



County of Cumberland

NORTH CAROLINA



Comprehensive  
Annual  
Financial  
Report

Fiscal Year June 30, 2005

COUNTY OF CUMBERLAND  
NORTH CAROLINA

Board of County Commissioners

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Comprehensive Annual  
Financial Report

For the Year Ended June 30, 2005

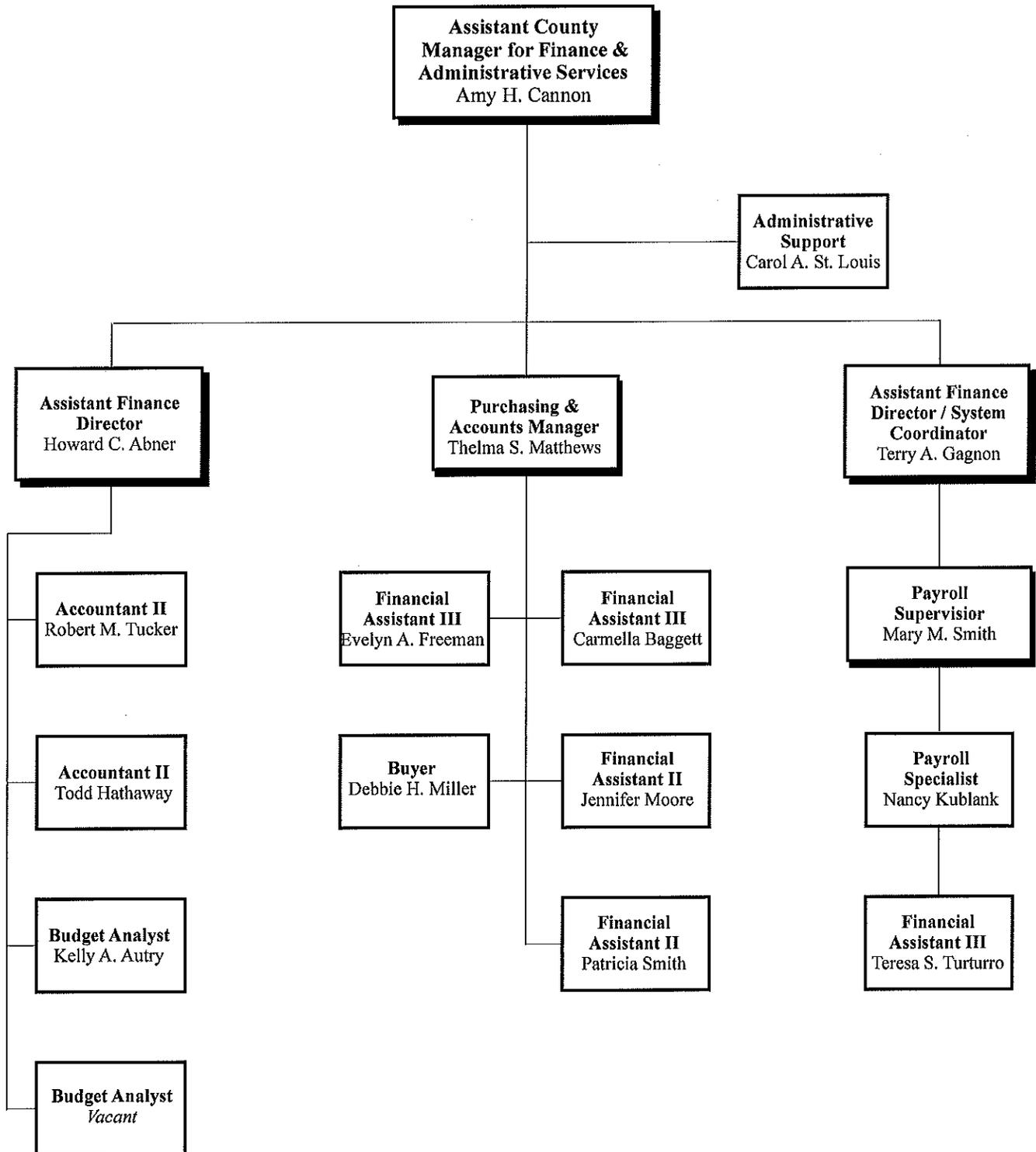
Prepared by:  
Cumberland County Finance Department

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, 2005**  
*Prepared by the Finance Department*



**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Comprehensive Annual Financial Report  
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# COUNTY of CUMBERLAND

Amy H. Cannon  
Assistant County Manager

Terry A. Gagnon  
Assistant Finance Director

## *Finance Department*

Howard C. Abner  
Assistant Finance Director

November 9, 2005

The Honorable John T. Henley, Jr., Chairman  
The Honorable Billy R. King, Vice Chairman  
The Honorable Talmage S. Baggett, Jr.  
The Honorable J. Breeden Blackwell  
The Honorable Jeannette M. Council  
The Honorable Kenneth S. Edge  
The Honorable Diane Wheatley 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, 2005. 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

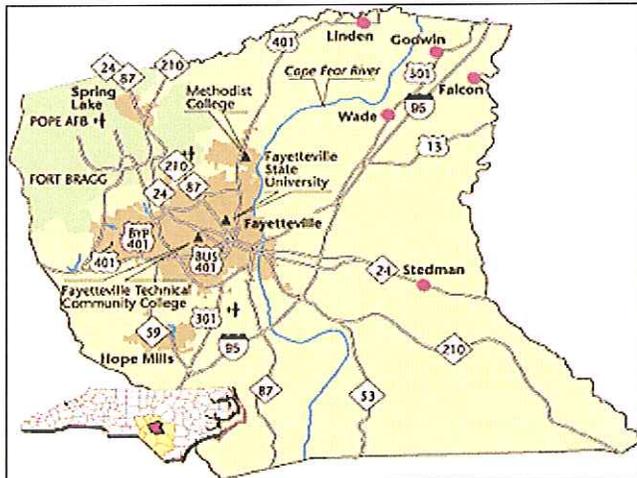
of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Information related to this single audit, including the Schedule of Expenditures of Federal and State Awards, Schedule of Findings and Questioned 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 and the Fayetteville Area Convention and Visitors Bureau 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 310,850 is the fifth largest in the state. On September 30, the City of Fayetteville annexed 42,687 residents to bring its population up to 173,658. The City of Fayetteville, remains 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. 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. 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 5<sup>th</sup> 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**

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 Pope, 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. 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.

**BRAC**

The Base Closure and Realignment Commission approved the Pentagon's proposal to move the U.S. Army Forces Command and the U.S. Army Reserve Command to Fort Bragg. Those moves will make Fort Bragg the headquarters for virtually all combat ready forces in the continental United States. Other changes approved at Fort Bragg include sending the 7<sup>th</sup> Special Forces Group to Eglin Air Force Base in Florida, addition of the 4<sup>th</sup> Brigade Combat Team to the 82<sup>nd</sup> Airborne Division, moving Europe-based troops to Fort Bragg, and the relocation of mobilization processing function from three other Army posts. Fort Bragg is expected to gain 4,078 soldiers and 247 Army civilian personnel. With the downsizing of units in the European theater, potentially 15,000 additional soldiers, civilians, and family members could be reassigned to Fort Bragg.

At Pope Air Force Base, the commission approved the transfer of 25 C-130s to Little Rock AFB, AK and 36 A-10s to Moody AFB, GA. To provide support for Fort Bragg, 16 C-130Hs will be relocated from the Pittsburg Air Reserve Station, PA and from Yeager Air Guard Station, WV. Pope will lose approximately 4,821 airmen and gain 808 Air Force civilian personnel.

Economic development and business leaders are optimistic that the presence of two Army commands and the net increase in personnel should attract more jobs and military related businesses to the area.

