actual		
Revenues				
Other taxes	\$ 9,200,000	\$ 8,665,055	\$ (534,945)	\$ 11,769,351
Restricted intergovernmental revenue	1,733,108	2,000,000	266,892	171,976
Interest earned on investments	-	60,108	60,108	74,439
Miscellaneous	-	447,436	447,436	296,618
Total revenues	10,933,108	11,172,599	239,491	12,312,384
Expenditures				
Education			-	
School capital outlay I	5,809,140	2,981,251	2,827,889	3,573,310
School capital outlay II	3,742,300	2,945,460	796,840	3,140,776
School capital outlay III	188,300	131,019	57,281	529,890
Total expenditures	9,739,740	6,057,730	3,682,010	7,243,976
Revenues over expenditures	1,193,368	5,114,869	3,921,501	5,068,408
Other financing sources (uses)				
Transfers (out)	(4,156,360)	(4,156,360)	-	(4,332,560)
Appropriated fund balance	2,962,992	-	(2,962,992)	-
Total other financing sources (uses)	(1,193,368)	(4,156,360)	(2,962,992)	(4,332,560)
Revenues and other financing sources (uses) over (under) expenditures	\$ -	958,509	\$ 958,509	735,848
Fund balances				
Beginning of year - July 1, as previously reported		3,341,851		5,391,001
Prior period adjustment		2,784,998		-
Beginning of year - July 1, as restated		6,126,849		5,391,001
End of year - June 30		<u>\$ 7,085,358</u>		<u>\$ 6,126,849</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - 911 Emergency Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 749,595	\$ 752,408	\$ 2,813	\$ 812,846
Sales and services	68,362	88,797	20,435	68,625
Interest earned on investments	-	9,740	9,740	17,422
Miscellaneous	-	(7,698)	(7,698)	46,743
Total revenues	817,957	843,247	25,290	945,636
Expenditures				
Public safety	840,295	726,956	113,339	898,512
Total expenditures	840,295	726,956	113,339	898,512
Revenues over expenditures	(22,338)	116,291	138,629	47,124
Other financing sources (uses)				
Appropriated fund balance	22,338	-	(22,338)	-
Total other financing sources (uses)	22,338	-	(22,338)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	116,291	\$ 116,291	47,124
Fund balances				
Beginning of year - July 1		1,654,485		1,607,361
End of year - June 30		<u>\$ 1,770,776</u>		<u>\$ 1,654,485</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Wireless 911 Emergency Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 180,000	\$ 227,456	\$ 47,456	\$ 194,972
Interest earned on investments	5,000	7,483	2,483	8,007
Miscellaneous	-	16,871	16,871	-
Total revenues	<u>185,000</u>	<u>251,810</u>	<u>66,810</u>	<u>202,979</u>
Expenditures				
Public safety	<u>185,000</u>	<u>5,500</u>	<u>179,500</u>	<u>-</u>
Total expenditures	<u>185,000</u>	<u>5,500</u>	<u>179,500</u>	<u>-</u>
Revenues over expenditures	<u>-</u>	<u>246,310</u>	<u>246,310</u>	<u>202,979</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>246,310</u>	<u>\$ 246,310</u>	<u>202,979</u>
Fund balances				
Beginning of year - July 1		<u>731,439</u>		<u>528,460</u>
End of year - June 30		<u>\$ 977,749</u>		<u>\$ 731,439</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Jobs Training Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 4,635,471	\$ 2,093,128	\$ (2,542,343)	\$ 1,700,366
Sales and services	15,000	12,261	(2,739)	13,936
Interest earned on investments	3,000	490	(2,510)	2,248
Miscellaneous	-	-	-	1,871
Total revenues	4,653,471	2,105,879	(2,547,592)	1,718,421
Expenditures				
Economic and physical development	2,749,061	469,069	2,279,992	424,505
JTPA one stop	1,227,481	1,085,777	141,704	763,411
JTPA T/A grant	294,883	191,185	103,698	131,092
JTPA welfare to work 30%	-	-	-	20,802
JTPA welfare to work 70%	397,046	330,444	66,602	303,019
NC workers trust fund	-	-	-	24,991
Total expenditures	4,668,471	2,076,475	2,591,996	1,667,820
Revenues over expenditures	(15,000)	29,404	44,404	50,601
Other financing sources (uses)				
Transfers in	15,000	14,632	(368)	14,127
Total other financing sources (uses)	15,000	14,632	(368)	14,127
Revenues and other financing sources (uses) over (under) expenditures	\$ -	44,036	\$ 44,036	64,728
Fund balances				
Beginning of year - July 1		97,386		32,658
End of year - June 30		<u>\$ 141,422</u>		<u>\$ 97,386</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Industrial Development Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 99,504	\$ 99,504	\$ -	\$ -
Interest earned on investments	35,000	49,540	14,540	41,164
Miscellaneous	-	15,286	15,286	100
Total revenues	<u>134,504</u>	<u>164,330</u>	<u>29,826</u>	<u>41,264</u>
Expenditures				
Economic and physical development	<u>3,144,350</u>	<u>662,324</u>	<u>2,482,026</u>	<u>1,741,191</u>
Total expenditures	<u>3,144,350</u>	<u>662,324</u>	<u>2,482,026</u>	<u>1,741,191</u>
Revenues over expenditures	<u>(3,009,846)</u>	<u>(497,994)</u>	<u>2,511,852</u>	<u>(1,699,927)</u>
Other financing sources (uses)				
Transfers in	556,104	556,104	-	2,556,104
Note proceeds	-	-	-	931,000
Appropriated fund balance	<u>2,453,742</u>	<u>-</u>	<u>(2,453,742)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,009,846</u>	<u>556,104</u>	<u>(2,453,742)</u>	<u>3,487,104</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>58,110</u>	<u>\$ 58,110</u>	<u>1,787,177</u>
Fund balances				
Beginning of year - July 1		<u>4,329,699</u>		<u>2,542,522</u>
End of year - June 30		<u>\$ 4,387,809</u>		<u>\$ 4,329,699</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Water and Sewer Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ -	\$ 37,781	\$ 37,781	\$ 25,597
Sales and services	40,000	55,201	15,201	43,278
Interest earned on investments	20,000	26,656	6,656	37,163
Miscellaneous	-	(5,259)	(5,259)	9,912
Total revenues	60,000	114,379	54,379	115,950
Expenditures				
Economic and physical development	1,127,627	30,418	1,097,209	162
Total expenditures	1,127,627	30,418	1,097,209	162
Revenues over expenditures	(1,067,627)	83,961	1,151,588	115,788
Other financing sources (uses)				
Transfer to component unit	-	-	-	287,142
Appropriated fund balance	1,067,627	-	(1,067,627)	-
Total other financing sources (uses)	1,067,627	-	(1,067,627)	287,142
Revenues and other financing sources (uses) over (under) expenditures	\$ -	83,961	\$ 83,961	402,930
Fund balances				
Beginning of year - July 1		2,721,870		2,318,940
End of year - June 30		\$ 2,805,831		\$ 2,721,870

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Property Revaluation Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Interest earned on investments	\$ 2,000	\$ 2,300	\$ 300	\$ 4,351
Total revenues	<u>2,000</u>	<u>2,300</u>	<u>300</u>	<u>4,351</u>
Expenditures				
General government	500,506	443,164	57,342	553,011
Total expenditures	<u>500,506</u>	<u>443,164</u>	<u>57,342</u>	<u>553,011</u>
Revenues over expenditures	<u>(498,506)</u>	<u>(440,864)</u>	<u>57,642</u>	<u>(548,660)</u>
Other financing sources (uses)				
Transfers in	495,681	494,078	(1,603)	605,337
Appropriated fund balance	2,825	-	(2,825)	-
Total other financing sources (uses)	<u>498,506</u>	<u>494,078</u>	<u>(4,428)</u>	<u>605,337</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>53,214</u>	<u>\$ 53,214</u>	<u>56,677</u>
Fund balances				
Beginning of year - July 1		116,454		59,777
End of year - June 30		<u>\$ 169,668</u>		<u>\$ 116,454</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Recreation Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Ad valorem taxes	\$ 3,109,121	\$ 3,287,804	\$ 178,683	\$ 3,017,279
Restricted intergovernmental revenue	-	80,749	80,749	163,603
Sales and services	175,000	282,494	107,494	257,417
Interest earned on investments	40,000	52,350	12,350	73,690
Miscellaneous	3,000	16,713	13,713	10,634
Total revenues	3,327,121	3,720,110	392,989	3,522,623
Expenditures				
Cultural and recreational Recreational cost	5,347,152	3,668,826	1,678,326	2,845,629
Total expenditures	5,347,152	3,668,826	1,678,326	2,845,629
Revenues over expenditures	(2,020,031)	51,284	2,071,315	676,994
Other financing sources (uses)				
Appropriated fund balance	2,020,031	-	(2,020,031)	-
Total other financing sources (uses)	2,020,031	-	(2,020,031)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	51,284	\$ 51,284	676,994
Fund balances				
Beginning of year - July 1		4,565,123		3,888,129
End of year - June 30		\$ 4,616,407		\$ 4,565,123

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Juvenile Crime Prevention Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 1,150,650	\$ 1,128,090	\$ (22,560)	\$ 1,159,322
Sales and services	163,626	162,888	(738)	143,337
Interest earned on investments	-	1,934	1,934	3,620
Total revenues	<u>1,314,276</u>	<u>1,292,912</u>	<u>(21,364)</u>	<u>1,306,279</u>
Expenditures				
Human services				
Juvenile court outreach	915,492	904,324	11,168	830,995
Residential group home	648,172	629,800	18,372	634,006
Total expenditures	<u>1,563,664</u>	<u>1,534,124</u>	<u>29,540</u>	<u>1,465,001</u>
Revenues over expenditures	<u>(249,388)</u>	<u>(241,212)</u>	<u>8,176</u>	<u>(158,722)</u>
Other financing sources (uses)				
Transfers in	152,867	152,867	-	151,241
Appropriated fund balance	96,521	-	(96,521)	-
Total other financing sources (uses)	<u>249,388</u>	<u>152,867</u>	<u>(96,521)</u>	<u>151,241</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>(88,345)</u>	<u>\$ (88,345)</u>	<u>(7,481)</u>
Fund balances				
Beginning of year - July 1		<u>187,097</u>		<u>194,578</u>
End of year - June 30		<u>\$ 98,752</u>		<u>\$ 187,097</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Transportation Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 753,746	\$ 514,933	\$ (238,813)	\$ 505,794
Sales and services	33,430	16,139	(17,291)	41,646
Interest earned on investments	-	1,458	1,458	2,298
Miscellaneous	-	2,957	2,957	2,468
Total revenues	<u>787,176</u>	<u>535,487</u>	<u>(251,689)</u>	<u>552,206</u>
Expenditures				
Economic and physical development	798,130	537,897	260,233	558,504
Total expenditures	<u>798,130</u>	<u>537,897</u>	<u>260,233</u>	<u>558,504</u>
Revenues over expenditures	<u>(10,954)</u>	<u>(2,410)</u>	<u>8,544</u>	<u>(6,298)</u>
Other financing sources (uses)				
Transfers in	9,934	8,516	(1,418)	10,577
Appropriated fund balance	1,020	-	(1,020)	-
Total other financing sources (uses)	<u>10,954</u>	<u>8,516</u>	<u>(2,438)</u>	<u>10,577</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>6,106</u>	<u>\$ 6,106</u>	<u>4,279</u>
Fund balances				
Beginning of year - July 1		18,562		14,283
End of year - June 30		<u>\$ 24,668</u>		<u>\$ 18,562</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Flea Hill Drainage District Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current Expenditures	-	-	-	-
Total expenditures	-	-	-	-
Other financing sources (uses)	-	-	-	-
Revenues and other financing sources	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Fund balances				
Beginning of year - July 1		78,134		78,134
End of year - June 30		<u>\$ 78,134</u>		<u>\$ 78,134</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Community Development Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 7,704,783	\$ 3,604,485	\$ (4,100,298)	\$ 2,363,851
Miscellaneous	-	5,704	5,704	4,598
Total revenues	<u>7,704,783</u>	<u>3,610,189</u>	<u>(4,094,594)</u>	<u>2,368,449</u>
Expenditures				
Economic and physical development				
Administration	755,776	589,463	166,313	472,420
Economic Development	260,000	61,977	198,023	40,000
Housing activities	3,136,821	1,752,571	1,384,250	1,081,433
Public facilities	1,559,286	551,928	1,007,358	425,000
Public services	260,100	241,502	18,598	253,905
Infrastructure	-	-	-	19,507
Planning	20,000	-	20,000	-
Emergency shelter	10,312	10,276	36	-
Program grants	1,953,180	525,036	1,428,144	250,855
Debt service				
Principal	150,000	150,000	-	150,000
Interest	69,929	69,929	-	80,572
Total expenditures	<u>8,175,404</u>	<u>3,952,682</u>	<u>4,222,722</u>	<u>2,773,692</u>
Revenues over (under) expenditures	<u>(470,621)</u>	<u>(342,493)</u>	<u>128,128</u>	<u>(405,243)</u>
Other financing sources (uses)				
Transfers in	197,665	89,676	(107,989)	29,072
Operating transfers (out)	-	-	-	-
Appropriated fund balance	272,956	-	(272,956)	-
Total other financing sources (uses)	<u>470,621</u>	<u>89,676</u>	<u>(380,945)</u>	<u>29,072</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>(252,817)</u>	<u>\$ (252,817)</u>	<u>(376,171)</u>
Fund balances				
Beginning of year - July 1		<u>287,394</u>		<u>663,565</u>
End of year - June 30		<u>\$ 34,577</u>		<u>\$ 287,394</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Fire Protection Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Ad valorem taxes	\$ 6,172,729	\$ 6,243,187	\$ 70,458	\$ 5,766,453
Interest earned on investments	-	1,672	1,672	2,145
Total revenues	<u>6,172,729</u>	<u>6,244,859</u>	<u>72,130</u>	<u>5,768,598</u>
Expenditures				
Public safety	6,221,474	5,733,548	487,926	6,185,442
Total expenditures	<u>6,221,474</u>	<u>5,733,548</u>	<u>487,926</u>	<u>6,185,442</u>
Revenues over expenditures	<u>(48,745)</u>	<u>511,311</u>	<u>560,056</u>	<u>(416,844)</u>
Other financing sources (uses)				
Appropriated fund balance	48,745	-	(48,745)	-
Total other financing sources (uses)	<u>48,745</u>	<u>-</u>	<u>(48,745)</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>511,311</u>	<u>\$ 511,311</u>	<u>(416,844)</u>
Fund balances				
Beginning of year - July 1		51,133		467,977
End of year - June 30		<u>\$ 562,444</u>		<u>\$ 51,133</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Federal Drug Forfeiture Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ -	\$ 1,147,394	\$ 1,147,394	\$ 752,069
Interest earned on investments	-	25,096	25,096	30,007
Miscellaneous	-	(1,124)	(1,124)	-
Total revenues	-	1,171,366	1,171,366	782,076
Expenditures				
Public safety	-	-	-	434,939
Total expenditures	-	-	-	434,939
Revenues over expenditures	-	1,171,366	1,171,366	347,137
Other financing sources (uses)				
Transfers (out)	(2,185,500)	(2,182,710)	2,790	-
Appropriated fund balance	2,185,500	-	(2,185,500)	-
Total other financing sources (uses)	-	(2,182,710)	(2,182,710)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	(1,011,344)	\$ (1,011,344)	347,137
Fund balances				
Beginning of year - July 1		2,291,180		1,944,043
End of year - June 30		\$ 1,279,836		\$ 2,291,180

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Federal Forfeiture Treasury Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Interest earned on investments	\$ -	\$ 151	\$ 151	\$ 532
Total revenues	<u>-</u>	<u>151</u>	<u>151</u>	<u>532</u>
Expenditures				
Public safety	25,551	18,699	6,852	16,721
Total expenditures	<u>25,551</u>	<u>18,699</u>	<u>6,852</u>	<u>16,721</u>
Revenues over expenditures	<u>(25,551)</u>	<u>(18,548)</u>	<u>7,003</u>	<u>(16,189)</u>
Other financing sources (uses)				
Appropriated fund balance	25,551	-	(25,551)	-
Total other financing sources (uses)	<u>25,551</u>	<u>-</u>	<u>(25,551)</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>(18,548)</u>	<u>\$ (18,548)</u>	<u>(16,189)</u>
Fund balances				
Beginning of year - July 1		25,462		41,651
End of year - June 30		<u>\$ 6,914</u>		<u>\$ 25,462</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - North Carolina Controlled Substance Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ -	\$ 55,857	\$ 55,857	\$ 50,312
Interest earned on investments	-	1,168	1,168	2,332
Total revenues	-	57,025	57,025	52,644
Expenditures				
Public safety	121,957	83,483	38,474	87,848
Total expenditures	121,957	83,483	38,474	87,848
Revenues over expenditures	(121,957)	(26,458)	95,499	(35,204)
Other financing sources (uses)				
Appropriated fund balance	121,957	-	(121,957)	-
Total other financing sources (uses)	121,957	-	(121,957)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	(26,458)	\$ (26,458)	(35,204)
Fund balances				
Beginning of year - July 1		142,834		178,038
End of year - June 30		<u>\$ 116,376</u>		<u>\$ 142,834</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Injured Animal Stabilization Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 1,000	\$ 1,113	\$ 113	\$ 1,456
Total revenues	<u>1,000</u>	<u>1,113</u>	<u>113</u>	<u>1,456</u>
Expenditures				
Public safety	1,000	997	3	440
Total expenditures	<u>1,000</u>	<u>997</u>	<u>3</u>	<u>440</u>
Revenues over expenditures	<u>-</u>	<u>116</u>	<u>116</u>	<u>1,016</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>116</u>	<u>\$ 116</u>	<u>1,016</u>
Fund balances				
Beginning of year - July 1		<u>2,615</u>		<u>1,599</u>
End of year - June 30		<u>\$ 2,731</u>		<u>\$ 2,615</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Downtown Revitalization Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Interest earned on investments	\$ -	\$ 1,750	\$ 1,750	\$ 2,546
Total revenues	<u>-</u>	<u>1,750</u>	<u>1,750</u>	<u>2,546</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>1,750</u>	<u>\$ 1,750</u>	<u>2,546</u>
Fund balances				
Beginning of year - July 1		<u>196,167</u>		<u>193,621</u>
End of year - June 30		<u>\$ 197,917</u>		<u>\$ 196,167</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Inmate Welfare Fund
 Year Ended June 30, 2004
 (With Comparative Totals for Year Ended June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Interest earned on investments	\$ -	\$ 381	\$ 381	\$ 1,465
Miscellaneous	400,000	359,987	(40,013)	313,018
Total revenues	<u>400,000</u>	<u>360,368</u>	<u>(39,632)</u>	<u>314,483</u>
Expenditures				
Public safety	400,000	256,475	143,525	341,256
Total expenditures	<u>400,000</u>	<u>256,475</u>	<u>143,525</u>	<u>341,256</u>
Revenues over expenditures	<u>-</u>	<u>103,893</u>	<u>103,893</u>	<u>(26,773)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>103,893</u>	<u>\$ 103,893</u>	<u>(26,773)</u>
Fund balances				
Beginning of year - July 1		180,831		207,604
End of year - June 30		<u>\$ 284,724</u>		<u>\$ 180,831</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2004

	Library Bond Fund	Detention Facility Fund	Capital Project Bond Fund	Social Services/Community Corrections Fund	Winding Creek Renovation Fund	1998 School Bond Fund	Animal Control Building Fund	Sheriff Training Facility Fund	Total Nonmajor Capital Project Funds
Assets									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,184,182	\$ 2,184,182
Restricted assets:									
Cash and cash equivalents	-	1,396,177	-	801,759	3	-	2,826,291	-	5,024,230
Investments	-	-	-	-	-	4,093,138	-	-	4,093,138
Accounts receivable	21,444	-	-	-	-	-	48	-	21,492
Total assets	\$ 21,444	\$ 1,396,177	\$ -	\$ 801,759	\$ 3	\$ 4,093,138	\$ 2,826,339	\$ 2,184,182	\$ 11,323,042
Liabilities and fund balances									
Liabilities:									
Accounts and vouchers payable	\$ (61)	\$ -	\$ -	\$ -	\$ -	\$ 386,199	\$ -	\$ -	\$ 386,138
Due to other funds	-	-	-	-	-	224,255	-	-	224,255
Total liabilities	(61)	-	-	-	-	610,454	-	-	610,393
Fund balances:									
Reserved for encumbrances	3,270	30,428	-	-	-	-	-	-	33,698
Reserved by State statute	21,444	-	-	-	-	-	48	-	21,492
Undesignated	(3,209)	1,365,749	-	801,759	3	3,482,684	2,826,291	2,184,182	10,657,459
Total fund balances	21,505	1,396,177	-	801,759	3	3,482,684	2,826,339	2,184,182	10,712,649
Total liabilities and fund balances	\$ 21,444	\$ 1,396,177	\$ -	\$ 801,759	\$ 3	\$ 4,093,138	\$ 2,826,339	\$ 2,184,182	\$ 11,323,042

COUNTY OF CUMBERLAND, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Capital Project Funds
 Year Ended June 30, 2004

	Library Bond Fund	Detention Facility Fund	Capital Project Bond Fund	Social Services/Community Corrections Fund	Winding Creek Renovation Fund	1998 School Bond Fund	Animal Control Building Fund	Sheriff Training Facility Fund	Total Nonmajor Capital Project Funds
Revenues									
Restricted intergovernmental revenue	\$ -	\$ -	\$ 1,466,722	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,466,722
Sales and services	-	-	-	-	-	-	4,661	-	4,661
Interest earned on investments	1,268	5,322	-	2,610	-	50,365	9,148	4,182	72,895
Miscellaneous	-	-	-	-	-	325,954	-	-	325,954
Total revenues	<u>1,268</u>	<u>5,322</u>	<u>1,466,722</u>	<u>2,610</u>	<u>-</u>	<u>376,319</u>	<u>13,809</u>	<u>4,182</u>	<u>1,870,232</u>
Expenditures									
Capital outlay									
Headquarters Library	340,317	-	-	-	-	-	-	-	340,317
Law-sheriff	-	56,417	-	-	-	-	-	-	56,417
NC school bond project	-	-	1,466,722	-	-	-	-	-	1,466,722
School bond project	-	-	-	-	-	5,973,355	-	-	5,973,355
Winding creek	-	-	-	-	(3)	-	-	-	(3)
Animal control building	-	-	-	-	-	-	15,000	-	15,000
Total expenditures	<u>340,317</u>	<u>56,417</u>	<u>1,466,722</u>	<u>-</u>	<u>(3)</u>	<u>5,973,355</u>	<u>15,000</u>	<u>-</u>	<u>7,851,808</u>
Revenues over (under) expenditures	<u>(339,049)</u>	<u>(51,095)</u>	<u>-</u>	<u>2,610</u>	<u>3</u>	<u>(5,597,036)</u>	<u>(1,191)</u>	<u>4,182</u>	<u>(5,981,576)</u>
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	2,180,000	2,180,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,180,000</u>	<u>2,180,000</u>
Revenues and other financing sources over (under) expenditures	<u>(339,049)</u>	<u>(51,095)</u>	<u>-</u>	<u>2,610</u>	<u>3</u>	<u>(5,597,036)</u>	<u>(1,191)</u>	<u>2,184,182</u>	<u>(3,801,576)</u>
Fund balance									
Beginning of year - July 1	360,554	1,447,272	-	799,149	-	9,079,720	2,827,530	-	14,514,225
End of year - June 30	\$ 21,505	\$ 1,396,177	\$ -	\$ 801,759	\$ 3	\$ 3,482,684	\$ 2,826,339	\$ 2,184,182	\$ 10,712,649

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Library Bond Fund

From Inception and for Year Ended June 30, 2004

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Interest earned on investments	\$ 1,268	\$ 989,445	\$ 977,503	\$ 1,268	\$ 13,210
Miscellaneous	-	153,809	153,809	-	-
			-		
Total revenues	<u>1,268</u>	<u>1,143,254</u>	<u>1,131,312</u>	<u>1,268</u>	<u>13,210</u>
Expenditures					
Capital outlay					
East regional library	-	4,149,998	4,149,998	-	-
North regional library	-	4,957,649	4,957,649	-	-
Spring Lake library	-	2,230,358	2,230,358	-	-
Headquarters library	341,265	975,600	-	340,317	1,315,917
Total expenditures	<u>341,265</u>	<u>12,313,605</u>	<u>11,338,005</u>	<u>340,317</u>	<u>1,315,917</u>
Revenues over (under) expenditures	<u>(339,997)</u>	<u>(11,170,351)</u>	<u>(10,206,693)</u>	<u>(339,049)</u>	<u>(1,302,707)</u>
Other financing sources (uses)					
Proceeds of refunding bonds	-	12,735,117	11,410,905	-	1,324,212
Transfers in	-	691,562	691,562	-	-
Transfers out	-	(571,562)	(571,562)	-	-
Appropriated fund balance	339,997	-	-	-	-
Total other financing sources	<u>339,997</u>	<u>12,855,117</u>	<u>11,530,905</u>	<u>-</u>	<u>1,324,212</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 1,684,766</u>	<u>\$ 1,324,212</u>	<u>(339,049)</u>	<u>\$ 21,505</u>
Fund balance					
Beginning of year - July 1				<u>360,554</u>	
End of year - June 30				<u>\$ 21,505</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Detention Facility Fund

From Inception and for Year Ended June 30, 2004

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Interest earned on investments	\$ 3,909,900	\$ 3,924,875	\$ -	\$ 5,322	\$ 3,930,197
Miscellaneous	1,128,056	1,128,079	-	-	1,128,079
Total revenues	<u>5,037,956</u>	<u>5,052,954</u>	<u>-</u>	<u>5,322</u>	<u>5,058,276</u>
Expenditures					
Capital outlay					
Law-sheriff	55,019,889	48,699,199	-	56,417	48,755,616
Total expenditures	<u>55,019,889</u>	<u>48,699,199</u>	<u>-</u>	<u>56,417</u>	<u>48,755,616</u>
Revenues over (under) expenditures	<u>(49,981,933)</u>	<u>(43,646,245)</u>	<u>-</u>	<u>(51,095)</u>	<u>(43,697,340)</u>
Other financing sources (uses)					
Proceeds of refunding bonds	49,322,170	99,302,600	-	-	99,302,600
Premium on refunding bonds	122,538	122,536	-	-	122,536
Payment to refund bond escrow agent	-	(49,980,680)	-	-	(49,980,680)
Gain (loss) on sale of capital assets	-	-	-	-	-
Transfers in	4,654,185	4,654,185	-	-	4,654,185
Transfers out	(9,016,650)	(9,005,124)	-	-	(9,005,124)
Appropriated fund balance	4,899,690	-	-	-	-
Total other financing sources	<u>49,981,933</u>	<u>45,093,517</u>	<u>-</u>	<u>-</u>	<u>45,093,517</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 1,447,272</u>	<u>\$ -</u>	<u>(51,095)</u>	<u>\$ 1,396,177</u>
Fund balance					
Beginning of year - July 1				<u>1,447,272</u>	
End of year - June 30				<u>\$ 1,396,177</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Project Bond Fund

From Inception and for Year Ended June 30, 2004

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental revenue	\$ 73,306,839	\$ 71,840,117	\$ -	\$ 1,466,722	\$ 73,306,839
Total revenues	<u>73,306,839</u>	<u>71,840,117</u>	<u>-</u>	<u>1,466,722</u>	<u>73,306,839</u>
Expenditures					
Capital outlay					
NC school bond project	73,306,839	62,780,454	-	1,466,722	64,247,176
School bond project	-	9,059,663	-	-	9,059,663
Total expenditures	<u>73,306,839</u>	<u>71,840,117</u>	<u>-</u>	<u>1,466,722</u>	<u>73,306,839</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance					
Beginning of year - July 1				<u>-</u>	
End of year - June 30				<u>\$ -</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Social Services/Community Corrections Fund

From Inception and for Year Ended June 30, 2004

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental revenue	\$ 350,000	\$ 244,999	\$ -	\$ -	\$ 244,999
Interest earned on investments	3,393,061	3,400,279	-	2,610	3,402,889
Miscellaneous	659,491	668,220	-	-	668,220
Total revenues	4,402,552	4,313,498	-	2,610	4,316,108
Expenditures					
Capital outlay					
Community correction center	2,890,349	2,627,842	-	-	2,627,842
Social services building	34,016,443	31,853,730	-	-	31,853,730
Total expenditures	36,906,792	34,481,572	-	-	34,481,572
Revenues over (under) expenditures	(32,504,240)	(30,168,074)	-	2,610	(30,165,464)
Other financing sources (uses)					
Proceeds of refunding bonds	34,950,000	34,950,000	-	-	34,950,000
Transfers in	191,317	2,063,848	-	-	2,063,848
Transfers out	(6,059,039)	(6,046,625)	-	-	(6,046,625)
Appropriated fund balance	3,421,962	-	-	-	-
Total other financing sources	32,504,240	30,967,223	-	-	30,967,223
Revenues and other financing sources over (under) expenditures	\$ -	\$ 799,149	\$ -	2,610	\$ 801,759
Fund balance					
Beginning of year - July 1				799,149	
End of year - June 30				<u>\$ 801,759</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Winding Creek Renovation Fund

From Inception and for Year Ended June 30, 2004

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Interest earned on investments	\$ -	\$ 103,652	\$ -	\$ -	\$ 103,652
Miscellaneous	-	20,535	-	-	20,535
Total revenues	-	124,187	-	-	124,187
Expenditures					
Capital outlay					
Winding creek	2,300,400	2,288,702	-	(3)	2,288,699
Debt service	791,750	791,749	-	-	791,749
Total expenditures	3,092,150	3,080,451	-	(3)	3,080,448
Revenues over (under) expenditures	(3,092,150)	(2,956,264)	-	3	(2,956,261)
Other financing sources (uses)					
Proceeds of refunding bonds	3,092,150	3,092,400	-	-	3,092,400
Transfers out	(136,136)	(136,136)	-	-	(136,136)
Appropriated fund balance	136,136	-	-	-	-
Total other financing sources	3,092,150	2,956,264	-	-	2,956,264
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	3	\$ 3
Fund balance					
Beginning of year - July 1				-	
End of year - June 30				<u>\$ 3</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - 1998 School Bond Fund

From Inception and for Year Ended June 30, 2004

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Interest earned on investments	\$ 6,450,616	\$ 6,450,272	\$ -	\$ 50,365	\$ 6,500,637
Miscellaneous	1,968,052	1,743,002	-	325,954	2,068,956
Total revenues	8,418,668	8,193,274	-	376,319	8,569,593
Expenditures					
Capital outlay					
School bond project	107,996,848	98,756,229	-	5,973,355	104,729,584
Total expenditures	107,996,848	98,756,229	-	5,973,355	104,729,584
Revenues over (under) expenditures	(99,578,180)	(90,562,955)	-	(5,597,036)	(96,159,991)
Other financing sources (uses)					
Premium on refunding bonds	-	12,195	-	-	12,195
Bond issuance proceeds	98,128,180	98,180,480	-	-	98,180,480
Transfers in	1,450,000	1,450,000	-	-	1,450,000
Total other financing sources	99,578,180	99,642,675	-	-	99,642,675
Revenues and other financing sources over (under) expenditures	\$ -	\$ 9,079,720	\$ -	(5,597,036)	\$ 3,482,684
Fund balance					
Beginning of year - July 1				9,079,720	
End of year - June 30				<u>\$ 3,482,684</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Animal Control Building Fund

From Inception and for Year Ended June 30, 2004

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Sales and Services	\$ -	\$ 20,768	\$ -	\$ 4,661	\$ 25,429
Interest earned on investments	-	1,327	-	9,148	10,475
Miscellaneous	-	5,435	-	-	5,435
Total revenues	<u>-</u>	<u>27,530</u>	<u>-</u>	<u>13,809</u>	<u>41,339</u>
Expenditures					
Capital outlay					
Animal control building	2,800,000	-	-	15,000	15,000
Total expenditures	<u>2,800,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>
Revenues over (under) expenditures	<u>(2,800,000)</u>	<u>27,530</u>	<u>-</u>	<u>(1,191)</u>	<u>26,339</u>
Other financing sources (uses)					
Transfers in	3,000,000	3,000,000	-	-	3,000,000
Transfers out	(200,000)	(200,000)	-	-	(200,000)
Total other financing sources	<u>2,800,000</u>	<u>2,800,000</u>	<u>-</u>	<u>-</u>	<u>2,800,000</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 2,827,530</u>	<u>\$ -</u>	<u>(1,191)</u>	<u>\$ 2,826,339</u>
Fund balance					
Beginning of year - July 1				<u>2,827,530</u>	
End of year - June 30				<u>\$ 2,826,339</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Sheriff Training Facility Fund

From Inception and for Year Ended June 30, 2004

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Interest earned on investments	\$ -	\$ -	\$ -	\$ 4,182	\$ 4,182
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,182</u>	<u>4,182</u>
Expenditures					
Capital outlay					
Sheriff training facility	2,180,000	-	-	-	-
Total expenditures	<u>2,180,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(2,180,000)</u>	<u>-</u>	<u>-</u>	<u>4,182</u>	<u>4,182</u>
Other financing sources (uses)					
Transfers in	2,180,000	-	-	2,180,000	2,180,000
Total other financing sources	<u>2,180,000</u>	<u>-</u>	<u>-</u>	<u>2,180,000</u>	<u>2,180,000</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,184,182</u>	<u>\$ 2,184,182</u>
Fund balance					
Beginning of year - July 1				<u>-</u>	
End of year - June 30				<u>\$ 2,184,182</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Cemetery Permanent Fund

Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Interest earned on investments	\$ -	\$ 924	\$ 924	\$ 1,108
Burial Fees	6,900	4,770	(2,130)	2,400
Total revenues	<u>6,900</u>	<u>5,694</u>	<u>(1,206)</u>	<u>3,508</u>
Expenditures				
Capital outlay				
Maintenance	6,900	2,525	4,375	3,361
Total expenditures	<u>6,900</u>	<u>2,525</u>	<u>4,375</u>	<u>3,361</u>
Revenues over (under) expenditures	<u>-</u>	<u>3,169</u>	<u>3,169</u>	<u>147</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>3,169</u>	<u>\$ 3,169</u>	<u>147</u>
Fund balance				
Beginning of year - July 1		<u>34,682</u>		<u>34,535</u>
End of year - June 30		<u>\$ 37,851</u>		<u>\$ 34,682</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Cumberland County Solid Waste Fund
Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004		Variance Positive (Negative)	2003
	Budget	Actual		
Operating revenues				
Charges for services	\$ 1,916,529	\$ 2,010,085	\$ 93,556	\$ 2,224,995
Other operating revenue	251,388	305,585	54,197	288,070
Total operating revenues	<u>2,167,917</u>	<u>2,315,670</u>	<u>147,753</u>	<u>2,513,065</u>
Nonoperating revenues and other financing sources				
Interest earned on investments	100,000	280,565	180,565	316,665
Miscellaneous	5,200	112,552	107,352	(66,479)
Taxes	4,340,652	4,457,061	116,409	4,437,454
Total Nonoperating revenues and other financing sources	<u>4,445,852</u>	<u>4,850,178</u>	<u>404,326</u>	<u>4,687,640</u>
Appropriated fund balance	224,638	-	(224,638)	-
Total revenues, other financing sources and fund balance appropriations	<u>\$ 6,838,407</u>	<u>\$ 7,165,848</u>	<u>\$ 327,441</u>	<u>\$ 7,200,705</u>
Operating expenditures				
Salaries and employee benefits	\$ 1,744,120	\$ 1,659,868	\$ 84,252	\$ 1,677,163
Other supplies	1,678,168	951,753	726,415	779,192
Repairs and maintenance	781,849	433,385	348,464	411,381
Utilities	111,300	52,741	58,559	54,183
Administrative costs	2,064,653	374,361	1,690,292	349,736
Landfill closure and postclosure care costs	208,782	166,444	42,338	407,835
Total operating expenditures	<u>6,588,872</u>	<u>3,638,552</u>	<u>2,950,320</u>	<u>3,679,490</u>
Nonoperating expenditures				
Other expenditures and financing uses				
Capital outlay	-	162,457	(162,457)	415,104
Transfers out	249,535	249,535	-	235,419
Total other expenditures and financing uses	<u>249,535</u>	<u>411,992</u>	<u>(162,457)</u>	<u>650,523</u>
Total expenditures and other financing uses	<u>\$ 6,838,407</u>	<u>\$ 4,050,544</u>	<u>\$ 2,787,863</u>	<u>\$ 4,330,013</u>
Reconciliation of modified accrual basis to full accrual basis				
Total revenues and other financing sources		\$ 7,165,848		
Total expenditures and other financing uses		<u>4,050,544</u>		
		3,115,304		
Capital outlay		162,457		
Depreciation		(750,910)		
Net transfers		<u>249,535</u>		
Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Fund Net Assets		<u>\$ 2,776,386</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Cumberland County Crown Center Fund
Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Operating revenues				
Charges for services	\$ 2,331,638	\$ 2,079,161	\$ (252,477)	\$ 2,160,252
Total operating revenues	<u>2,331,638</u>	<u>2,079,161</u>	<u>(252,477)</u>	<u>2,160,252</u>
Nonoperating revenues and other financing sources				
Interest earned on investments	-	4,781	4,781	9,448
Motel occupancy tax	626,150	782,484	156,334	705,084
Transfers in	6,572,032	6,593,104	21,072	6,354,883
Total Nonoperating revenues and other financing sources	<u>7,198,182</u>	<u>7,380,369</u>	<u>182,187</u>	<u>7,069,415</u>
Appropriated fund balance	8,655	-	(8,655)	-
Total revenues, other financing sources and fund balance appropriations	<u>\$ 9,538,475</u>	<u>\$ 9,459,530</u>	<u>\$ (78,945)</u>	<u>\$ 9,229,667</u>
Operating expenditures				
Salaries and employee benefits	\$ 1,670,226	\$ 1,585,070	\$ 85,156	\$ 1,444,975
Other supplies	254,600	176,445	78,155	114,013
Repairs and maintenance	460,092	318,644	141,448	408,762
Food and related supplies	-	-	-	853,044
Utilities	880,875	702,066	178,809	812,706
Administrative costs	1,465,467	1,510,253	(44,786)	580,223
Total operating expenditures	<u>4,731,260</u>	<u>4,292,478</u>	<u>438,782</u>	<u>4,213,723</u>
Nonoperating expenditures				
Interest expense	2,649,650	3,108,110	(458,460)	2,577,271
Tax distribution fee	24,281	23,474	807	21,152
Total nonoperating expenditures	<u>2,673,931</u>	<u>3,131,584</u>	<u>(457,653)</u>	<u>2,598,423</u>
Other expenditures and financing uses				
Principal payments	1,987,305	1,987,305	-	1,727,695
Capital outlay	145,979	8,897	137,082	658,394
Transfers out	-	-	-	-
Total other expenditures and financing uses	<u>2,133,284</u>	<u>1,996,202</u>	<u>137,082</u>	<u>2,386,089</u>
Total expenditures and other financing uses	<u>\$ 9,538,475</u>	<u>\$ 9,420,264</u>	<u>\$ 118,211</u>	<u>\$ 9,198,235</u>
Reconciliation of modified accrual basis to full accrual basis				
Total revenues and other financing sources		\$ 9,459,530		
Total expenditures and other financing uses		<u>9,420,264</u>		
		39,266		
Capital outlay		8,897		
Depreciation		(1,922,458)		
Principal payments		1,987,305		
Net transfers		<u>(6,593,104)</u>		
Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Fund Net Assets		<u>\$ (6,480,094)</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Solid Waste Cell Construction Fund

From Inception and for Year Ended June 30, 2004

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Interest earned on investments	\$ -	\$ 40,303	\$ -	\$ -	\$ 40,303
Miscellaneous	-	30,546	-	-	30,546
Total revenues	-	70,849	-	-	70,849
Expenditures					
Capital outlay					
Other	4,789,273	4,198,048	-	-	4,198,048
Total expenditures	4,789,273	4,198,048	-	-	4,198,048
Revenues over (under) expenditures	(4,789,273)	(4,127,199)	-	-	(4,127,199)
Other financing sources (uses)					
Transfers in	4,789,273	4,789,273	-	-	4,789,273
Total other financing sources	4,789,273	4,789,273	-	-	4,789,273
Revenues and other financing sources over (under) expenditures	\$ -	\$ 662,074	\$ -	\$ -	\$ 662,074

COUNTY OF CUMBERLAND, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Arena Ventures Marketing Fund
Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Operating revenues				
Other operating revenue	\$ -	\$ -	\$ -	\$ 100,002
Total operating revenues	-	-	-	100,002
Total revenues, other financing sources and fund balance appropriations	\$ -	\$ -	\$ -	\$ 100,002
Salaries and employee benefits	\$ -	\$ -	\$ -	\$ 35,355
Purchased services	-	-	-	131,315
Total operating expenditures	-	-	-	166,670
Total expenditures and other financing uses	\$ -	\$ -	\$ -	\$ 166,670

COUNTY OF CUMBERLAND, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Kelly Hills Water and Sewer District Fund
Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Operating revenues				
Nonoperating revenues and other financing sources				
Transfers in	\$ 130,000	\$ -	\$ (130,000)	\$ -
Capital contributions	3,041,400	84,321	(2,957,079)	150,480
Total Nonoperating revenues and other	<u>3,171,400</u>	<u>84,321</u>	<u>(3,087,079)</u>	<u>150,480</u>
Total revenues, other financing sources and fund balance appropriations	<u>\$ 3,171,400</u>	<u>\$ 84,321</u>	<u>\$ (3,087,079)</u>	<u>\$ 150,480</u>
Other expenditures and financing uses				
Capital outlay	\$ 3,171,400	\$ 84,321	\$ 3,087,079	\$ 150,480
Total other expenditures and financing uses	<u>3,171,400</u>	<u>84,321</u>	<u>3,087,079</u>	<u>150,480</u>
Total expenditures and other financing uses	<u>\$ 3,171,400</u>	<u>\$ 84,321</u>	<u>\$ 3,087,079</u>	<u>\$ 150,480</u>
Reconciliation of modified accrual basis to full accrual basis				
Total revenues and other financing sources		\$ 84,321		
Total expenditures and other financing uses		<u>84,321</u>		
		-		
Capital outlay		84,321		
Capital contributions		<u>(84,321)</u>		
Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Net Assets		<u>\$ -</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
NORCRESS Water and Sewer District Fund
Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Operating revenues				
Charges for services	\$ 42,344	\$ 14,208	\$ (28,136)	\$ 39,200
Total operating revenues	<u>42,344</u>	<u>14,208</u>	<u>(28,136)</u>	<u>39,200</u>
Nonoperating revenues and other financing sources				
Miscellaneous	825,000	-	(825,000)	-
Transfers in	76,969	-	(76,969)	-
Capital contributions	<u>8,582,147</u>	<u>263,472</u>	<u>(8,318,675)</u>	<u>372,700</u>
Total Nonoperating revenues and other financing sources	<u>9,484,116</u>	<u>263,472</u>	<u>(9,220,644)</u>	<u>372,700</u>
Total revenues, other financing sources and fund balance appropriations	<u>\$ 9,526,460</u>	<u>\$ 277,680</u>	<u>\$ (9,248,780)</u>	<u>\$ 411,900</u>
Other expenditures and financing uses				
Capital outlay	\$ 9,526,460	\$ 314,854	\$ 9,211,606	\$ 372,700
Total other expenditures and financing uses	<u>9,526,460</u>	<u>314,854</u>	<u>9,211,606</u>	<u>372,700</u>
Total expenditures and other financing uses	<u>\$ 9,526,460</u>	<u>\$ 314,854</u>	<u>\$ 9,211,606</u>	<u>\$ 372,700</u>
Reconciliation of modified accrual basis to full accrual basis				
Total revenues and other financing sources		\$ 277,680		
Total expenditures and other financing uses		<u>314,854</u>		
		(37,174)		
Capital outlay		314,854		
Capital contributions		<u>(263,472)</u>		
Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Net Assets		<u>\$ 14,208</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Combining Statement of Net Assets
Internal Service Funds
June 30, 2004**

	Group Insurance Fund	Employee Flexible Benefit Fund	Workers' Compensation Fund	General Litigation Fund	Total
Assets					
Current assets					
Sales tax receivable	\$ -	\$ -	\$ 35	\$ 2	\$ 37
Other receivables	2,856	-	25,096	-	27,952
Total current assets	<u>2,856</u>	<u>-</u>	<u>25,131</u>	<u>2</u>	<u>27,989</u>
Restricted assets					
Cash and cash equivalents	4,648,670	162,934	954,572	674,138	6,440,314
Total noncurrent assets	<u>4,648,670</u>	<u>162,934</u>	<u>954,572</u>	<u>674,138</u>	<u>6,440,314</u>
Total assets	<u>4,651,526</u>	<u>162,934</u>	<u>979,703</u>	<u>674,140</u>	<u>6,468,303</u>
Liabilities and net assets					
Current liabilities					
Accounts and vouchers payable	1,100	32,821	(9)	-	33,912
Accrued payroll	6,670	-	4,568	-	11,238
Incurred but not reported	1,312,000	-	71,915	15,838	1,399,753
Total current liabilities	<u>1,319,770</u>	<u>32,821</u>	<u>76,474</u>	<u>15,838</u>	<u>1,444,903</u>
Total liabilities	<u>1,319,770</u>	<u>32,821</u>	<u>76,474</u>	<u>15,838</u>	<u>1,444,903</u>
Net assets					
Unrestricted	3,331,756	130,113	903,229	658,302	5,023,400
Total net assets	<u>\$ 3,331,756</u>	<u>\$ 130,113</u>	<u>\$ 903,229</u>	<u>\$ 658,302</u>	<u>\$ 5,023,400</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2004

	Group Insurance Fund	Flexible Benefit Fund	Workers' Compensation Fund	General Litigation Fund	Total
Operating revenues					
Contributions	\$ 8,406,071	\$ 334,988	\$ 532,401	\$ -	\$ 9,273,460
Other operating revenue	-	-	-	21,656	21,656
Total operating revenues	<u>8,406,071</u>	<u>334,988</u>	<u>532,401</u>	<u>21,656</u>	<u>9,295,116</u>
Operating expenses					
Salaries and employee benefits	10,641,068	349,220	1,109,579	-	12,099,867
Administrative costs	14,074	-	7,267	504,471	525,812
Total operating expenses	<u>10,655,142</u>	<u>349,220</u>	<u>1,116,846</u>	<u>504,471</u>	<u>12,625,679</u>
Operating income (loss)	<u>(2,249,071)</u>	<u>(14,232)</u>	<u>(584,445)</u>	<u>(482,815)</u>	<u>(3,330,563)</u>
Nonoperating revenue (expense)					
Interest earned on investments	30,724	5	11,369	6,410	48,508
Total nonoperating revenue (expense)	<u>30,724</u>	<u>5</u>	<u>11,369</u>	<u>6,410</u>	<u>48,508</u>
Income (loss) before transfers	(2,218,347)	(14,227)	(573,076)	(476,405)	(3,282,055)
Transfers in	1,647,792	-	-	373,905	2,021,697
Transfers out	-	-	(53,665)	-	(53,665)
Change in net assets	<u>(570,555)</u>	<u>(14,227)</u>	<u>(626,741)</u>	<u>(102,500)</u>	<u>(1,314,023)</u>
Total net assets - beginning	<u>3,902,311</u>	<u>144,340</u>	<u>1,529,970</u>	<u>760,802</u>	<u>6,337,423</u>
Total net assets - ending	<u>\$ 3,331,756</u>	<u>\$ 130,113</u>	<u>\$ 903,229</u>	<u>\$ 658,302</u>	<u>\$ 5,023,400</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2004**

	<u>Group Insurance Fund</u>	<u>Employee Flexible Benefit Fund</u>	<u>Workers' Compensation Fund</u>	<u>General Litigation Fund</u>	<u>Total Internal Service Funds</u>
Operating activities					
Other operating revenue	\$ -	\$ -	\$ -	\$ 21,656	\$ 21,656
Contributions	8,406,071	334,988	532,655	-	9,273,714
Cash paid for goods and services	327,546	14,679	5,765	(489,494)	(141,504)
Cash paid for claims	(10,302,810)	(334,245)	(1,082,455)	-	(11,719,510)
Net cash provided by (used in) operating activities	<u>(1,569,193)</u>	<u>15,422</u>	<u>(544,035)</u>	<u>(467,838)</u>	<u>(2,565,644)</u>
Noncapital financing activities					
Transfers in	1,647,792	-	-	373,905	2,021,697
Transfers (out)	-	-	(53,665)	-	(53,665)
Net cash provided (used) by noncapital financing activities	<u>1,647,792</u>	<u>-</u>	<u>(53,665)</u>	<u>373,905</u>	<u>1,968,032</u>
Investing activities					
Proceeds from sale of investments	993,895	-	500,522	-	1,494,417
Investment earnings	30,724	5	11,369	6,410	48,508
Net cash provided (used) in investing activities	<u>1,024,619</u>	<u>5</u>	<u>511,891</u>	<u>6,410</u>	<u>1,542,925</u>
Net increase in cash and cash equivalents/investments	<u>1,103,218</u>	<u>15,427</u>	<u>(85,809)</u>	<u>(87,523)</u>	<u>945,313</u>
Cash and cash equivalents/investments					
Beginning of year	<u>3,545,452</u>	<u>147,507</u>	<u>1,040,381</u>	<u>761,661</u>	<u>5,495,001</u>
End of year	<u>\$ 4,648,670</u>	<u>\$ 162,934</u>	<u>\$ 954,572</u>	<u>\$ 674,138</u>	<u>\$ 6,440,314</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (2,249,071)	\$ (14,232)	\$ (584,445)	\$ (482,815)	\$ (3,330,563)
Change in assets and liabilities					
(Increase) decrease in other receivables	760	-	254	10,939	11,953
(Increase) decrease in inventories	340,860	14,679	13,414	-	368,953
Increase (decrease) in accounts payable	344,100	34,918	28,358	4,038	411,414
Increase (decrease) in deferred revenue	(73)	-	(373)	-	(446)
Increase (decrease) in contract retainage	(5,769)	(19,943)	(1,243)	-	(26,955)
Total adjustments	<u>679,878</u>	<u>29,654</u>	<u>40,410</u>	<u>14,977</u>	<u>764,919</u>
Net cash provided by (used in) operating activities	<u>\$ (1,569,193)</u>	<u>\$ 15,422</u>	<u>\$ (544,035)</u>	<u>\$ (467,838)</u>	<u>\$ (2,565,644)</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Group Insurance Fund

Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Operating revenues				
Contributions	\$ 7,261,410	\$ 8,406,071	\$ 1,144,661	\$ 8,180,042
Non-operating revenues				
Interest earned on investments	45,000	30,724	(14,276)	43,792
Other financing sources				
Transfers in	3,139,810	1,647,792	(1,492,018)	147,792
Total revenues and other financing sources	<u>\$ 10,446,220</u>	<u>\$ 10,084,587</u>	<u>\$ (361,633)</u>	<u>\$ 8,371,626</u>
Operating expenditures				
Administrative costs	\$ 15,000	\$ 14,074	\$ 926	\$ 12,658
Salaries and employee benefits	10,431,220	10,641,068	(209,848)	8,709,143
Total expenditures and other financing uses	<u>\$ 10,446,220</u>	<u>\$ 10,655,142</u>	<u>\$ (208,922)</u>	<u>\$ 8,721,801</u>
Reconciliation of income before transfers				
Total revenues and other financing sources		\$ 10,084,587		
Total expenditures		<u>10,655,142</u>		
Subtotal		(570,555)		
Net transfers		<u>(1,647,792)</u>		
Income (loss) before transfers per the Statement of Revenues, Expenses and Changes in Fund Net Assets		<u>\$ (2,218,347)</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Employee Flexible Benefit Fund

Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Operating revenues				
Contributions	\$ 502,800	\$ 334,988	\$ (167,812)	\$ 405,826
Non-operating revenues				
Interest earned on investments	-	5	5	-
Total revenues	<u>\$ 502,800</u>	<u>\$ 334,993</u>	<u>\$ (167,807)</u>	<u>\$ 405,826</u>
Operating expenditures				
Administrative costs	\$ 2,800	\$ -	\$ 2,800	\$ -
Salaries and employee benefits	500,000	349,220	150,780	383,699
Total expenditures	<u>\$ 502,800</u>	<u>\$ 349,220</u>	<u>\$ 153,580</u>	<u>\$ 383,699</u>
Reconciliation of income before transfers				
Total revenues and other financing sources		\$ 334,993		
Total expenditures		<u>349,220</u>		
Subtotal		<u>(14,227)</u>		
Income (loss) before transfers per the Statement of Revenues, Expenses and Changes in Fund Net Assets		<u>\$ (14,227)</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Workers' Compensation Fund

Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004		Variance Positive (Negative)	2003
	Budget	Actual		
Revenues				
Operating revenues				
Contributions	\$ 626,582	\$ 532,401	\$ (94,181)	\$ 340,474
Non-operating revenues				
Interest earned on investments	23,000	11,369	(11,631)	27,010
Total revenues	\$ 649,582	\$ 543,770	\$ (105,812)	\$ 367,484
Operating expenditures				
Administrative costs	\$ 3,300	\$ 7,267	\$ (3,967)	\$ 5,553
Salaries and employee benefits	1,158,527	1,109,579	48,948	959,895
Total expenditures	1,161,827	1,116,846	44,981	965,448
Other financing uses				
Transfers out	53,665	53,665	-	52,828
Appropriated fund balance	(565,910)	-	565,910	-
Total expenditures and other financing uses	\$ 649,582	\$ 1,170,511	\$ 610,891	\$ 1,018,276
Reconciliation of income before transfers				
Total revenues and other financing sources		\$ 543,770		
Total expenditures		<u>1,170,511</u>		
Subtotal		(626,741)		
Net transfers		<u>53,665</u>		
Income (loss) before transfers per the Statement of Revenues, Expenses and Changes in Fund Net Assets		\$ (573,076)		

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
General Litigation Fund

Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004		Variance Positive (Negative)	2003
	Budget	Actual		
Revenues				
Operating revenues				
Litigation settlement	\$ -	\$ 21,656	\$ 21,656	\$ -
Non-operating revenues				
Interest earned on investments	-	6,410	6,410	9,770
Other financing sources				
Transfers in	523,905	373,905	(150,000)	218,905
Total revenues and other financing sources	<u>\$ 523,905</u>	<u>\$ 401,971</u>	<u>\$ (121,934)</u>	<u>\$ 228,675</u>
Operating expenditures				
Administrative costs	<u>\$ 523,905</u>	<u>\$ 504,471</u>	<u>\$ 19,434</u>	<u>\$ 209,515</u>
Reconciliation of income before transfers				
Total revenues and other financing sources		\$ 401,971		
Total expenditures		<u>504,471</u>		
Subtotal		(102,500)		
Net transfers		<u>(373,905)</u>		
Income (loss) before transfers per the Statement of Revenues, Expenses and Changes in Fund Net Assets		<u>\$ (476,405)</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

	City Tax Fund	Payee Account Fund	Inmate Payee Fund	Inter- Governmental Custodial Fund	Stormwater Utility Fund	Tourism Development Authority Fund	Totals
Assets							
Taxes receivable	\$ 4,748,508	\$ -	\$ -	\$ 90	\$ 128,600	\$ -	\$ 4,877,198
Restricted cash and cash equivalents	111,471	247,921	11,140	135,159	103,538	637,103	1,246,332
Total assets	<u>\$ 4,859,979</u>	<u>\$ 247,921</u>	<u>\$ 11,140</u>	<u>\$ 135,249</u>	<u>\$ 232,138</u>	<u>\$ 637,103</u>	<u>\$ 6,123,530</u>
Liabilities							
Accounts and vouchers payable	\$ 4,821,954	\$ 247,921	\$ 11,140	\$ 135,249	\$ 232,138	\$ 637,103	\$ 6,085,505
Due to other funds	38,025	-	-	-	-	-	38,025
Total liabilities	<u>\$ 4,859,979</u>	<u>\$ 247,921</u>	<u>\$ 11,140</u>	<u>\$ 135,249</u>	<u>\$ 232,138</u>	<u>\$ 637,103</u>	<u>\$ 6,123,530</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2004

	<u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2004</u>
<u>City Tax Fund</u>				
Assets				
Taxes receivable	\$ 4,586,481	\$ 45,460,217	\$ 45,298,190	\$ 4,748,508
Restricted cash and cash equivalents	5,236	43,857,941	43,751,706	111,471
Total assets	<u>\$ 4,591,717</u>	<u>\$ 89,318,158</u>	<u>\$ 89,049,896</u>	<u>\$ 4,859,979</u>
Liabilities				
Accounts and vouchers payable	\$ 4,522,879	\$ 89,280,133	\$ 88,981,058	\$ 4,821,954
Due to other funds	68,838	38,025	68,838	38,025
Total liabilities	<u>\$ 4,591,717</u>	<u>\$ 89,318,158</u>	<u>\$ 89,049,896</u>	<u>\$ 4,859,979</u>
<u>Payee Account Fund</u>				
Assets				
Restricted cash and cash equivalents	\$ 171,168	\$ 922,836	\$ 846,083	\$ 247,921
Total assets	<u>\$ 171,168</u>	<u>\$ 922,836</u>	<u>\$ 846,083</u>	<u>\$ 247,921</u>
Liabilities				
Accounts and vouchers payable	\$ 171,168	\$ 922,836	\$ 846,083	\$ 247,921
Total liabilities	<u>\$ 171,168</u>	<u>\$ 922,836</u>	<u>\$ 846,083</u>	<u>\$ 247,921</u>
<u>Inmate Payee Fund</u>				
Assets				
Restricted cash and cash equivalents	\$ 20,689	\$ 677,927	\$ 687,476	\$ 11,140
Total assets	<u>\$ 20,689</u>	<u>\$ 677,927</u>	<u>\$ 687,476</u>	<u>\$ 11,140</u>
Liabilities				
Accounts and vouchers payable	\$ 20,689	\$ 677,927	\$ 687,476	\$ 11,140
Total liabilities	<u>\$ 20,689</u>	<u>\$ 677,927</u>	<u>\$ 687,476</u>	<u>\$ 11,140</u>
<u>Intergovernmental Custodial Fund</u>				
Assets				
Taxes receivable	\$ -	\$ 90	\$ -	\$ 90
Restricted cash and cash equivalents	213,382	1,172,741	1,250,964	135,159
Total assets	<u>\$ 213,382</u>	<u>\$ 1,172,831</u>	<u>\$ 1,250,964</u>	<u>\$ 135,249</u>
Liabilities				
Accounts and vouchers payable	\$ 213,382	\$ 1,172,831	\$ 1,250,964	\$ 135,249
Total liabilities	<u>\$ 213,382</u>	<u>\$ 1,172,831</u>	<u>\$ 1,250,964</u>	<u>\$ 135,249</u>
<u>Stormwater Utility Fund</u>				
Assets				
Taxes receivable	\$ 129,861	\$ 2,108,652	\$ 2,109,913	\$ 128,600
Restricted cash and cash equivalents	93,602	2,123,013	2,113,077	103,538
Total assets	<u>\$ 223,463</u>	<u>\$ 4,231,665</u>	<u>\$ 4,222,990</u>	<u>\$ 232,138</u>
Liabilities				
Accounts and vouchers payable	\$ 223,463	\$ 4,231,665	\$ 4,222,990	\$ 232,138
Total liabilities	<u>\$ 223,463</u>	<u>\$ 4,231,665</u>	<u>\$ 4,222,990</u>	<u>\$ 232,138</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2004

Tourism Development Authority Fund

Assets

Restricted cash and cash equivalents	\$ 328,443	\$ 1,538,658	\$ 1,229,998	\$ 637,103
Total assets	\$ 328,443	\$ 1,538,658	\$ 1,229,998	\$ 637,103

Liabilities

Accounts and vouchers payable	\$ 328,443	\$ 1,538,658	\$ 1,229,998	\$ 637,103
Total liabilities	\$ 328,443	\$ 1,538,658	\$ 1,229,998	\$ 637,103

TOTAL - ALL AGENCY FUNDS

Assets

Taxes receivable	\$ 4,716,342	\$ 47,568,959	\$ 47,408,103	\$ 4,877,198
Restricted cash and cash equivalents	832,520	50,293,116	49,879,304	1,246,332
Total assets	\$ 5,548,862	\$ 97,862,075	\$ 97,287,407	\$ 6,123,530

Liabilities

Accounts and vouchers payable	\$ 5,480,024	\$ 97,824,050	\$ 97,218,569	\$ 6,085,505
Due to other funds	68,838	38,025	68,838	38,025
Total liabilities	\$ 5,548,862	\$ 97,862,075	\$ 97,287,407	\$ 6,123,530

COUNTY OF CUMBERLAND, NORTH CAROLINA
 Combining Statement of Fiduciary Assets and Liabilities
 Agency Fund - City Tax Fund
 June 30, 2004

	Fayetteville Tax Fund	Downtown Revitalization Tax Fund	Falcon Tax Fund	Godwin Tax Fund	Hope Mills Tax Fund	Linden Tax Fund	Spring Lake Tax Fund	Stedman Tax Fund	Wade Tax Fund	Totals
Assets										
Taxes receivable	\$ 4,211,119	\$ 6,506	\$ 1,802	\$ 1,291	\$ 227,170	\$ 1,949	\$ 279,350	\$ 13,159	\$ 6,162	\$ 4,748,508
Restricted cash and cash equivalents	87,091	-	172	244	7,488	239	10,354	4,300	1,583	111,471
Total assets	\$ 4,298,210	\$ 6,506	\$ 1,974	\$ 1,535	\$ 234,658	\$ 2,188	\$ 289,704	\$ 17,459	\$ 7,745	\$ 4,859,979
Liabilities										
Accounts and vouchers payable	\$ 4,298,210	\$ (31,415)	\$ 1,971	\$ 1,531	\$ 234,657	\$ 2,184	\$ 289,701	\$ 17,394	\$ 7,721	\$ 4,821,954
Due to other funds	-	37,921	3	4	1	4	3	65	24	38,025
Total liabilities	\$ 4,298,210	\$ 6,506	\$ 1,974	\$ 1,535	\$ 234,658	\$ 2,188	\$ 289,704	\$ 17,459	\$ 7,745	\$ 4,859,979

COUNTY OF CUMBERLAND, NORTH CAROLINA

Discretely Presented Component Unit
Eastover Sanitary District
Statement of Net Assets
June 30, 2004

Assets	
Current assets	
Cash and cash equivalents	\$ 213,710
Due from other governments	68,646
Total current assets	<u>282,356</u>
Noncurrent assets	
Restricted:	
Accounts receivable	46,996
Capital assets, net of accumulated depreciation	6,046,755
Total noncurrent assets	<u>6,093,751</u>
Total assets	<u><u>6,376,107</u></u>
Liabilities and net assets	
Current liabilities	
Accounts and vouchers payable	21,996
Accrued interest payable	14,578
Current portion of long-term debt	42,500
Due to primary government	25,000
Total current liabilities	<u>104,074</u>
Noncurrent liabilities	
Long-term debt	3,861,500
Total noncurrent liabilities	<u>3,861,500</u>
Total liabilities	<u><u>3,965,574</u></u>
Net assets	
Invested in capital assets, net of related debt	2,229,367
Unrestricted	181,166
Total net assets	<u><u>\$ 2,410,533</u></u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Discretely Presented Component Unit
Eastover Sanitary District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year Ended June 30, 2004

Operating revenues	
Charges for services	\$ 258,953
Total operating revenues	<u>258,953</u>
Operating expenses	
Depreciation	157,028
Miscellaneous	5,234
Total operating expenses	<u>162,262</u>
Operating income (loss)	<u>96,691</u>
Nonoperating revenue (expense)	
Interest earned on investments	1,581
Interest expense	(179,983)
Total nonoperating revenue (expense)	<u>(178,402)</u>
Income (loss) before contributions	(81,711)
Capital contributions	46,996
Change in net assets	<u>(34,715)</u>
Total net assets - beginning	<u>2,445,248</u>
Total net assets - ending	<u>\$ 2,410,533</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Discretely Presented Component Unit

Eastover Sanitary District

Statement of Cash Flows

Year Ended June 30, 2004

Operating activities	
Cash received from customers	\$ 212,537
Cash paid for goods and services	<u>77,824</u>
Net cash provided by (used in) operating activities	<u>290,361</u>
Capital and related financing activities	
Acquisition and construction of capital assets	534
Principal paid on long-term debt	(42,500)
Interest paid on bonds	<u>(174,932)</u>
Net cash provided (used) by capital and related financing activities	<u>(216,898)</u>
Investing activities	
Investment earnings	<u>1,581</u>
Net cash provided (used) in investing activities	<u>1,581</u>
Net increase in cash and cash equivalents	<u>75,044</u>
Cash and cash equivalents	
Beginning of year	<u>138,666</u>
End of year	<u>\$ 213,710</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ 96,691
Depreciation	157,028
Change in assets and liabilities	
(Increase) decrease in accounts receivable	(46,416)
(Increase) decrease in inventories	(5,937)
Increase (decrease) in accounts payable and accrued liabilities	21,495
Increase (decrease) in due to primary government	<u>67,500</u>
Total adjustments	<u>193,670</u>
Net cash provided by (used in) operating activities	<u>\$ 290,361</u>
Noncash investing, capital, and financing activities:	
Contributed assets	<u>\$ 46,996</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Eastover Sanitary District Fund
Year Ended June 30, 2004
(With Comparative Totals for June 30, 2003)

	2004			2003
	Budget	Actual	Variance Positive (Negative)	
Operating revenues				
Charges for services	\$ 273,440	\$ 258,953	\$ (14,487)	\$ 244,087
Total operating revenues	<u>273,440</u>	<u>258,953</u>	<u>(14,487)</u>	<u>244,087</u>
Nonoperating revenues and other financing sources				
Interest earned on investments	-	1,581	1,581	994
Total Nonoperating revenues and other	<u>-</u>	<u>1,581</u>	<u>1,581</u>	<u>994</u>
Total revenues, other financing sources and fund balance appropriations	<u>\$ 273,440</u>	<u>\$ 260,534</u>	<u>\$ (12,906)</u>	<u>\$ 245,081</u>
Operating expenditures				
Miscellaneous	\$ 93,456	\$ 5,234	\$ 88,222	\$ 25,167
Total operating expenditures	<u>93,456</u>	<u>5,234</u>	<u>88,222</u>	<u>25,167</u>
Nonoperating expenditures				
Interest expense	179,984	179,983	1	170,620
Total nonoperating expenditures	<u>179,984</u>	<u>179,983</u>	<u>1</u>	<u>170,620</u>
Other expenditures and financing uses				
Payment to primary government	-	-	-	213,295
Total other expenditures and financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,295</u>
Total expenditures and other financing uses	<u>\$ 273,440</u>	<u>\$ 185,217</u>	<u>\$ 88,223</u>	<u>\$ 409,082</u>
Reconciliation of modified accrual basis to full accrual basis				
Total revenues and other financing sources		\$ 260,534		
Total expenditures and other financing uses		<u>185,217</u>		
		75,317		
Depreciation		(157,028)		
Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Fund Net Assets		<u>\$ (81,711)</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Eastover Water Capital Project Fund