***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.

<b>Military Payroll and Economic Impact</b>		
<b>Year</b>	<b>Payroll</b>	<b>Economic Impact</b>
2004	\$2,058,431,132	\$6,404,714,088
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

<b>Military Personnel at Fort Bragg and Pope Air Force Base</b>			
<b>Year</b>	<b>Fort Bragg</b>	<b>Pope Air Force Base</b>	<b>Total</b>
2004	41,458	6,381	47,839
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

<b>Civilian Employment at Fort Bragg and Pope Air Force Base</b>		
<b>Year</b>	<b>Number of Employees</b>	<b>Payroll</b>
2004	9,531	\$349,605,427
2003	9,412	\$271,937,838
2002	9,382	\$261,728,596
2001	8,951	\$254,322,867
2000	8,881	\$249,564,526

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 2004, Fort Bragg received \$149.7 million in new construction funds. Major 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 2005, Fort Bragg and Pope Air Force Base are slated to receive more than \$183 million. Major projects include: \$48 million for the second phase of a barracks complex for the 325<sup>th</sup> Airborne Infantry Regiment, \$49 million for the first phase of the renewal of a barracks complex for the 1<sup>st</sup> Corps Support Command area, \$15.5 million for the fifth phase of a barracks complex for the Kennedy Special Warfare Center and School, \$2.5 million to replace an air traffic control tower at Simmons Army Airfield, \$6.3 million for the third phase of a regional training institute for the Army National Guard, \$12 million to renovate the Kennedy Special Warfare Center's Kennedy Hall, \$21.1 million for three special operations company complexes, \$8.3 million for an isolation training facility, \$1.5 million for a resistance training facility, \$12.95 million for a combat controller school expansion, and \$2.2 million for an indoor firing range at Pope AFB.

### 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 \$3,683,849. This represents a 9.90% increase in retail sales from fiscal year 2004, but more importantly it represents continued solid growth. For 2004, gross sales of \$335,832,231 realized by the commissaries and post exchanges located on Fort Bragg increased 18.83% compared to an 11.73% increase countywide.

<b>Retail Sales</b>						
	<b>Cumberland County</b>	<b>% Change</b>	<b>Fort Bragg Commissaries &amp; Exchanges</b>	<b>% Change</b>	<b>Total</b>	<b>% Change</b>
2005	\$3,683,503,849	9.90	Not Available	---	---	---
2004	\$3,351,729,317	11.07	\$335,832,231	18.83	\$3,687,561,548	11.73
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

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 five years (2005-2010), the Fayetteville MSA population is expected to increase by 4.6% compared to the state average of 7.9% and from 2010 to 2015, the Fayetteville MSA population is expected to increase by 3.9% compared to the state average of 6.9%.

Population										
	1990		2000		2005		2010		2015	
	Population	% Change								
Fayetteville MSA	291,897	--	302,963	3.8%	310,850	2.6%	325,030	4.6%	337,724	3.9%
North Carolina	7,657,934	--	8,046,485	5.1%	8,663,674	7.7%	9,345,839	7.9%	9,993,270	6.9%

The civilian labor force in the County of Cumberland has grown by 3,036 over the last five years, a 2.50% increase compared to the state increase of 101,540 or 2.43%.

Employment					
	Total Civilian Labor Force	Number Employed	Number Unemployed	Cumberland County Unemployment Rate	State Unemployment Rate
2005 (6 mo)	124,509	117,252	7,257	5.8%	5.4 %
2004	123,223	116,348	6,875	5.6%	5.5%
2003	122,399	114,473	7,926	6.5%	6.5%
2002	121,131	112,647	8,484	7.0%	6.7%
2001	121,473	114,457	7,016	5.8%	5.6%

Over the past 4½ years, the local unemployment rate has been slightly higher (0.21%) than the state average. Statewide, several North Carolina manufacturers, particularly in furniture and textiles have been adversely affected by the slow economy. As a retail based economy, the Fayetteville MSA is somewhat slower to bounce back when economic conditions improve. The current unemployment rate of 5.8% is 4.9% lower than the five-year average of 6.13% and just slightly lower than the state's five-year average of 5.92%.

The Goodyear Tire & Rubber Co. plant in Fayetteville, which makes consumer replacement tires, broke ground in October 2004 on a \$30 million warehouse. Earlier in the year, Goodyear's headquarters announced that it would invest more than \$17.7 million in its Fayetteville plant to build custom-brand and bigger tires for 20-inch wheels. 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. The total investment is the biggest expenditure at any of Goodyear's 13 North American union plants in the past several years.

In November 2004, Nitta Gelatin Inc. announced it will spend \$27 million to build a manufacturing plant on 37 acres in the county's industrial park. The company plans to begin operations in 2006 and employ 17 people. The plant uses pig skin as a raw material to make a gelatin powder which is used for gelatin capsules and fast food products.

The Cingular Wireless call center, which opened in July 2001 with 700 employees, hired 80 additional people in November 2004 bringing the total employment to approximately 945. Of the 80 new hires, about 90 percent will be customer service representatives and the rest will be management.

In October 2004, Black & Decker Corp. announced it will cut 130 full-time employees and 200 temporary employees contracted through an employment agency. The Fayetteville plant will have 800 workers after the reductions. All of the remaining employees will be full-time. Black & Decker Corp. has been restructuring by moving manufacturing from higher-cost plants in the United States and United Kingdom to lower-cost facilities in Mexico, China and the Czech Republic. The company is trying to reduce manufacturing floor space, as well as shorten the supply chain. In April 2005, the company announced that it will close the Fayetteville plant by the end of 2006.

In June, Lear Siegler Services, Inc. (LSI), moved into the Cumberland County industrial park hiring 300 people. The company repairs Humvees at the former Cutler-Hammer plant in the industrial park. In December 2004, (LSI) said it has laid off about 100 of its 300 workers.

The Cape Fear region's housing market has set a new sales record every year since 2002. Real estate professionals agree that the recent surge in house sales, here and elsewhere, began with falling interest rates. Lower interest rates have also allowed some buyers to afford bigger and more expensive houses. New home prices have risen consistently throughout the year. Rising costs in building materials are causing some of the increase.

<b>Building Permits</b>				
<b>Calendar Year</b>	<b>New Residential</b>		<b>New Non-Residential</b>	
	<b>Number</b>	<b>Value</b>	<b>Number</b>	<b>Value</b>
2005 (6 mo)	1,436	\$ 174,514,803	71	\$ 55,860,823
2004	2,289	\$ 251,844,210	140	\$ 74,271,447
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

## 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, 2005, the County appropriated \$60,861,512 from General Fund revenues for school current operations. For the fiscal year ending June 30, 2006, the County appropriation is \$62,690,705 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, 2005, the budgeted sales taxes totaled \$9,000,000. For the fiscal year ending June 30, 2006, budgeted sales tax is \$8,867,160. 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 \$2.4 million to the Cumberland County School Administrative Unit for the fiscal year ended June 30, 2005. At June 30, 2005, the County had received \$36,137,696 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.

<b>County Schools ADM</b>							
Year	K-5		6-8		9-12		Total ADM
	# Schools	ADM	# Schools	ADM	# Schools	ADM	
2004-2005*	53	24,480	16	12,458	12	16,388	53,326
2003-2004	54	24,547	17	12,445	13	16,097	53,089
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

\* Number of schools excludes special schools and academies.

### Private and Parochial Schools

There are six independent schools and 18 religious 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 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 116 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. The building, which is 63,973 square feet, has 34 classrooms, 12 laboratories and a 102-seat auditorium. In March 2004, ground was broken for FTCC's horticulture technology center. Construction on this new 20,000 sq. ft. facility is scheduled to be completed later this year.

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, 2005 totaled \$6,646,823. The County also appropriated capital outlay funds in the amount of \$500,000. For the fiscal year ending June 30, 2006, the appropriations from the County to FTCC are \$7,316,823 for operating expenses and an additional \$1,000,000 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 40 baccalaureate degrees and master's degrees in 21 programs and one doctoral program in educational leadership. The school's new Bachelor of Science nursing program is enrolling students and is fully accredited. New bachelor programs in biotechnology, communications, forensic science, health and physical education, and management information systems are being developed. The Weekend and Evening College provides an opportunity for education to non-traditional students who are ready to make a career change. FSU Online was launched the fall of 2004 and offers majors in criminal justice, psychology and sociology. 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.

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 65 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 in Pinehurst. This unique program will build on the traditional business administration courses by offering industry-specific electives for students entering the golf, tennis, and resort management fields of business. 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. In addition a \$3.5 million campus fitness and intramural center has opened.

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

<b>Enrollment</b>		
	<b>Total Enrollment</b>	<b>Full-Time/FTEs</b>
<b>Fayetteville State University</b>		
Undergraduate	4,036	3,326
Graduate	926	173
<b>Methodist College</b>	1,925	1,566
<b>Fayetteville Technical Community College</b>		
Curriculum Students	14,605	7,502
Continuing Education Students	23,771	2,574

### **MAJOR INITIATIVES**

#### **For the Coming Years**

For FY2006, the County has funded the design and construction of a new \$5.1 million animal shelter and a \$4.0 million Sheriff's Training Facility, co-located in the County's industrial park. Construction for the projects had been on hold for several years due to lack of available funding. Bids have recently been let and construction is expected to begin late this year.

The North Carolina General Assembly approved \$2 million to fund a military business center to be administered by Fayetteville Technical Community College. The military business council will use the state's network of community colleges to aid companies in learning how to do business with the military. The \$2 million also is intended to fund development of a business park to house military contractors and a web site to match skills of military personnel, veterans and military spouses to jobs in the state.

During the FY2006 budget process, the County Commissioners: designated \$2.28 million of available General Fund fund balance to be used to continue much needed maintenance and renovations to County facilities that began last fiscal year; 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; designated \$2,500,000 for Health Department renovations; designated \$1.7 million for courthouse security/plaza repairs; and \$453,000 for school bus purchases.

### **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, 2005, the County's General Obligation Bond debt was \$114,140,000.

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, 2005, the General Obligation Debt of \$114,140,000 was significantly less than the legal debt margin of \$1,192,783,000.

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, 2004, was \$128,818,000.

### **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 \$3,395,031 on all investments for the year ended June 30, 2005. The General Fund's share of the revenue was \$1,858,285 which represents an equivalent tax rate of 1.38 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 relating 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, 2004. 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.

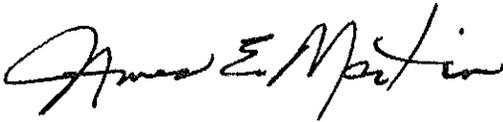
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## 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.

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Respectfully submitted,



James E. Martin  
County Manager



Amy H. Cannon, CPA  
Assistant County Manager

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Cumberland County,  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

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.

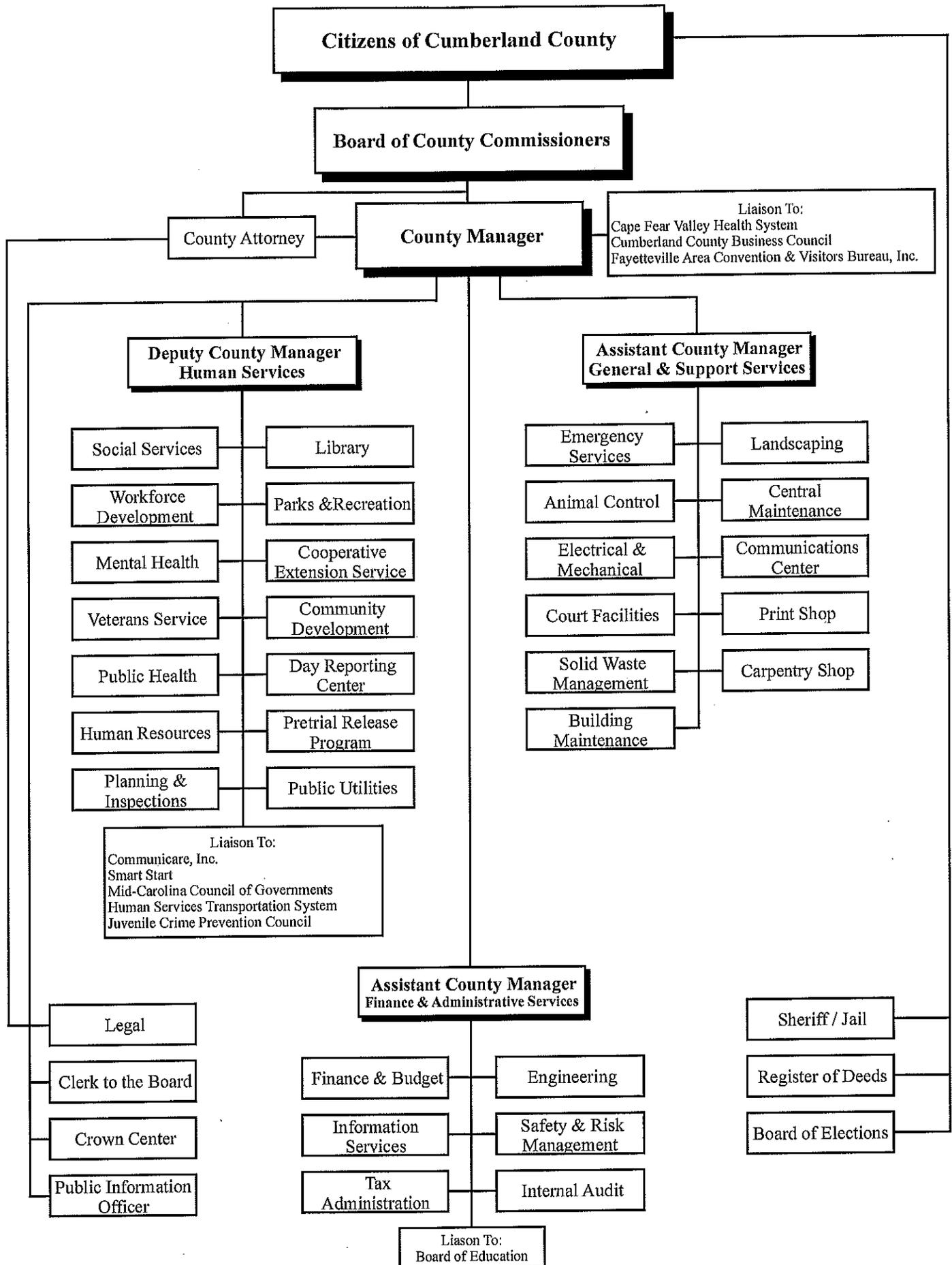


*Nancy L. Zjelke*

President

*Jeffrey R. Emer*

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, the Fayetteville Area Convention and Visitors Bureau 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, 2005, 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 an opinion 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 reports 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 and the Fayetteville Area Convention and Visitors Bureau 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, 2005, 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 9, 2005 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.