From Inception and for Year Ended June 30, 2004

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental revenue	\$ 663,053	\$ 663,054	\$ -	\$ -	\$ 663,054
Interest earned on investments	47,183	52,458	-	774	53,232
Miscellaneous	100,959	101,538	-	-	101,538
Total revenues	811,195	817,050	-	774	817,824
Expenditures					
Capital outlay					
Water and sewer	6,699,398	6,469,195	-	-	6,469,195
Total expenditures	6,699,398	6,469,195	-	-	6,469,195
Revenues over (under) expenditures	(5,888,203)	(5,652,145)	-	774	(5,651,371)
Other financing sources (uses)					
Proceeds of refunding bonds	3,908,803	-	-	-	-
Capital contributions (USDA)	1,926,000	1,926,000	-	-	1,926,000
Transfers in	127,248	127,248	-	-	127,248
Payment of primary government	(218,111)	(218,110)	-	-	(218,110)
Appropriated fund balance	144,263	-	-	-	-
Total other financing sources	5,888,203	1,835,138	-	-	1,835,138
Revenues and other financing sources over (under) expenditures	\$ -	\$ (3,817,007)	\$ -	774	\$ (3,816,233)
Fund balance					
Beginning of year - July 1				(3,817,007)	
End of year - June 30				<u>\$ (3,816,233)</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Eastover Sewer Capital Project Fund

From Inception and for Year Ended June 30, 2004

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental revenue	\$ 500,000	\$ -	\$ -	\$ -	\$ -
Sales and Services	34,500	-	-	-	-
Total revenues	<u>534,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures					
Capital outlay					
Water and sewer	2,859,786	-	-	46,996	46,996
Total expenditures	<u>2,859,786</u>	<u>-</u>	<u>-</u>	<u>46,996</u>	<u>46,996</u>
Revenues over (under) expenditures	<u>(2,325,286)</u>	<u>-</u>	<u>-</u>	<u>(46,996)</u>	<u>(46,996)</u>
Other financing sources (uses)					
Capital contributions (USDA)	2,325,286	-	-	46,996	46,996
Total other financing sources	<u>2,325,286</u>	<u>-</u>	<u>-</u>	<u>46,996</u>	<u>46,996</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance					
Beginning of year - July 1				<u>-</u>	
End of year - June 30				<u>\$ -</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA
 Schedule of Current Tax Levy
 Year Ended June 30, 2004

	County-wide				Total Levy	
	Total Property Valuation	Rate	Amount of Levy		Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy						
County wide	\$ 14,335,349,057	0.00880	\$ 126,151,072			
Late listing penalties		0.10000	<u>94,290</u>	\$ 126,245,362	\$ 110,340,056	\$ 15,905,306
Discoveries						
County wide	88,497,251	0.00880	778,776			
Late listing penalties		0.10000	<u>160,862</u>	939,638	886,341	53,297
Abatements						
County wide	(250,466,661)	0.00880	(2,204,107)			
Late listing penalties		0.10000	<u>(71,191)</u>	(2,275,298)	795,036	1,480,262
Adjusted tax levy				124,909,702	110,431,361	14,478,341
Uncollected taxes at June 30, 2004				<u>(5,783,374)</u>	<u>(3,063,859)</u>	<u>(2,719,515)</u>
Current year's taxes collected				<u>\$ 119,126,328</u>	<u>\$ 107,367,502</u>	<u>\$ 11,758,826</u>
Percent of current year's taxes collected				<u>95.37%</u>	<u>97.23%</u>	<u>81.22%</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable

June 30, 2004

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2003</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2004</u>
2003-2004	\$ -	\$ 124,909,702	\$ 119,126,328	\$ 5,783,374
Prior years	14,102,327	-	5,448,456	8,653,871
	<u>\$ 14,102,327</u>	<u>\$ 124,909,702</u>	<u>\$ 124,574,784</u>	14,437,245
Less allowance for uncollectible ad valorem taxes receivable				<u>(8,013,759)</u>
				<u>\$ 6,423,486</u>

RECONCILIATION OF COLLECTIONS AND CREDITS WITH REVENUES

Collections and credits per above	\$ 124,574,784
Interest	1,111,527
Processing fees	103,726
Other	347,067
Releases from prior years	<u>(411,728)</u>
Ad Valorem Taxes - General Fund (per report)	<u>\$ 125,725,376</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Transfers

Year Ended June 30, 2004

Transfers From/To Other Funds	Transfers	
	In	Out
General Fund		
<u>Nonmajor governmental funds</u>		
Special Revenue Funds		
County School Fund	\$ 4,156,360	\$ -
Prepared Food and Beverage Fund	37,643	-
Workforce Development Administration	-	14,632
Federal Forfeiture - Justice	2,710	-
Industrial Development Fund	-	556,104
Juvenile Crime Prevention	-	152,867
Property Revaluation Fund	-	494,078
Community Development Home	-	81,136
Community Development Support Housing	-	8,540
Transportation Funds		
Elderly and Handicapped Transportation	-	8,516
	<u>4,196,713</u>	<u>1,315,873</u>
<u>Internal Service Funds</u>		
Group Insurance	-	1,647,792
Workers' Compensation Fund	53,665	-
General Litigation Fund	-	373,905
	<u>53,665</u>	<u>2,021,697</u>
<u>Major Enterprise Funds</u>		
Cumberland County Memorial Auditorium Fund	-	3,364,130
Solid Waste Fund	249,535	-
	<u>249,535</u>	<u>3,364,130</u>
<u>Nonmajor governmental funds</u>		
Special Revenue Funds		
Prepared Food and Beverage Fund		
General Fund	-	37,643
Enterprise Fund		
Cumberland County Mem. Aud. Fund	-	3,228,974
County School Fund		
General Fund	-	4,156,360
Workforce Development Administration		
General Fund	14,632	-
Federal Forfeiture - Justice		
General Fund	-	2,710
Capital Project Fund	-	2,180,000
Industrial Development Fund		
General Fund	556,104	-
Property Revaluation Fund		
General Fund	494,078	-
Juvenile Crime Prevention		
General Fund	152,867	-
Community Development Home		
General Fund	81,136	-

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Transfers (concluded)

Year Ended June 30, 2004

	Transfers	
	In	Out
Nonmajor governmental funds (continued)		
Special Revenue Funds (continued)		
Community Development Support Housing		
General Fund	\$ 8,540	\$ -
Handicapped and Elderly Transportation		
General Fund	8,516	-
	<u>1,315,873</u>	<u>9,605,687</u>
Capital Project Funds		
Sheriff Training Facility		
Special Revenue Fund	2,180,000	-
	<u>2,180,000</u>	<u>-</u>
<u>Major Enterprise Funds</u>		
Cumberland County Memorial Auditorium Fund		
General Fund	3,364,130	-
Special Revenue Fund		
Prepared Food and Beverage Fund	3,228,974	-
Solid Waste Fund		
General Fund	-	249,535
	<u>6,593,104</u>	<u>249,535</u>
Internal Service Funds		
Workers' Compensation Fund		
General Fund	-	53,665
General Litigation Fund		
General Fund	373,905	-
Group Insurance Fund		
General Fund	1,647,792	-
	<u>2,021,697</u>	<u>53,665</u>
Total transfers - other funds	<u><u>\$ 16,610,587</u></u>	<u><u>\$ 16,610,587</u></u>

Table 1

COUNTY OF CUMBERLAND, NORTH CAROLINA
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited

June 30,	General Government	Public Safety	Transportation	Economic and Physical Development	Human Service	Cultural and Recreation	Education	Capital Outlay	Debt Service	Total
1995	\$ 10,972	\$ 25,466		\$ 7,928	\$ 66,753	\$ 6,869	\$ 46,034	\$ 24,503	\$ 5,957	\$ 194,482
1996	11,338	25,526		7,611	69,392	7,725	48,480	9,813	6,837	186,722
1997	13,004	27,837		10,754	74,509	8,571	46,411	7,927	7,589	196,602
1998	13,414	30,054		8,479	76,363	10,329	48,415	31,568	8,825	227,447
1999	15,470	32,232		12,195	84,325	10,256	56,763	81,712	16,862	309,815
2000	17,214	34,722		10,836	93,199	11,065	64,840	63,758	22,082	317,716
2001	16,716	35,347		9,300	96,391	10,895	70,145	53,044	24,260	316,098
2002	14,434	33,042		9,092	94,277	9,654	82,556	16,249	22,364	281,668
2003	16,191	34,150		9,330	97,265	9,167	80,398	4,674	21,233	272,408
2004	15,865	36,729		10,388	97,945	10,602	78,170	488	21,852	272,039

Note (1) Includes all General, Special Revenue, Capital Project and Permanent Funds.

Table 2**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**General Governmental Revenues by Source (1)
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited**

June 30,	Taxes	Unrestricted Inter- Governmental	Restricted Inter- Governmental	Licenses and Permits	Sales and Services	Interest Earned on Investments	Proceeds from Capital Leases	Miscellaneous	Total
1995	\$ 113,740	\$ 4,482	\$ 40,233	\$ 2,566	\$ 9,974	\$ 3,378	\$ 295	\$ 601	\$ 175,269
1996	119,604	4,521	46,639	2,689	11,508	3,803		1,081	189,845
1997	127,634	4,996	48,810	2,429	13,025	4,768	3,330	1,876	206,868
1998	132,876	5,514	59,081	2,528	13,489	7,098	2,520	2,595	225,701
1999	148,123	4,220	89,784	2,641	16,776	8,385	2,734	5,762	278,425
2000	154,675	4,162	76,092	2,398	15,345	12,731		6,375	271,778
2001	164,570	4,077	68,264	2,561	15,515	10,757		6,939	272,683
2002	167,260	3,047	76,445	2,848	18,885	3,418		5,748	277,651
2003	170,688	1,265	60,157	4,063	19,248	1,569		7,586	264,576
2004	189,445	4,857	64,547	4,432	20,066	1,226		6,222	290,795

Note (1) Revenues include all General, Special Revenue, Capital Project, and Permanent Funds operating revenues and lease purchase proceeds reported as a financing source.

Table 2A

**General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited**

June 30,	Property Tax	Sales Tax	Other Tax	Motel Tourism Tax	Real Estate Transfer Tax	Dog and Cat Registration Tax	Prepared Food and Beverage Tax	Total
1995	\$ 74,905	\$ 33,125	\$ 1,984	\$ 522	\$ 590	\$ 146	\$ 2,468	\$ 113,740
1996	79,232	34,470	1,966	555	607	142	2,632	119,604
1997	87,054	34,796	1,968	606	598	163	2,449	127,634
1998	92,142	35,162	1,955		600	166	2,851	132,876
1999	105,396	37,002	1,960		637	156	2,972	148,123
2000	110,634	38,235	1,986		573	153	3,094	154,675
2001	120,090	38,585	1,977		586	149	3,183	164,570
2002	124,364	36,844	2,000		662	190	3,200	167,260
2003	126,501	39,244	658		734	173	3,378	170,688
2004	135,256	48,418	658		1,070	442	3,601	189,445

Table 3**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Property Tax Levies and Collections (1)
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited**

June 30,	Total Adjusted Levy	Current Tax Collection	Percent of Levy Collected	Delinquent Tax Collection	Total Tax Collection	Percent of Total Tax Collections to Adjusted Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Adjust Tax Levy
1995	\$ 75,256	\$ 72,380	96.18%	\$ 2,426	\$ 74,806	99.40%	\$ 6,533	8.68%
1996	79,735	76,698	96.18%	2,425	79,113	99.22%	7,155	8.97%
1997	89,615	85,397	95.29%	2,032	87,429	97.56%	8,451	9.43%
1998	93,460	89,637	95.91%	3,061	92,718	99.21%	8,779	9.39%
1999	98,460	94,720	96.20%	3,204	97,924	99.46%	9,315	9.46%
2000	102,931	99,453	96.62%	3,820	103,273	100.33%	8,973	8.72%
2001	113,020	108,502	96.00%	2,325	110,827	98.06%	11,165	9.88%
2002	118,105	112,530	95.28%	3,808	116,338	98.50%	12,932	10.95%
2003	118,669	112,620	94.90%	4,514	117,134	98.71%	14,467	12.19%
2004	124,910	119,126	95.37%	5,449	124,575	99.73%	14,437	11.56%

Note (1) Includes only the General Fund.

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Assessed and Estimated Actual Value of Property
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited**

June 30,	Real Property		Personal Property		Exempt Property		Public Service (3)		Total		Rate of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1995	\$ 7,354,193	\$ 7,802,857	\$ 1,790,084	\$ 1,899,293	\$ 644,865	\$ 684,207	\$ 262,243	\$ 278,242	\$ 8,761,655	\$ 9,296,185	94.25
1996	7,744,337	8,553,498	1,843,594	2,036,220	731,847	808,313	264,752	292,414	9,120,836	10,073,819	90.54
1997	9,256,162	9,256,162	2,199,190	2,199,190	888,176	888,176	280,420	280,420	10,847,596	10,847,596	100.00
1998	9,657,453	9,657,453	2,243,185	2,243,185	893,552	893,552	295,334	295,334	11,302,420	11,302,420	100.00
1999	10,049,812	10,262,240	2,324,845	2,373,987	989,476	1,010,391	300,831	307,190	11,686,012	11,933,026	97.93
2000	10,520,476	10,864,893	2,475,285	2,556,320	1,079,812	1,115,163	316,779	327,150	12,232,728	12,633,200	96.83
2001	10,737,544	11,205,953	2,614,139	2,728,177	1,164,207	1,214,994	328,454	342,782	12,515,930	13,061,918	95.82
2002	11,052,096	11,921,148	2,585,109	2,788,382	1,234,469	1,331,538	342,024	368,918	12,744,760	13,746,910	92.71
2003	11,138,599	11,845,793	2,807,763	2,986,029	1,452,708	1,544,941	319,378	339,855	12,813,032	13,626,536	94.03
2004	12,860,438	12,860,438	2,817,230	2,817,230	1,830,639	1,830,639	326,351	326,351	14,173,380	14,173,380	100.00

Note (1) Revaluation in calendar year 2003

Note (2) Exemptions include Real and Personal property.

Note (3) Public service companies' property includes real and personal property of utilities, railroads and airlines, etc. These assessments are made by the North Carolina Department of Revenue with no distinction between real and personal property.

Note (4) Estimated actual values and the ratio of total assessed value to total estimated actual value has been adjusted to reflect updated sales assessment ratio percentages from the North Carolina Department of Revenue.

Table 5**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Property Tax Rates – Direct and Overlapping Governments
Last Ten Fiscal Years
(Per \$100 of Assessed Value)
Unaudited**

<u>June 30,</u>	Taxes Levied By Cumberland County			
	County Wide Rate	County Recreation Rate	Various Fire Protection Districts (1)	Special Fire Service District (2)
1995	0.790	0.020	0.10	0.005
1996	0.790	0.050	0.10	0.005
1997	0.750	0.050	0.10	0.005
1998	0.750	0.050	0.10	0.005
1999	0.840	0.050	0.10	0.005
2000	0.840	0.050	0.10	0.005
2001	0.900	0.050	0.10	0.005
2002	0.925	0.050	0.10	0.005
2003	0.925	0.050	0.10	0.005
2004	0.880	0.050	0.10	0.005

<u>June 30,</u>	Overlapping Taxes Levied By Municipalities								
	Town of Stedman	Town of Falcon	Town of Wade	Town of Spring Lake (3)	Town of Hope Mills	Town of Godwin	Town of Linden (3)	City of Fayetteville (3)	Fayetteville Revitalization District
1995	0.410	0.150	0.210	0.550	0.430	0.150	0.150	0.575	0.085
1996	0.410	0.150	0.210	0.550	0.430	0.150	0.150	0.575	0.085
1997	0.370	0.150	0.210	0.550	0.380	0.150	0.150	0.495	0.063
1998	0.370	0.150	0.210	0.550	0.380	0.150	0.150	0.495	0.063
1999	0.370	0.150	0.210	0.550	0.380	0.170	0.150	0.510	0.100
2000	0.370	0.150	0.210	0.550	0.380	0.170	0.150	0.510	0.100
2001	0.370	0.150	0.235	0.550	0.410	0.170	0.150	0.530	0.100
2002	0.370	0.150	0.235	0.660	0.410	0.170	0.150	0.530	0.100
2003	0.370	0.150	0.235	0.660	0.410	0.170	0.150	0.530	0.100
2004	0.370	0.150	0.235	0.660	0.410	0.170	0.150	0.530	0.100

Note (1) Cumberland County has seventeen fire districts.