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

Our audit was conducted for the purpose of forming an opinion 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, 2005 and 2004, 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, 2005, 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, 2005 and 2004, 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, 2005, 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, Bekart & Holland LLP*

Fayetteville, North Carolina  
November 9, 2005

## 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, 2005. 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

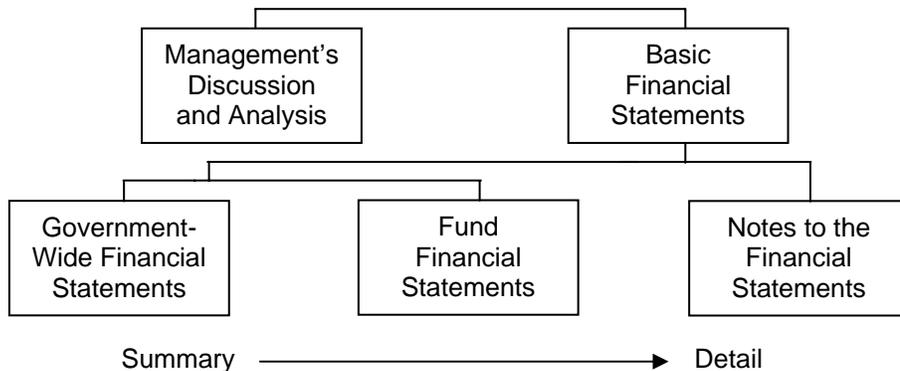
- The assets of the County of Cumberland exceeded its liabilities at the close of the fiscal year by \$122,977,535 (*net assets*). In accordance with North Carolina law, liabilities of the county include approximately \$106,990,000 in long-term debt associated with assets belonging to the Cumberland 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 \$19,918,611 (19.33%), primarily due to increased ad valorem tax collections and sales tax receipts and capitalization of water & sewer projects.
- As of the close of the current fiscal year, the County of Cumberland's governmental funds reported combined ending fund balances of \$126,888,959 an increase of \$7,752,151 from the prior year. Approximately 75.51 percent of this total amount, or \$95,812,742, 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 \$63,858,869 or 23.58 percent of total general fund expenditures including transfers for the fiscal year. Of this amount, \$27,301,498 has been designated for subsequent year's expenditures and other purposes leaving \$36,557,371 or 13.50 percent of total general fund expenditures as undesignated.
- The County of Cumberland's total debt decreased by \$2,263,106 (.92%) during the current fiscal year. This decrease was due to a combination of paying down existing debt and the issuance and refunding of other debt.
- 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 evaluate 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, Kelly Hills and NORCRESS 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. The Fayetteville Area Convention and Visitors Bureau is a non-profit organization that provides services to promote the development and expansion of travel and tourism. A voting majority of the bureau's 11-member board of directors is appointed by the County.

## ***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, 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 six fiduciary funds, one of which is a pension trust fund and five 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 fourth year of financial reporting based on the requirements of GASB 34. 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.

### The County of Cumberland's Net Assets

Figure 2

	Government Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current and other	\$ 160,065,301	\$ 151,818,976	\$ 34,084,365	\$ 28,247,309	\$ 194,149,666	\$ 180,066,285
Capital	127,856,227	126,534,553	77,691,114	69,662,512	205,547,341	196,197,065
Total assets	<u>287,921,528</u>	<u>278,353,529</u>	<u>111,775,479</u>	<u>97,909,821</u>	<u>\$ 399,697,007</u>	<u>\$ 376,263,350</u>
<b>Liabilities</b>						
Long-term outstanding	196,242,069	198,326,022	54,187,628	49,120,590	250,429,697	247,446,612
Other	23,368,650	18,467,586	2,921,125	7,290,228	26,289,775	25,757,814
Total liabilities	<u>219,610,719</u>	<u>216,793,608</u>	<u>57,108,753</u>	<u>56,410,818</u>	<u>276,719,472</u>	<u>273,204,426</u>
<b>Net assets:</b>						
Invested in capital, net of related debt	13,374,791	30,253,418	29,393,382	20,708,795	42,768,173	50,962,213
Restricted	35,261,376	26,985,138	1,432,349	1,489,089	36,693,725	28,474,227
Unrestricted	19,674,642	4,321,365	23,840,995	19,301,119	43,515,637	23,622,484
Total net assets	<u>\$ 68,310,809</u>	<u>\$ 61,559,921</u>	<u>\$ 54,666,726</u>	<u>\$ 41,499,003</u>	<u>\$ 122,977,535</u>	<u>\$ 103,058,924</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 \$122,977,535 as of June 30, 2005. The County's net assets increased by \$19,918,611 for the fiscal year ended June 30, 2005. Of total net assets, one of the largest portions \$42,768,173 (34.78%), 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, \$36,693,725 (29.84%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$43,515,637 (35.39%) 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 \$106,990,000 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 the 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:

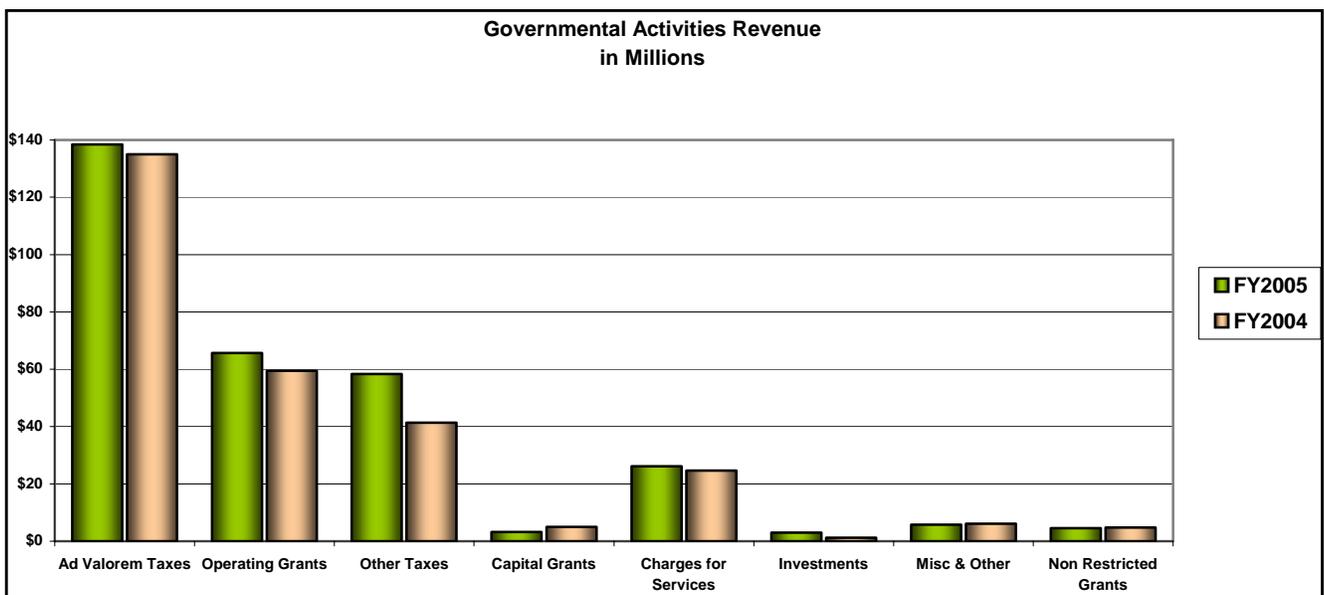
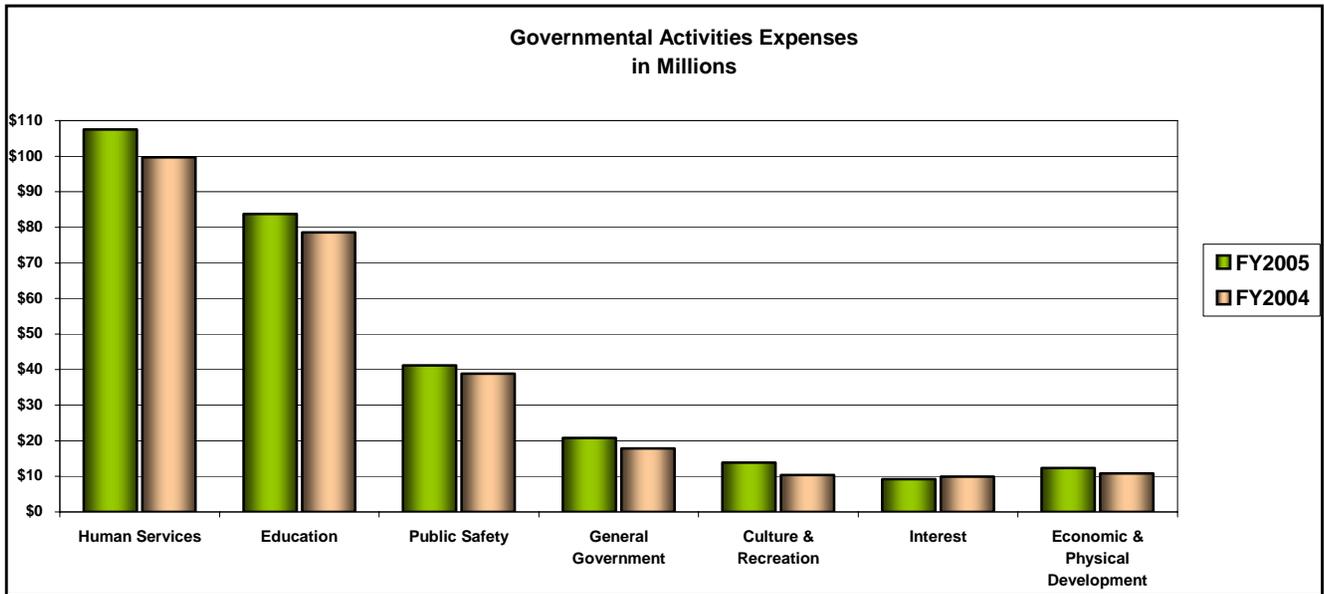
- Continued diligence in the collection of current year property taxes by achieving a collection percentage of 97.86% for real and personal property and 81.95% for motor vehicles.
- Achieving an average overall tax collection rate including collection of prior year taxes of 98.30%.
- Continued low cost of debt due to the County's high bond rating.