Note (2) Set up in fiscal year 1990 to assist fire departments with limited resources available for funding.

Note (3) Municipalities that do not pay recreation tax.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Table 6

**Principal Taxpayers
(Amounts Expressed in Thousands)
Unaudited**

June 30, 2004

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2003 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Sprint	Telephone	\$ 115,609	0.82%
Kelly Springfield	Tire Manufacturer	112,411	0.79%
Wal-Mart	Retail/Distribution	90,277	0.64%
Cumberland Associates	Retail Mall	79,349	0.56%
Progress Energy	Electrical Utility	71,687	0.51%
Black & Decker	Power Tool Manufacturer	67,726	0.48%
Purolator Products	Auto Filter Manufacturer	58,249	0.41%
Dak Resins	Textile	56,040	0.40%
N.C. Natural Gas	Gas Utility	47,707	0.34%
UDRT of NC, LLC	Apartment Leasing	40,969	0.29%
Totals		<u>\$ 740,024</u>	<u>5.24%</u>

Table 7

COUNTY OF CUMBERLAND, NORTH CAROLINA

Special Assessment Billings and Collections
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited

<u>June 30,</u>	<u>Special Assessment</u>	<u>Special Assessments</u>	<u>Ratio of</u>
	<u>Billings</u>	<u>Collected</u>	<u>Annual</u>
			<u>Collections to</u>
			<u>Assessments</u>
1995	\$ 222	\$ 186	83.78%
1996	140	221	157.86%
1997	1,257	723	57.52%
1998	569	358	62.92%
1999	324	294	90.74%
2000	167	345	206.59%
2001	88	94	106.82%
2002	71	24	33.80%
2003	58	17	29.31%
2004	54	5	9.26%

**Computation of Legal Debt Margin
(Amounts Expressed in Thousands)
Unaudited**

June 30, 2004

Assessed valuations	
Assessed value	\$ 14,173,380
Plus: exempt real property	<u>1,830,639</u>
Total assessed value	<u><u>\$ 16,004,019</u></u>
Debt limitation - 8% of total assessed value	<u>\$ 1,280,322</u>
Debt applicable to limitation:	
Gross debt:	
Total bonded debt	249,163
Authorized and unissued debt	<u>6,605</u>
	255,768
Less: Statutory deductions:	
Authorized and unissued debt	6,605
Revenue bonds	<u>133,268</u>
	139,873
Total debt applicable to limitation	<u>115,895</u>
Legal debt margin	<u><u>\$ 1,164,427</u></u>

Table 9**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Ratio of Net General Bonded Debt to Assessed Value
and Net Bonded Debt Per Capita
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited**

June 30,	Population Estimate (1)	Taxable Property Assessed Value (2)	Debt Limit	Debt Applicable to Debt Limit	Legal Debt Margin	Percent - Debt Applicable to Debt Limit of Taxable Property Assessed Value	Bond Debt Outstanding and Authorized but Unissued Debt Per Capita (3)
1995	291	\$ 8,761,655	\$ 752,522	\$ 55,180	\$ 697,342	0.63%	189.62
1996	293	9,120,836	788,215	52,185	736,030	0.57%	178.10
1997	294	10,847,596	938,862	55,500	883,362	0.51%	188.78
1998	294	11,302,420	975,678	112,235	863,443	0.99%	381.75
1999	295	11,686,012	1,014,039	106,120	907,919	0.91%	359.73
2000	292	12,232,728	1,065,003	130,055	934,948	1.06%	445.39
2001	291	12,515,930	1,094,411	122,915	971,496	0.98%	496.20
2002	304	12,744,760	1,118,338	115,775	1,002,563	0.91%	451.50
2003	306	12,813,032	1,141,259	123,510	1,017,749	0.96%	425.21
2004	306	14,173,380	1,280,322	115,895	1,164,427	0.82%	400.33

Note (1) Population estimate was provided by Census Bureau.

Note (2) Amounts from Schedule of Assessed and Estimated Actual Value of Property Schedule.

Note (3) 2002 and 2001 include amounts authorized but unissued of \$21,480. 2003 and 2004 include amounts authorized but unissued of \$6,605.

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt
to Total General Governmental Fund Type Expenditures
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited**

June 30,	Principal	Interest (1)	Total Debt Service	Total General Governmental Fund Type Expenditures (2)	Ratio of Debt Service to General Governmental Fund Type Expenditures
1995	\$ 2,475	\$ 2,608	\$ 5,083	\$ 194,482	2.6%
1996	2,995	3,132	6,127	186,722	3.3%
1997	2,985	2,968	5,953	196,602	3.0%
1998	2,975	3,082	6,057	228,880	2.6%
1999	6,115	5,520	11,635	309,815	3.8%
2000	6,010	5,300	11,310	317,716	3.6%
2001	7,140	6,678	13,818	316,098	4.4%
2002	7,140	6,309	13,449	281,668	4.8%
2003	7,140	6,266	13,406	272,408	4.9%
2004	7,615	6,220	13,835	272,039	5.1%

Note (1) Excludes bond issuance and other costs.

Note (2) Includes General, Special Revenue, Capital Project, and Permanent Funds.

Table 11

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Computation of Direct and Overlapping Bonded Debt
General Obligation Bonds
Unaudited**

June 30, 2004

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding (1)</u>	<u>Percentage Applicable to Cumberland County</u>	<u>Amount Applicable to Cumberland County</u>
Godwin	\$ 79,600	0.02%	\$ 16
Fayetteville	40,075,000	28.52%	11,429,390
Spring Lake	25,000	1.78%	445
Wade	183,000	0.11%	201
Stedman	915,000	0.15%	1,373
Linden	206,000	0.03%	62
Subtotal	<u>41,483,600</u>		<u>11,431,487</u>
Cumberland County	115,895,000	100.00%	115,895,000
Total	<u>\$ 157,378,600</u>		<u>\$ 127,326,487</u>

Note (1) Provided by North Carolina Local Government Commission.

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Demographic Statistics
Last Ten Fiscal Years
Unaudited**

<u>June 30,</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (2)</u>	<u>School Enrollment</u>	<u>Unemployment Rate (3)</u>
1995	291	\$ 18,289	28.26	49,000	5.71%
1996	293	19,556	28.22	50,768	5.00%
1997	294	20,219	28.75	50,870	4.60%
1998	294	N/A	29.07	50,965	4.40%
1999	295	N/A	29.35	51,615	4.20%
2000	292	N/A	N/A	51,349	4.50%
2001	291	N/A	N/A	51,243	5.20%
2002	304	N/A	N/A	50,008	6.80%
2003	306	N/A	N/A	51,725	6.00%
2004	306	N/A	N/A	52,223	4.90%

Note (1) Population estimate was provided by the Census Bureau. Amounts also expressed in thousands.

Note (2) North Carolina Department of Cultural Resources, State Library, Government and Business Service Branch.

Note (3) North Carolina Employment Security Commission.

Table 13**COUNTY OF CUMBERLAND, NORTH CAROLINA****Property Value, Construction and Bank Deposits
Last Ten Fiscal Years
Unaudited**

June 30,	Property Value (1)*				Commercial Construction (1)		Residential Construction (1)		Bank Deposits (2)
	Commercial	Residential	Exemption	Total	Number of Units	Value*	Number of Units	Value*	
1995	\$ 1,176,671	\$ 6,177,522	\$ 639,658	\$ 6,714,535	79	\$ 32,850	1065	\$ 77,375	\$ 1,293,782
1996	1,726,190	7,394,646	731,847	8,388,989	60	20,043	1116	83,076	1,331,119
1997	3,286,016	8,449,757	888,177	10,847,596	63	22,414	626	51,564	1,467,346
1998	3,528,295	8,667,677	893,552	11,302,420	71	41,138	608	48,632	1,488,189
1999	3,675,891	8,999,597	989,476	11,686,012	45	20,608	745	60,754	1,527,831
2000	3,860,636	9,451,904	1,079,812	12,232,728	56	25,147	524	51,762	1,585,200
2001	3,967,240	9,712,897	1,164,207	12,515,930	35	10,372	651	66,078	1,695,685
2002	4,615,054	9,364,175	1,234,469	12,744,760	49	36,736	707	81,595	1,777,546
2003	4,566,130	9,699,610	1,452,708	12,813,032	39	7,756	765	92,699	1,922,000
2004	5,586,213	10,417,806	1,830,639	14,173,380	62	16,127	950	128,655	2,109,000

Note (1) Cumberland County Planning Department and North Carolina Department of Labor Research and Statistics Division.

Note (2) FDIC – The FDIC reports deposits on fiscal year basis ending June 30.

* Amounts expressed in thousands.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Miscellaneous Statistics (continued)
Unaudited

June 30, 2004

Date of Incorporation	1754
Form of Government	Commission/Manager
Population	305,851
Area in Square Miles	664
Miles of Streets	
Paved	1,251
Unpaved	32
Parks and Recreation (Municipalities Excluded)	
Parks	3
Park acreage	189
School parks	33
School park acreage	353
Recreation centers	5
Baseball stadiums	1
Youth baseball/softball fields (includes school fields)	56
Tennis courts (includes school courts)	41
Regulation Baseball fields	6
Picnic shelters	8
Concession stands w/ restrooms	13
Contracted community parks	3
Disc golf course	1
Fire protection (Municipalities Excluded)	
Number of stations	17
Number of fire personnel	610
Number of calls answered	9,515
Number of inspections conducted	1,171
Permits issued	452
Complaints investigated	7
Hospitals	
Number of County hospitals	1
Number of beds	426

Table 14**COUNTY OF CUMBERLAND, NORTH CAROLINA****Miscellaneous Statistics (concluded)
Unaudited****June 30, 2004**

Number of county 24-hour urgent care	1
Number of beds for continuing acute-care and emergency care	66
Civic Center	
Number of event days	335
Attendance	549,456
Library	
Main Library	1
Branches	6
Bookmobiles	1
Law Library	1
Number of books	512,031
Sherriff Protection (Municipalities Excluded)	
Number of stations	5
Number of personnel and deputies	620
Number of calls answered	87,454
Number of K-9 team actions	1,160
Number of search and rescue team actions	19
Number of bomb team actions	74
Number of school resource officers	30
Number of school crossing guard sites	53
Number of weapons confiscated at the Courthouse	8,380
Facilities and Services not Included in the Reporting Entity	
Education	
Number of elementary schools	53
Number of middle schools	15
Number of senior high schools	11
Number of special schools (alternative schools)	4
Number of evening academies	1
Number of year-round classical (6-10)	1
Number of community colleges	1
Number of universities/colleges	2
Hospitals not Operated by County	
Veteran's Affairs Medical Center	2
Number of beds	164
Womack Army Community Hospital	
Number of beds	287

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*
- * Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act.
- * Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act.
- * Schedule of Findings and Questioned Costs
- * Corrective Action Plan
- * Summary Schedule of Prior Audit Findings
- * Schedule of Expenditures of Federal and State Awards



**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**

Board of County Commissioners
County of Cumberland, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the Eastover Sanitary District discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Cumberland, North Carolina (the County) as of and for the year ended June 30, 2004, which collectively comprises the County's basic financial statements, and have issued our report thereon dated November 16, 2004. We did not audit the financial statements of the Cumberland County Hospital Systems, Inc. or the Cumberland County ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cumberland County Hospital Systems, Inc. and the Cumberland County ABC Board, is based solely on the report of the other auditors. 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. The financial statements of the Cumberland County ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the Board of County Commissioners and Federal and State awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland LLP

Fayetteville, North Carolina
November 16, 2004



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

Board of County Commissioners
County of Cumberland, North Carolina

Compliance

We have audited the compliance of the County of Cumberland, North Carolina (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2004. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Board of County Commissioners
County of Cumberland, North Carolina
Page 2

This report is intended solely for the information and use of the audit committee, management, others within the organization, members of the Board of County Commissioners, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherocy, Bekaret + Holland, LLP

Fayetteville, North Carolina
November 16, 2004



REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH APPLICABLE SECTIONS OF OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

Board of County Commissioners
County of Cumberland, North Carolina

Compliance

We have audited the compliance of the County of Cumberland, North Carolina (the County), with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2004. The County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of OMB Circular A-133 as described in the *Audit Manual for Governmental Auditors in North Carolina* and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, others within the organization, members of the Board of County Commissioners, and federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekart + Holland LLP

Fayetteville, North Carolina
November 16, 2004

**COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004**

SECTION I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified Yes No
- Reportable condition(s) identified
that are not considered to be
material weaknesses Yes No
- Noncompliance material to financial
statements noted Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified Yes No
- Reportable condition(s) identified
that are not considered to be
material weaknesses Yes None reported

Type of auditor's report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are
required to be reported in accordance
with Section 510(a) of Circular A-133 Yes No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
93.778	Medical Assistance Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.558	Temporary Assistance for Needy Families (TANF)
93.994	Maternal and Child Health Services Block Grant
93.767	Health Choice
93.568	Low-Income Home Energy Assistance

COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2004

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

Auditee qualified as low-risk auditee? X Yes No

State Awards

Internal control over major State programs:

- Material weakness(es) identified Yes X No

- Reportable condition(s) identified
that are not considered to be
material weaknesses Yes X None reported

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

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

State Foster Care Benefits Program
Public School Building Capital Funds
Juvenile Crime Prevention
Public School Bond Funds
Adoption Assistance Program – IV-B

COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (concluded)
Year Ended June 30, 2004

II. Financial Statement Findings

None reportable.

III. Federal Award Findings and Questioned Costs

None reportable.

IV. State Award Findings and Questioned Costs

None reportable.

COUNTY OF CUMBERLAND, NORTH CAROLINA
CORRECTIVE ACTION PLAN
Year Ended June 30, 2004

Section II - Financial Statement Findings

None reportable.

Section III - Federal Award Findings and Questioned Costs

None reportable.

Section IV - State Award Findings and Questioned Costs

None reportable.

COUNTY OF CUMBERLAND, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2004

Finding 03-1: Completed

Finding 03-2: Completed

COUNTY OF CUMBERLAND, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2004

Grantor/Pass-through Grantor/Program Title 1(a)	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Dept. of Agriculture</u>					
<u>Food and Consumer Service</u>					
Passed-through N.C. Dept. of Agriculture:					
Food Distribution	10.550		\$ 5,270	\$	\$
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Administration:					
<u>Food Stamp Cluster:</u>					
Food Stamp Program - Noncash	10.551		32,283,519		
State Administrative Matching Grants for the Food Stamp Program	10.561		1,671,615		1,671,614
Total Food Stamp Cluster			33,955,134		1,671,614
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Administration:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		1,478,356		
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		8,042,218		
Total U.S. Dept. of Agriculture			43,480,978		1,671,614
<u>U.S. Department of Housing and Urban Development</u>					
<u>Community Planning and Development</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Department of Administration:					
Emergency Shelter Grants Program	14.231		6,624		6,624
Direct Program:					
Community Development Block Grants/Entitlement Grants	14.218		2,000,113		166,782
Supportive Housing Program	14.235		525,032		11,931
HOME Investment Partnerships Program	14.239		764,267		324,260
Total U.S. Dept. of Housing and Urban Development			3,296,036		509,597
<u>U.S. Dept. of Justice</u>					
<u>Bureau of Justice Assistance</u>					
Passed-through the N.C. Dept. of Crime Control and Public Safety:					
Direct Program:					
Local Law Enforcement Block Grants Program	16.592		134,946		
Gang Resistance Education and Training	16.737		43,949		
Total U.S. Dept. of Justice			178,895		

COUNTY OF CUMBERLAND, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2004

Grantor/Pass-through Grantor/Program Title 1(a)	Federal CFDA Number	Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>U.S. Dept. of Labor</u>					
<u>Employment and Training Administration</u>					
Direct Program:					
National Emergency Grant	17.260		\$ 60,709	\$ -	\$ -
Passed-through Senior Service America, Inc.:					
Senior Community Service Employment Program	17.235		248,143		39,990
Passed-through the N.C. Department of Commerce:					
Division of Employment and Training:					
WIA Adult Program	17.258		792,660		
WIA Youth Activities	17.259		660,000		
WIA Dislocated Workers	17.260		331,616		
			<hr/>		
Total U.S. Dept. of Labor			2,093,128		39,990
			<hr/>		
<u>U.S. Dept. of Transportation</u>					
<u>Federal Highway Administration</u>					
Passed-through the N.C. Department of Transportation:					
Highway Planning and Construction Cluster:					
Highway Planning and Construction Grants	20.205		164,532	-	41,132
<u>Federal Transit Administration</u>					
Passed-through the N.C. Department of Transportation:					
Federal Transit - Metropolitan Planning Grants	20.505		48,853	6,107	6,107
			<hr/>		<hr/>
Total U.S. Dept. of Transportation			213,385	6,107	47,239
			<hr/>		
<u>Office of Library Services</u>					
Passed-through the N.C. Department of Cultural Resources:					
State Library Program	45.310		54,722		
			<hr/>		
<u>Federal Emergency Management Agency</u>					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Division of Emergency Management:					
Emergency Management Performance Grants	83.552		16,667		791,971
			<hr/>		<hr/>
<u>U.S. Department of Education</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Mental Health, Developmental Disabilities and Substance Abuse Services					
<u>Infants and Toddlers with Disabilities Cluster:</u>					
Special Education - Grants for Infants and Families With Disabilities	84.181			533,565	
State Appropriations		1390-536948		533,565	
Total Infants and Toddlers with Disabilities Cluster			-	533,565	
Governors Substance Abuse and Violence Prevention Program	84.186		27,145		
			<hr/>		
Total U.S. Department of Education			27,145	533,565	
			<hr/>		
<u>U.S. Dept. of Health & Human Services</u>					
<u>Administration on Aging</u>					
Division of Social Services:					
Passed-through Mid-Carolina Council of Governments:					
<u>Aging Cluster:</u>					
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers	93.044		164,290		
			<hr/>		

COUNTY OF CUMBERLAND, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2004

Grantor/Pass-through Grantor/Program Title 1(a)	Federal CFDA Number	Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Administration for Children and Families</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Workfirst/Temporary Assistance for Needy Families (TANF)	93.558		\$ 6,324,497	\$ 407,812	\$ 5,034,676
WorkFirst/TANF - Direct					
Benefit Payments	93.558		6,658,228	(955)	11,054
Family Support Payments - Direct Benefit Payments	93.560		19,631	(5,567)	(5,327)
N.C. Child Support Enforcement Section	93.563		29,999		15,454
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568		81,180		
Crisis Intervention Program	93.568		233,020		
Energy Assistance Payments-Direct Benefit Payments	93.568		578,287		
Adoption Subsidy - Direct Benefit Payments	93.645		56,854	493,584	139,079
Permanency Planning - Families for Kids	93.645		93,035	23,913	7,099
Family To Family	93.645		12,816		4,272
SSBG - Other Services and Training	93.667		1,379,138	149,296	474,358
LINKS (formerly Independent Living Grant)	93.674		103,124	25,781	
Child Care and Development Fund-Administration	93.596		637,339		
<u>Foster Care and Adoption Cluster:</u>					
Title IV-E Foster Care	93.658		1,853,748	791,777	874,265
Adoption Assistance - Direct Benefit Payments	93.659		784,364	232,618	232,618
Title IV-E Foster Care HIV	93.658		5,026	2,974	
Total Foster Care and Adoption Cluster			2,643,138	1,027,369	1,106,883
Division of Aging:					
Division of Social Services:					
SSBG-Adult Day Care	93.667		57,200	22,203	11,343
Division of Child Development:					
<u>Subsidized Child Care Cluster:</u>					
Smart Start				158,822	
State Appropriations				271,420	
More at Four State Funding				25,000	
TANF - MOE				2,521,005	
TANF	93.558		1,230,345		
Child Care Development Fund - Discretionary	93.575		5,782,755		
Child Care Development Fund - Mandatory	93.596		2,443,840		
Child Care Development Fund - Match	93.596		3,441,498	2,042,606	
Social Services Block Grant	93.667		82,851		
Total Subsidized Child Care Cluster			12,981,289	5,018,853	
<u>Substance Abuse and Mental Health Administration</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:					
N.C. System of Care Networks - Pen Pals	93.104		1,190		
Project for Assist. in Transition From Homelessness (PATH)	93.150		93,022		
TANF-Work/Substance Abuse Initiative	93.558		32,139		
MAJORS Substance Abuse/Juvenile Justice Initiative	93.667		134,278	11,308	
Perinatal and Maternal Substance Abuse Initiative	93.959		135,571		
Substance Abuse Training	93.959		1,250		
Treatment Alternatives to Street Crime	93.959		381,763	248,981	
Mental Health Cluster:					
Block Grants for Community Mental Health Services	93.958		149,040		
Social Service Block Grant	93.667		56,169		
State Appropriations - Child				458,627	
- Adults				2,139,011	
- Other				5,638	
Total Mental Health Cluster			205,209	2,603,276	

COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2004

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Developmental Disabilities Waiting List Cluster:</u>					
SSBG - Developmental Disabilities Waiting List Funds	93.667		\$ 26,055	\$ -	\$ -
State Appropriations - DD Waiting List		1390		174,639	
Total Developmental Disabilities Waiting List Cluster			26,055	174,639	
Developmental Disability Services - Adult	93.667		141,834		
Developmental Disability Services - Child	93.667		8,447		
<u>Substance Abuse Cluster:</u>					
Block Grant for Prevention and Treatment of Substance Abuse	93.959		196,488		
State Appropriations - Child				158,521	
- Adults				875,692	
- Other				79	
Total Substance Abuse Cluster			196,488	1,034,292	
<u>Health Care Financing Administration</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Administration:					
Medical Assistance Program	93.778		47,973		
Direct Benefit Payments:					
Medical Assistance Program	93.778		133,025,186	57,842,025	9,586,338
Division of Social Services:					
Medical Assistance Program Administration	93.778		2,666,424	348,046	1,758,139
Health Choice	93.767		112,689	10,726	28,921
<u>Centers for Disease Control</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Project Grants & Cooperative Agreements for Tuberculosis Control Program	93.116	4552	42,333		706
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	5452, 5465	93,023		42,397
Statewide Health Promotion Program	93.991	5503	57,931		573,130
Harmful Algal Blooms Program	93.283		508,888		
<u>Health Resources and Services Administration</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Immunization Grants	93.268	5715	156,808	-	189,969
Maternal and Child Health Services Block Grant	93.994		953,951		2,125,062
Temporary Assistance for Needy Families	93.558		47,708		
Total U.S. Dept. of Health and Human Services			171,123,225	69,435,582	21,103,553
<u>Department of Homeland Security</u>					
Passed-through the N.C. Dept. of Crime Control & Public Safety:					
Division of Emergency Management:					
Homeland Security Part 1	97.004		143,183		
<u>Other Federal Programs</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Medicaid At-Risk			136,725	27,992	16,610
Total Federal awards			220,764,089	70,003,246	24,180,574

COUNTY OF CUMBERLAND, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2004

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
State Awards:					
<u>N.C. Dept. of Health and Human Services</u>					
Division of Social Services:					
State/County Special Assistance for Adults - Direct Benefit					
Payments			\$	\$ 2,020,411	\$ 2,020,411
State Foster Care Benefits Program				371,693	371,691
CP&L Energy Program				16,652	
State Aid Payments				226,370	
Temporary Assistance for Needy Families Incentives				18,045	
AFDC Incentives				2,646	
Adult Protective Services				44,246	
Smart Start Administration				248,664	
Family Violence Prevention Grant				20,159	
Division of Child Development:					
Smart Start Read to Me				275,005	
Smart Start Motherread				66,876	
Smart Start - Mental Health				296,046	
Division of Public Health:					
General		4110		170,180	3,283,493
Epilepsy		5555		6,271	
TB Medical Services		4554		5,185	
Communicable Disease		4510		25,030	523,551
Risk Reduction/Health Promotion		5503		3,591	
Maternal Care Coordinator		5107		7,373	
Immunization-State		5701		26,083	
Tuberculosis		4551		79,576	61,494
HIV/STD		4536		25,000	32,641
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:					
Developmental Disability Services - Child				179,948	
Developmental Disability Services - Adult				856,984	
Mental Retardation / Mental Illness				1,308,127	
Comprehensive Treatment					
Services Program (At Risk Children)				924,479	
DD Traumatic Brain Injury				24,305	
General Program Services				473	
Emergency Services				32,710	
Treatment Alternatives for Women				168,766	
DD Service Funds				35,000	
				<hr/>	<hr/>
Total N. C. Department of Health and Human Services				<hr/> 7,485,894	<hr/> 6,293,281
<u>N.C. Dept. of Environment & Natural Resources</u>					
Division of Environmental Health:					
Environmental Health				5,500	1,190,220
Child Lead				4,577	
Food and Lodging				33,023	
Division of Water and Soil Conservation:					
Agriculture Cost Share Program				19,476	21,770
Soil and Water District Projects				4,000	41,265
				<hr/>	<hr/>
Total N.C. Department of Environment & Natural Resources				<hr/> 66,576	<hr/> 1,253,255
<u>N.C. Department of Veteran's Affairs</u>					
Veteran's Services Grant				2,000	162,947
				<hr/>	<hr/>

COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2004

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>Office of State Budget and Management</u> Public School Building Capital Fund			\$ -	\$ 2,000,000	\$ 2,156,361
<u>Department of Juvenile Justice & Delinquency Prevention</u> Juvenile Crime Prevention Program				963,557	534,729
<u>N.C. Dept. of Public Instruction</u> Public School Bond Fund				1,466,722	
<u>N.C. Rural Economic Development Center</u> Unsewered Communities Grant				595,681	373,669
<u>N.C. Dept. of Crime Control and Public Safety</u> Crisis Housing Assistance Funds					
Governor's Crime Commission: Highway Safety Program				5,961	
Community Monitoring Program				9,358	
Total N.C. Dept. of Crime Control and Public Safety				15,319	
<u>N.C. Dept. of Cultural Resources</u> State Aid to Public Libraries				315,359	5,670,987
<u>N.C. Dept. of Transportation</u> Rural Operating Assistance Program Cluster: Elderly and Disabled Transportation Assistance Program (E&DTAP)				101,491	
Rural General Program				52,441	
Community Transportation Program				48,419	8,582
Work First Transitional/Employment Trans. Assistance				38,761	
Total Rural Operating Assistance Program Cluster				241,112	8,582
Total N.C. Department of Transportation				241,112	8,582
<u>N.C. Dept. of Administration</u> Domestic Violence Program				42,155	5,900
<u>N.C. Dept. of Corrections</u> Criminal Justice Partnership Program				209,316	
Total State awards				13,403,691	16,459,711
Total Federal and State awards			\$ 220,764,089	\$ 83,406,937	\$ 40,640,285

COUNTY OF CUMBERLAND, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2004

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

1. Basis of Presentation
 The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the County of Cumberland and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the county's basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on this schedule.

2. Subrecipients
 Of the federal and State expenditures presented in the schedule, the County of Cumberland provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Public School Bond Fund	N/A		\$ 1,466,722
Supportive Housing Program	14.235	\$ 525,032	

3. General Fund Transfer to Mental Health
 The County of Cumberland is the only county in the catchment area for this Mental Health area program. The county budgeted and actually transferred \$4,456,053 from the general fund to the area program.

CONTINUING DISCLOSURE INFORMATION

Securities Exchange Commission Rule 15c2-12 requires that the County make continuing disclosures related to certain general and non-general obligation debt. These disclosures are required to be submitted annually to the Nationally Recognized Municipal Securities Information Repositories by the end of the seventh month following the County's fiscal year ended June 30.

Cumberland County Hospital Systems, Inc., a component unit of the County, is also required to make continuing disclosures related to certain debt obligations. The Hospital's fiscal year end is September 30. Disclosures for the year ended September 30, 2004 have not yet been compiled and are not due until April 30, 2005. Continuing disclosures for the year ended September 30, 2003 are currently on file with the Nationally Recognized Municipal Securities Information Repositories.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2004

AVAILABLE SOURCES OF PAYMENT OF INSTALLMENT DEBT

The County may pay installment payments from any source of funds available to the County in each year and appropriated by the Board of County Commissioners for such purpose.

General Fund Revenues. The County's General Fund revenues (excluding other financing sources) for the fiscal year ended June 30, 2004 were approximately \$254 million. General Fund revenues are derived from various sources, including property taxes (which account for approximately 49.5% of General Fund revenues), sales taxes, and intergovernmental revenues. The County's property tax rate was \$0.925 per \$100 of assessed value for fiscal years 2002 and 2003. In 2003, revaluation occurred and a tax rate of \$0.88 per \$100 of assessed value was adopted beginning in fiscal year 2004. A rate of \$.01 per \$100 of assessed value presently generates approximately \$1,308,000 annually. The State Constitution permits counties to impose property taxes of up to \$1.50 per \$100 of assessed value for certain purposes, including civic center facilities, without the requirement of a voter referendum. In fiscal years 2001, 2002, 2003 and 2004 the County transferred \$650,000, \$533,000, \$533,000, and \$533,000 respectively, from the General Fund to pay operating expenses of the Cumberland County Crown Center. In fiscal year 2004, the County transferred \$2,831,130 from the General Fund to pay debt service on the Crown Coliseum. For FY2005, the County budgeted transfers from the General Fund in the amounts of \$683,000 for Crown Center operating expenses and \$2,945,623 for Crown Coliseum debt service.

Prepared Food and Beverage Tax Revenues. The North Carolina General Assembly (the "General Assembly") has authorized the County to levy a prepared food and beverage tax (the "Food and Beverage Tax") of up to 1% of the sale price of prepared food and beverages sold at retail for consumption on or off the premises by any retailer within the County that is subject to sales tax imposed by the State.

The proceeds of the Food and Beverage Tax are collected monthly by the County and allocated to the Cumberland County Civic Center Commission (the "Commission") and maintained in the County's Crown Center Enterprise Fund. The Commission may use the proceeds of the Food and Beverage Tax to pay debt service or to expand the existing arena facilities or to pay other costs of acquiring, constructing, maintaining, operating, marketing and promoting the new coliseum or expanded arena facilities. Set forth below are the historical receipts from the Food and Beverage Tax, net of administrative expenses, for the five fiscal years ended June 30, 2004 and the forecasted receipts from the Food and Beverage Tax, net of administrative expenses, for the five fiscal years ending June 30, 2009:

<u>Fiscal Year Ended June 30 (1)</u>	<u>Historical Receipts (2)</u>
2000	\$ 2,984,000
2001	3,140,000
2002	3,162,000
2003	3,341,000
2004	3,564,000
<u>Fiscal Year Ended June 30</u>	<u>Forecasted Receipts (3)</u>
2005	\$ 3,671,000
2006	3,781,000
2007	3,894,000
2008	4,011,000
2009	4,131,000

- (1) The Food and Beverage Tax became effective on January 1, 1994.
- (2) Historical receipts from the Food and Beverage Tax are audited amounts less collection costs ranging from \$30,000 to \$37,643 per year.
- (3) Forecasted receipts assume 3% annual growth in tax revenue and 3% growth in the cost of collection.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2004

Occupancy Tax Revenues. The General Assembly has also authorized the County to levy a room occupancy and tourism development tax (the "Occupancy Tax") on the gross receipts derived from the rental of any sleeping room or lodging furnished in any hotel, motel, or inn located in the County. This is in addition to any state or local sales or occupancy tax. The Occupancy Tax does not apply to any room or rooms, lodging or accommodations supplied to the same person for a period of 90 continuous days or more or to sleeping rooms or lodgings furnished by charitable, educational, benevolent or religious institutions or organizations not operated for a profit. Prior to January 1, 2002 the Occupancy Tax rate was 3%. In 2001, the General Assembly authorized a series of 1% increases in the occupancy tax rate to be implemented over several years, eventually capping out at 6%. On January 1, 2002, the authorized rate increased to 4%. Effective January 1, 2004 the authorized rate increased to 5% and on January 1, 2005, the authorized rate caps out at 6%. The legislation also created the Cumberland Tourism Development Authority ("CTDA"). The legislation did not change the percentage of the Occupancy Tax allocated to the Civic Center Commission. The proceeds of the Occupancy Tax are collected monthly by the County. The County deducts 3% for administrative expenses on the first \$500,000 collected and 1% on amounts in excess of \$500,000. Fifty percent of the net proceeds from the first 3% of the Occupancy Tax is allocated to the Civic Center Commission and the remainder to CTDA. All taxes collected in excess of the first 3% are allocated to CTDA. CTDA is required to share 50% of these "additional" taxes with the Arts Council to support festivals and events that will draw tourists to the County. The remainder must be used by CTDA to promote travel and tourism in the County.

The Commission may use the proceeds of the Occupancy Tax received by it only to finance renovations and expansions of the Cumberland County Civic Center, and, with the permission of the Board of County Commissioners, to finance construction of new convention-oriented or multipurpose facilities. Set forth below are the historical receipts of the Commission from the Occupancy Tax, net of administrative expenses, for the five fiscal years ended June 30, 2004 and the forecasted receipts from the Occupancy Tax, net of administrative expenses, for the five fiscal years ending June 30, 2009:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Historical</u> <u>Receipts (1)</u>
2000	\$ 621,000
2001	600,000
2002	634,000
2003	684,000
2004	759,000
<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Forecasted</u> <u>Receipts (2)</u>
2005	\$ 782,000
2006	805,000
2007	829,000
2008	854,000
2009	880,000

(1) Historical receipts from the Occupancy Tax are audited amounts less 3% collection fee. FY2002, FY2003 and FY2004 amounts increased significantly due to large presence of military reservists related to war on terror.