**The County of Cumberland Changes in Net Assets  
Figure 3**

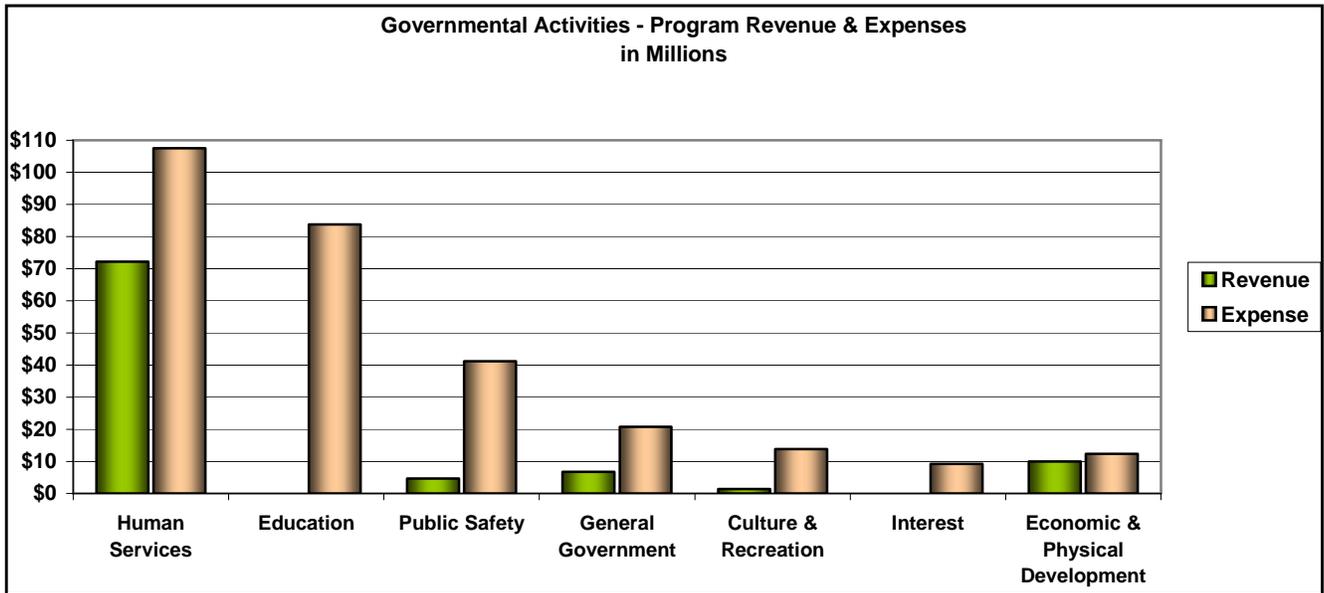
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 26,189,232	\$ 24,671,407	\$ 5,765,587	\$ 4,538,368	\$ 31,954,819	\$ 29,209,775
Operating grants and contributions	65,693,949	59,489,106			65,693,949	59,489,106
Capital grants and contributions	3,210,835	5,003,149	7,052,366	347,793	10,263,201	5,350,942
General revenues:						
Property taxes	138,418,541	135,015,932			138,418,541	135,015,932
Other taxes	58,376,570	41,353,221	5,321,308	5,239,545	63,697,878	46,592,766
Grants and contributions not restricted to specific programs	4,592,341	4,739,443			4,592,341	4,739,443
Unrestricted investment earnings	3,048,858	1,267,506	566,852	285,346	3,615,710	1,552,852
Loss on sale of assets	(649,704)				(649,704)	
Payments from components units						
Miscellaneous	6,445,978	6,082,715	835,559	(16,777)	7,281,537	6,065,938
Total revenues	<u>305,326,600</u>	<u>277,622,479</u>	<u>19,541,672</u>	<u>10,394,275</u>	<u>324,868,272</u>	<u>288,016,754</u>
<b>Expenses:</b>						
General government	20,761,217	17,855,161			20,761,217	17,855,161
Public safety	41,207,126	38,908,990			41,207,126	38,908,990
Economic and physical development	12,357,831	10,852,650			12,357,831	10,852,650
Human services	107,506,798	99,736,931			107,506,798	99,736,931
Culture and recreation	13,865,651	10,426,819			13,865,651	10,426,819
Education	83,763,840	78,521,977			83,763,840	78,521,977
Interest on long-term debt	9,190,661	9,933,650			9,190,661	9,933,650
Crown Center			11,172,781	9,346,520	11,172,781	9,346,520
Solid Waste			5,123,756	4,389,462	5,123,756	4,389,462
Kelly Hills Water and Sewer District						
Norcross Water and Sewer District						
Total expenses	<u>288,653,124</u>	<u>266,236,178</u>	<u>16,296,537</u>	<u>13,735,982</u>	<u>304,949,661</u>	<u>279,972,160</u>
Increase in net assets before transfers	16,673,476	11,386,301	3,245,135	(3,341,707)	19,918,611	8,044,594
Transfers	(9,922,588)	(6,343,569)	9,922,588	6,343,569		
Increase in net assets	<u>6,750,888</u>	<u>5,042,732</u>	<u>13,167,723</u>	<u>3,001,862</u>	<u>19,918,611</u>	<u>8,044,594</u>
Net assets, July 1	61,559,921	56,113,647	41,499,003	38,497,141	103,058,924	94,610,788
Addition - Tourism Development Authority		403,542				403,542
Net assets, June 30	<u>\$ 68,310,809</u>	<u>\$ 61,559,921</u>	<u>\$ 54,666,726</u>	<u>\$ 41,499,003</u>	<u>\$ 122,977,535</u>	<u>\$ 103,058,924</u>

**Governmental activities.** Governmental activities increased the County's net assets by \$6,750,888 thereby accounting for 33.90% 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 \$3,178,600 from FY2004 due to a 3.0% COLA for all full-time and a pro-rata share for most part-time employees, the addition of 70 new positions and the reclassification of 40 other employees.
- Operating expenses increased by \$7,389,059. The largest increase, \$6,144,760, was for contracted and other services.
- Other charges and services increased \$7,303,674. Major changes for FY2005 included: \$2,841,855 increase for current expense for county schools and FTCC, and a \$3,614,074 increase in Social Service spending on child care, Medicaid and aid to the aged and disabled.
- Spending on Capital Projects decreased \$3,727,401 due to completion of various county school related projects
- Ad valorem and other taxes increased net assets by \$9,572,166. This large increase was due to the under estimation of taxes to be collected and the underestimation of sales taxes.
- Intergovernmental revenues increased \$5,066,047 as a result of various increases in state and federal revenue.

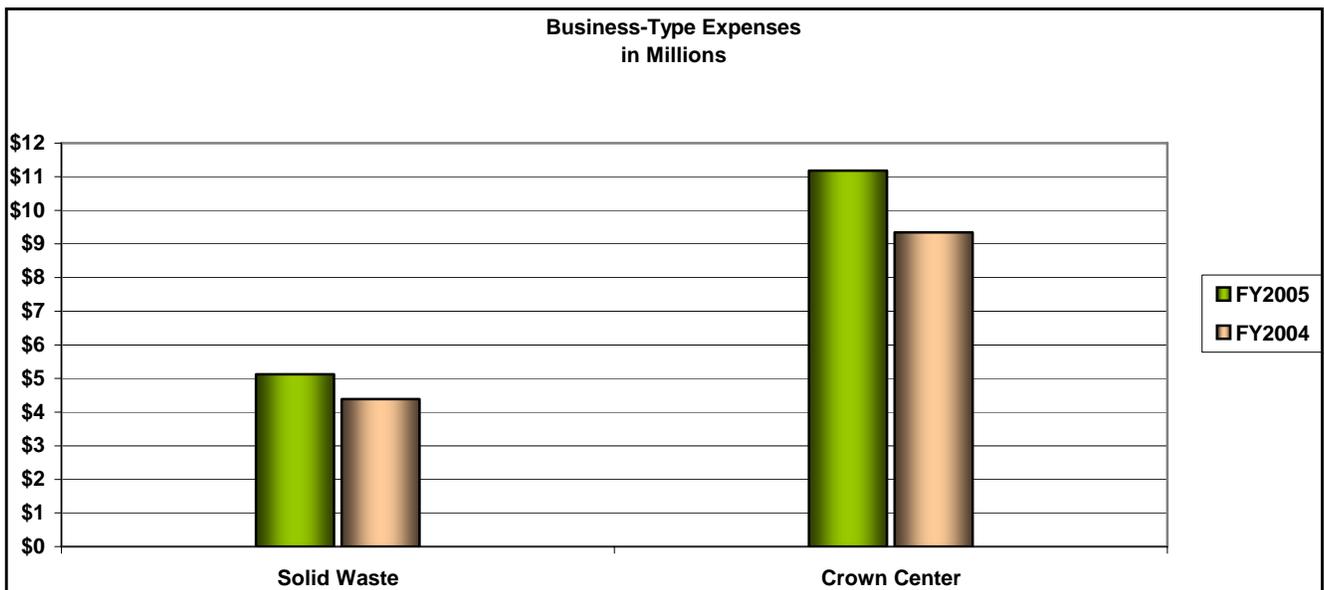


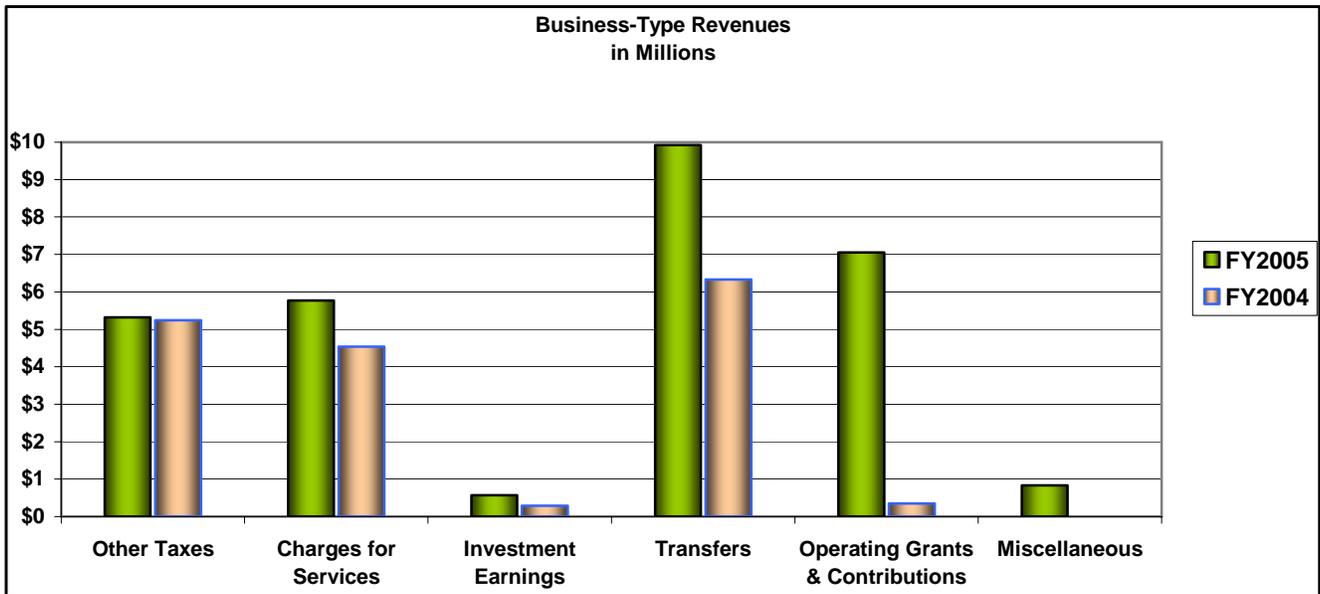
The graph below represents a comparison of program revenues to program expenses for governmental activities. For each activity, general revenues were required to support expenses. Program revenues covered 32.94% of County expenses at June 30, 2005 and 33.49% at June 30, 2004. The largest general revenue source for governmental activities was ad valorem taxes on property and motor vehicles. Total Ad Valorem Tax revenue of \$138,418,541 amounted to 65.84% of the total general revenue excluding transfers. The second largest general revenue source was Other Taxes at \$58,376,570 or 27.77% of the governmental activities revenues. All other general revenue amounted to \$13,437,473 or 6.39%.



**Business-type activities:** Business-type activities increased the County of Cumberland's net assets by \$13,167,723 accounting for 66.11% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Kelly Hills and NORCRESS Water and Sewer Funds reported a combined increase in net assets of \$8,072,732 which represented 61.31% of the total business-type activities increase in net assets. This large increase over the prior year was due to capitalizing infrastructure construction.