(2) Forecasted receipts assume 3% annual growth rate less 3% collection fee.

Under the statutory distribution formula, the County will receive an equivalent amount in each fiscal year with such amount to be used for advertising the civic center complex and promoting travel and tourism within the County. The County expects to use the proceeds of the Occupancy Tax allocated to the Commission and the Food and Beverage Tax as sources from which to make its installment payments. These proceeds and transfers of amounts from the General Fund necessary to make such installment payments are deposited into a special fund created by the County. No assurance can be given that the proceeds of the Occupancy Tax and Food and Beverage Tax will be equal to the installment payments in any fiscal year. In addition, the proceeds of the

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2004

Occupancy Tax and the Food and Beverage Tax have not been pledged directly or indirectly as security for any debt obligation and the registered owners of any such debt obligation have no lien on or claim against such proceeds, whether or not a default occurs, and although the County has no reason to believe that either event will take place, no assurance can be given that the Occupancy Tax and the Food and Beverage Tax will not be reduced or repealed by the General Assembly or the Board of County Commissioners. The General Assembly is not precluded by any existing statutory or constitutional provision from enacting legislation that may repeal, reduce or otherwise adversely affect the County's authority to impose the Occupancy Tax and the Food and Beverage Tax.

DEBT INFORMATION

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, the County has the statutory capacity to incur additional net debt in the amount of \$1,164,427,000 as of June 30, 2004.

Outstanding General Obligation Debt

	Principal Outstanding as of			
	June 30, 2001	June 30, 2002	June 30, 2003	June 30, 2004
General Obligation Bonds				
School	\$ 109,005,000	\$ 102,815,000	\$ 111,500,000	\$ 104,835,000
Community College Facilities	4,310,000	3,960,000	3,610,000	3,260,000
Library Facilities	9,600,000	9,000,000	8,400,000	7,800,000
Other				
Total G.O. Debt Outstanding	\$ 122,915,000	\$ 115,775,000	\$ 123,510,000	\$ 115,895,000

Note: Outstanding general obligation debt above does not include \$133,268,000 in hospital facilities revenue bonds as these bonds are payable solely from the net revenues of certain County-owned health care facilities primarily consisting of Cape Fear Valley Medical Center and Highsmith-Rainey Memorial Hospital.

General Obligation Debt Ratios

At July 1	Total G.O. Debt	Assessed Valuation	Ratio of G.O. Debt To Assessed Valuation	Population (1)	Total G.O. Debt Per Capita
2000	\$ 130,055,000	\$12,232,728,000	1.06%	302,528	\$ 429.89
2001	122,915,000	12,515,930,000	0.98%	302,646	406.13
2002	115,775,000	12,744,760,000	0.91%	303,899	380.97
2003	123,510,000	12,813,032,000	0.96%	305,851	403.82
2004	115,895,000	14,173,380,000	0.82%	307,856	376.46

(1) North Carolina Office of State Budget & Management – State Demographics Section.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2004

General Obligation Debt Service Requirements and Maturity Schedule

Cumberland County						
FY Ending June 30	<u>Schools</u>		<u>Libraries</u>		<u>Community College</u>	
	<u>Principal</u>	<u>Principal & Interest</u>	<u>Principal</u>	<u>Principal & Interest</u>	<u>Principal</u>	<u>Principal & Interest</u>
2005	6,650,000	11,919,555	600,000	984,600	350,000	544,485
2006	6,635,000	11,582,430	600,000	955,800	350,000	524,360
2007	6,615,000	11,240,995	600,000	926,400	350,000	504,060
2008	6,695,000	11,000,480	600,000	897,000	350,000	483,760
2009	6,670,000	10,650,385	600,000	867,600	350,000	463,110
2010	6,645,000	10,301,440	600,000	838,200	350,000	442,110
2011	6,620,000	9,950,465	600,000	808,800	350,000	420,760
2012	6,705,000	9,707,330	600,000	779,400	350,000	399,410
2013	6,550,000	9,216,035	600,000	750,000	460,000	488,060
2014	6,775,000	9,103,610	900,000	1,020,000		
2015	6,775,000	8,750,860	900,000	975,000		
2016	7,075,000	8,706,760	600,000	630,000		
2017	7,605,000	8,877,660				
2018	6,400,000	7,282,160				
2019	6,400,000	6,941,360				
2020	2,145,000	2,341,160				
2021	1,875,000	1,968,750				
Bal @ 6/30/04	<u>\$ 104,835,000</u>	<u>\$ 149,541,435</u>	<u>\$ 7,800,000</u>	<u>\$ 10,432,800</u>	<u>\$ 3,260,000</u>	<u>\$ 4,270,115</u>

General Obligation Bonds Authorized and Unissued

<u>Purpose</u>	<u>Date Approved</u>	<u>Authorized and Unissued</u>
School Refunding	February 16, 1998	<u>6,605,000</u> ⁽¹⁾
		<u>\$ 6,605,000</u>

(1) The County does not intend to issue the balance of the School Refunding Bonds.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2004

Other Long-Term Commitments

<u>Purpose</u>	<u>Original Amount/Costs</u>	<u>Principal & Interest Repayment/Requirements</u>	<u>FY2005 Principal And Interest Requirements</u>	<u>Balance June 30, 2004</u>
Certificates of Participation – Coliseum 1995 Series A	55,153,781	Partially refunded on July 1, 1998 from proceeds of 1998 COPS Coliseum Refunding leaving a balance of \$7,803,781. Principal payable annually and interest payable semi-annually in arrears through December 1, 2013. Total principal and interest payments range from \$0 to \$1,708,970; payable from Enterprise Fund	1,708,970	3,088,781
Certificates of Participation - DSS Building/Community Corrections Center/ Equipment	37,350,000	Principal payable annually and interest payable semi-annually in arrears ending December 1, 2017. Annual principal and interest payments range from \$682,149 to \$2,956,288; payable from General Fund	2,951,725	30,440,000
Certificates of Participation - Coliseum Refunding Series 1998	52,950,000	Principal payable annually and interest payable semi-annually in arrears ending December 1, 2024. Annual principal and interest payments range from \$1,989,898 to \$5,441,425; payable from Enterprise Fund.	2,955,173	50,095,000
		Less Gain on Refunding		(4,229,929)
Promissory Note – Industrial Park – Alphin Land #2	238,125	\$86,839 including interest payable annually on February 1 for 3 years beginning in 2003; payable from the General Fund	86,839	83,000

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2004

Purpose	Original Amount/Costs	Principal & Interest Repayment/Requirements	FY2005 Principal and Interest Requirements	Balance June 30, 2004
Certificates of Participation - Detention Center and Mental Health Facility Refunding Series 2000	50,780,000	Principal payable annually and interest payable semi-annually in arrears ending June 1, 2024. Total annual principal and interest payments range from \$2,220,775 to \$4,583,990; payable from the General Fund	4,531,290	44,130,000
Promissory Note-Section 108 Community Development	1,500,000	Principal payable annually in arrears ending August 1, 2009. Interest payable semi- annually at an average rate of 5.86%. Payable from Special Revenue Funds	209,222	900,000
Promissory Note – Mental Health portion of Hospital Bond 1993	2,013,338	Principal payable annually and interest payable semi-annually in arrears ending October 1, 2014. Total annual principal and interest payments range from \$96,183 to \$193,913; payable from Mental Health Funds	192,960	1,485,296
Promissory Note – Industrial Park – Healy Land	<u>931,000</u>	\$107,750 principal plus 3.0% interest payable annually on December 1 for 4 years beginning in 2003 and a final balloon payment of \$500,000 plus 3.0% interest on October 14, 2007; payable from the General Fund	<u>127,272</u>	<u>766,161</u>
	<u>\$ 200,916,244</u>		<u>\$ 12,763,451</u>	<u>\$ 126,758,309</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2004

The County's payment obligations under the installment financing arrangements described above at June 30, 2004 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Civic Center Certificates Debt Service (1)</u>	<u>DSS Certificates Debt Service</u>	<u>Jail/ WC Certificates Debt Service</u>	<u>Other Agreements Debt Service (2)</u>	<u>Total Non G.O. Debt</u>
2005	4,664,143	2,951,725	4,531,290	616,293	12,763,451
2006	4,786,050	2,955,085	4,583,990	518,618	12,843,743
2007	4,911,550	2,954,770	4,469,870	504,549	12,840,739
2008	5,039,175	2,955,570	4,358,495	823,997	13,177,237
2009	5,168,175	2,956,288	4,232,120	362,390	12,718,973
2010	5,307,550	2,951,660	3,806,420	351,578	12,417,208
2011	5,441,425	2,956,190	3,697,750	192,052	12,287,417
2012	3,546,485	2,954,365	3,596,000	191,513	10,288,363
2013	3,544,898	2,955,760	3,489,000	191,547	10,181,205
2014	3,546,750	2,956,015	3,377,000	191,421	10,071,186
2015	3,542,375	2,951,100	3,265,250	190,784	9,949,509
2016	3,540,000	2,955,006	3,153,750		9,648,756
2017	3,542,125	2,952,350	3,037,500		9,531,975
2018	3,548,250	2,953,519	2,923,531		9,425,300
2019	3,543,250		2,809,281		6,352,531
2020	3,546,875		2,694,750		6,241,625
2021	3,543,750		2,574,938		6,118,688
2022	3,548,500		2,453,113		6,001,613
2023	3,545,750		2,336,812		5,882,562
2024	3,545,250		2,220,775		5,766,025
2025	3,546,499				3,546,499
	84,948,825	41,359,403	67,611,635	4,134,742	198,054,605
Amortization					
Refund Gain	(4,229,929)				(4,229,929)
	\$ 80,718,896	\$ 41,359,403	\$ 67,611,635	\$ 4,134,742	\$ 193,824,676

- (1) Partially paid from food and beverage and occupancy taxes. (Coliseum Series 1995A and 1998 Refunding)
(2) Includes note to Cape Fear Valley Hospital for Mental Health's portion of Series 1993 Bonds. (Principal of \$1,485,296 and interest of \$634,934)

The obligations of the County under the installment financing arrangements described above are not secured by a pledge of the taxing power of the County. In the event of a default by the County, the sole recourse of the obligee is to foreclose on, or otherwise realize upon its security interest in, the property acquisition or improvement of which was financed. No deficiency judgment may be rendered against the County.

Debt Outlook

In FY 2005, the County plans to issue two-thirds general obligation bonds in the amount of \$5,075,000 to construct new classrooms at several existing schools and to refund certain general obligation debt in the amount of \$35,505,000. The County may also refinance certain of its outstanding hospital facility revenue bonds and finance improvements to certain County-owned health care facilities through the issuance of additional hospital facility revenue bonds. Such revenue bonds are not secured by a pledge of the taxing power of the County.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2004

TAX INFORMATION

General Information

	<u>Fiscal Year Ended or Ending June 30,</u>		
	<u>2003</u>	<u>2004</u>	<u>2005⁽³⁾</u>
		(Amounts in thousands)	
Assessment Ratio ⁽¹⁾	100%	100%	100%
Real Property	\$ 9,703,821	\$ 11,045,775	\$ 11,369,885
Personal Property	1,046,808	1,026,399	1,063,238
Vehicles	1,743,025	1,774,855	1,674,655
Public Service Companies ⁽²⁾	<u>319,378</u>	<u>326,351</u>	<u>336,616</u>
Total Assessed Valuation	\$ 12,813,032	\$ 14,173,380	\$ 14,444,394
Rate per \$100	<u>.925</u>	<u>.880</u>	<u>.880</u>
County-wide Levy	<u>\$ 118.521</u>	<u>\$ 124.726</u>	<u>\$ 127.111</u>

(1) Percentage of appraised value has been established by statute

(2) Valuation of railroads, telephone companies, and other utilities as determined by the North Carolina Property Tax Commission.

(3) Estimated as of October 31, 2004 for the fiscal year ending June 30, 2005.

In addition to the County-wide levy, the following table lists the levies by the County on behalf of a recreation district and 17 special fire districts for the fiscal years ended June 30.

	<u>2003</u>	<u>2004</u>	<u>2005⁽¹⁾</u>
County-wide	\$ 118,520,546	\$ 124,725,744	\$ 127,110,667
Recreation District	3,088,556	3,021,271	3,017,879
Special Fire Districts	<u>5,903,059</u>	<u>6,344,668</u>	<u>6,337,546</u>
Total Levy	<u>\$ 127,512,161</u>	<u>\$ 134,091,683</u>	<u>\$ 136,466,092</u>

Levy is a projection based on assessed valuation.

(1) Estimated as of October 31, 2004 for the fiscal year ending June 30, 2005

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2004

Property Tax Collections

<u>Year Ended June 30</u>	<u>Prior Years' Levies Collected</u>	<u>Current Year's Levy Collected</u>	<u>Percentage of Current Year's Levy Collected</u>
2000	\$ 3,820,000	\$ 99,453,000	96.62%
2001	2,325,000	108,503,000	96.00
2002	3,808,000	112,530,000	95.28
2004	4,514,000	112,620,000	94.90
2005	5,448,000	119,126,000	95.37

The figures in the preceding table include property tax revenues deposited in the General Fund and the Special Revenue Funds.

Ten Largest Taxpayers for Fiscal Year 2003-04 (Tax Year 2002-03)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>TY2003 Assessed Valuation*</u>	<u>% of Total Assessed Valuation</u>
Sprint	Telephone Utility	\$ 115,609	0.82%
Kelly Springfield	Tire Manufacturer	112,411	0.79
Wal-Mart	Retail/Distribution	90,277	0.64
Cumberland Associates	Retail Mall	79,349	0.56
Progress Energy	Electric Utility	71,687	0.51
Black & Decker	Power Tool Manufacturer	67,726	0.48
Purolator Products	Auto Filter Manufacturer	58,249	0.41
DAK Resins	Textiles	56,040	0.40
N.C. Natural Gas	Gas Utility	47,707	0.34
UDRT of NC LLC	Apartment Leasing	40,969	0.29
TOTAL		<u>\$ 740,024</u>	<u>5.24%</u>

* Amounts expressed in thousands.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Compiled Budget - Annually Budgeted Funds
For the Fiscal Year Ending June 30, 2005
(Unaudited)

	General Fund	Special Revenue Funds	Enterprise Funds
Estimated revenues:			
Ad valorem taxes	124,675,577	7,927,460	4,371,695
Other taxes	36,839,444	12,266,015	719,977
Unrestricted intergovernmental	6,116,286		
Restricted intergovernmental	55,279,855	9,901,059	247,000
Licenses and permits	3,359,282		11,388
Sales and services	18,020,751	540,538	3,281,740
Interest earned on investments	672,042	111,527	90,663
Miscellaneous	4,863,625	437,000	70,207
Total estimated revenues	249,826,862	31,183,599	8,792,670
Appropriations:			
General government	17,990,759	508,264	
Public safety	30,972,582	6,338,201	
Economic and physical development	3,934,880	13,094,415	
Human services	109,059,381	1,515,270	
Cultural and recreation	7,760,075	2,412,178	
Education	68,516,736	4,990,555	
Salaries and employee benefits			3,670,428
Other supplies			929,435
Repairs and maintenance			1,002,633
Contracted services			1,485,116
Utilities			884,823
Administrative costs			1,300,217
Landfill closure and postclosure			727,466
Tax Distribution fee			30,000
Other Operating		130,000	57,513
Contingency			172,628
Capital outlay			920,000
Debt service:			
Principal retirement	11,532,580	150,000	2,125,000
Interest and fees	9,415,798	59,222	2,539,143
Total appropriations	259,182,791	29,198,105	15,844,402
Estimated revenues over (under) appropriations	(9,355,929)	1,985,494	(7,051,732)
Other financing sources (uses):			
Transfers from other funds:			
General Fund		1,422,259	3,628,623
Special Revenue Fund	4,048,234		3,317,575
Enterprise Funds	257,456		
Internal Service Fund			
Transfers to other funds:			
General Fund		(4,048,234)	(257,456)
Special Revenue Fund	(1,422,259)		
Enterprise Fund	(3,628,623)	(3,317,575)	
Internal Service Fund	(1,241,905)		
Proceeds of general long term debt			362,990
Appropriated fund balances	11,343,026	3,958,056	362,990
Total other financing sources	9,355,929	(1,985,494)	7,051,732
Estimated revenues and other sources over appropriations and other uses	0	0	0

Compiled by staff of the Cumberland County finance department from the FY2005 adopted budget ordinance at July 1, 2004.