### 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 \$36,557,371 while total fund balance reached \$90,598,845. 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 23.58 percent of total General Fund expenditures including transfers, while total fund balance represents 33.46 percent of that same amount.

At June 30, 2005, the governmental funds of the County of Cumberland reported a combined fund balance of \$126,888,959, a 6.51 percent increase over last year. The primary reason for the increase is directly related to the strong performance of the General Fund, an 11.42% increase. This large increase in the General Fund's fund balance was due to a \$3,480,345 increase in current ad valorem tax collections and a \$4,380,093 increase in sales taxes.

**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 \$24,977,249 or 9.25 percent of total budget. Of this amount, \$6,151,468 represents additional/and or adjustments to federal and state funding estimates. \$1,120,742 is attributable to the net effect of the delay in the implementation of Fayetteville's annexation. Local fees and other miscellaneous revenue increased \$2,835,402. The remaining \$14,869,637 or 59.5% of the increase is from other financing sources. \$5,597,561 of the other financing sources represents increases in operating transfers and proceeds from an energy savings loan. The remaining \$9,272,076 is from fund balance. \$3,520,168 of this amount was appropriated to fund prior

year obligations (encumbrances), \$1,769,228 was from designated one-time funds and \$3,982,680 was for new initiatives.

Total actual revenues, excluding other financing sources, for the General Fund exceeded the budgeted amount by \$9,995,059 (103.85%). Ad Valorem taxes collected exceeded the budget by \$4,820,036. This large increase was due, in part, to under estimation of taxes to be collected. Total sales tax collections exceeded budget estimates by \$6,130,505. For the first eight months of the year, sales taxes were up 17% while the last four months they declined resulting in a final year-end increase of 12.2%. Restricted Intergovernmental revenues were less than the budgeted amount by \$5,601,174 or 90.87%. Of this amount, \$4,384,279 is attributable to under spending in reimbursable Mental Health programs.

Total actual expenditures, excluding other financing uses, were less than the budgeted amount by \$19,022,231 resulting in an expenditure rate of 93.15%. Due to turnover and vacancies, personnel expenditures were \$7,096,501 less than budgeted. Basic operating expenditures were \$7,036,146 under budget. Of this amount, \$2,719,256 was for contracted services and \$573,811 for maintenance & repair. In total, 89 of 116 line items, 76.7%, were under spent. Other charges & services was \$2,290,805 under budget. Under spending in Mental Health and Social Services programs of \$1,221,581 accounted for 53.3% of the total. While capital outlay was under spent by \$1,288,950, the majority of those funds will be re-budgeted in fiscal year 2006.

**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 \$23,163,881, an 18.11% increase over the previous year, and those for the Cumberland County Crown Complex equaled \$1,293,201, a 107.39% increase. The other two proprietary funds had combined unrestricted net assets of \$(616,087). The total growth in net assets for Solid Waste was \$3,453,094 an 11.14% increase and the Crown Center was \$1,641,897, a 17.13% 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, 2005, totals \$205,547,341 (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. Significant changes included a \$9,940,845 increase in construction in progress for the Kelly Hills and NORCRESS Water and Sewer projects and \$3,856,518 for the Johnson Controls energy savings project.

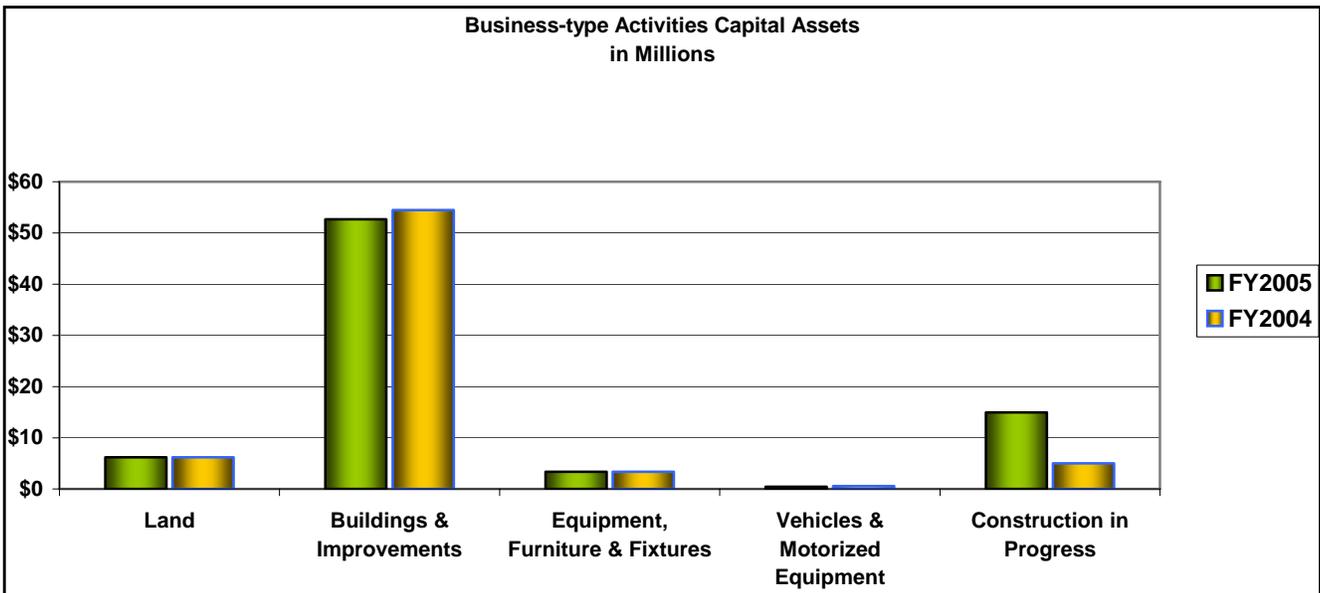
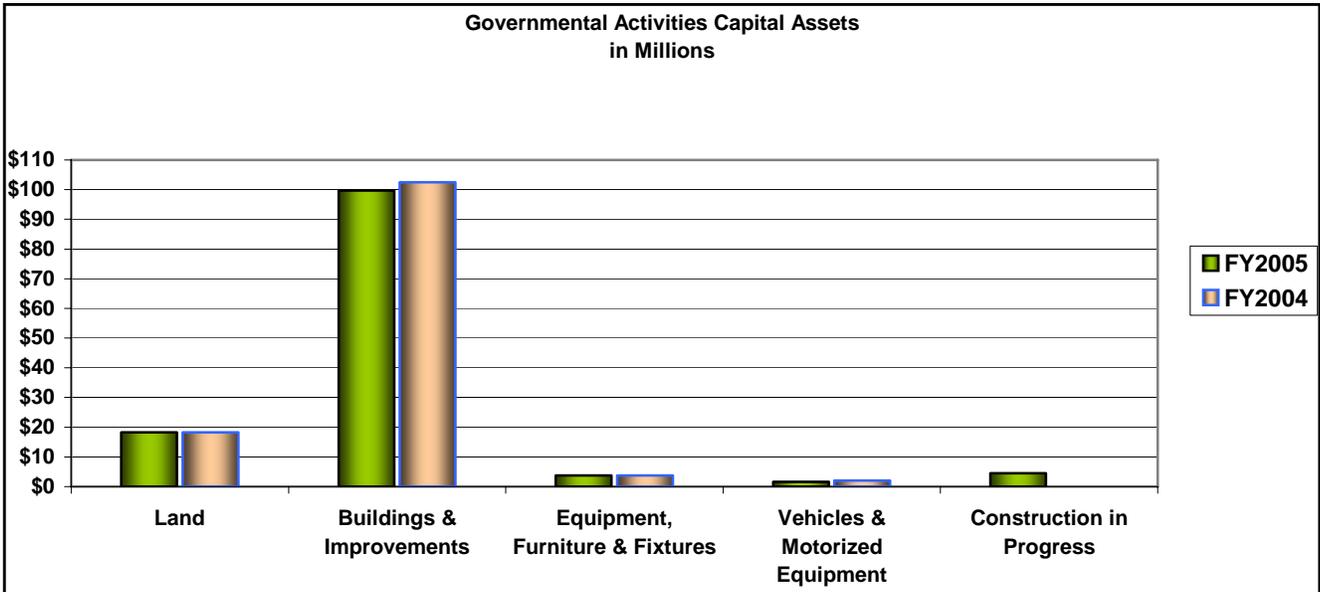
**The County of Cumberland's Capital Assets**

**Figure 4**

(net of depreciation)

	Government Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 18,258,631	\$ 18,210,621	\$ 6,224,324	\$ 6,224,324	\$ 24,482,955	\$ 24,434,945
Buildings and improvements	99,742,670	102,505,675	52,655,299	54,443,160	152,397,969	156,948,835
Equipment, furniture and fixtures	3,720,611	3,781,750	3,363,453	3,359,057	7,084,064	7,140,807
Vehicles and motorized equipment	1,582,282	2,031,981	457,639	586,417	2,039,921	2,618,398
Construction in progress	4,552,033	4,526	14,990,399	5,049,554	19,542,432	5,054,080
Total net assets	<u>\$ 127,856,227</u>	<u>\$ 126,534,553</u>	<u>\$ 77,691,114</u>	<u>\$ 69,662,512</u>	<u>\$ 205,547,341</u>	<u>\$ 196,197,065</u>

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

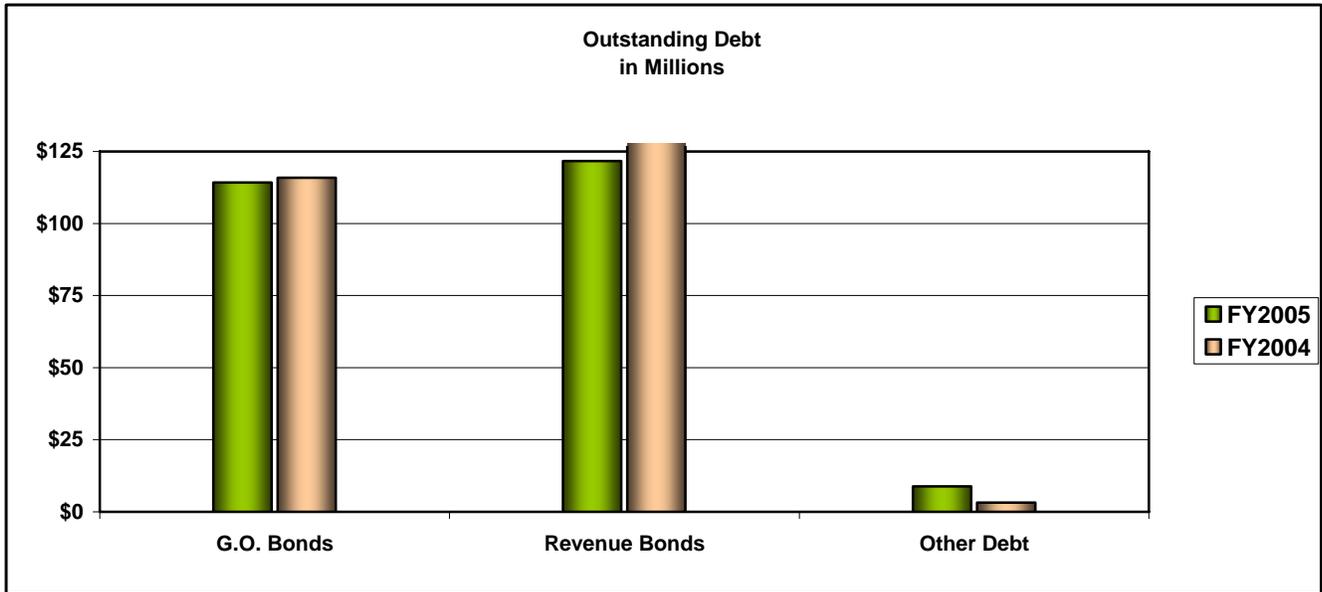


**Long-term Debt.** As of June 30, 2005, the County of Cumberland had total bonded debt outstanding of \$114,140,000 all of which is backed by the full faith and credit of the County.

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

**Figure 5**

	Government Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 114,140,000	\$ 115,895,000			\$ 114,140,000	\$ 115,895,000
Revenue bonds	70,635,000	74,570,000	51,058,781	53,183,781	121,693,781	127,753,781
Capital leases	4,537,080				4,537,080	
Other debt	2,999,271	3,234,457	1,250,000		4,249,271	3,234,457
<b>Total debt</b>	<b>\$ 192,311,351</b>	<b>\$ 193,699,457</b>	<b>\$ 52,308,781</b>	<b>\$ 53,183,781</b>	<b>\$ 244,620,132</b>	<b>\$ 246,883,238</b>



The County of Cumberland's total debt of \$244,620,132 decreased \$2,263,106 (.92%) during the past fiscal year. The County entered into a lease in the amount of \$4,537,080 agreement for financing the acquisition of new energy efficient equipment and improvements to existing energy infrastructure relating to a guaranteed energy savings contract. The County also issued \$5,075,000 in General Obligation Bonds and \$35,505,000 in General Obligation Refunding Bonds. NORCRESS issued general obligation bond anticipation notes in the amount of \$1,250,000 in order to finance construction of a water and sewer project to benefit the citizens of Falcon, Godwin, and Wade.

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 \$1,192,783,000.

Additional information regarding the County of Cumberland's long-term debt can be found in note 9 beginning on page F-33 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 5.8% which is on par with the state average.
- For the most recent reportable year, county-wide retail sales increased 9.90% while Fort Bragg Commissaries and Exchanges increased 18.83%
- Continued strong growth in both residential and commercial construction.
- Continued presence and future expansion of Fort Bragg.

## Budget Highlights for the Fiscal Year Ending June 30, 2006

The County approved a \$291,998,298 General Fund budget for fiscal year 2006, which represents a \$22,066,667 (8.17%) increase over fiscal year 2005 approved budget. *Ad Valorem Taxes* have been budgeted at an increase of \$4,415,797 (3.54%) based upon a 3.0% growth in the county-wide assessed valuation. *Other Taxes* are projected to increase \$6,912,839 (18.76%) due to increased growth in sales taxes over the past two years. *Unrestricted Intergovernmental* revenue is projected to increase \$1,078,463 (17.63%) due to increased revenue from the City of Fayetteville, Federal prisoner housing funds and increase in projected profits from the County's ABC Board. *Restricted Intergovernmental* revenue has been budgeted at a net increase of \$825,155 (1.49%) based on a budget of \$56,105,010. Mental Health restricted revenue is projected to decrease \$837,793 (5.16%) due to a restructuring of state revenue. The decreases in Mental Health revenues were offset by a \$1,395,458 (4.21%) increase in DSS funding. *Licenses and Permits* revenue will increase a total of \$825,155 (1.49%) due mainly to increases in inspection fees. *Sales and Service* fees are projected to increase \$1,848,976 (10.26%) due primarily to increases in Mental Health fees of \$1,633,391 (13.91). *Miscellaneous* revenue will decrease \$149,853 (2.71%) due to reductions in building rents and leases. *Other Financing Sources* will increase \$6,539,724 (32.53%) due to increases in fund balance appropriated for one-time expenditures.

Budgeted expenditures in the General Fund are \$291,998,298 which represents an increase of \$22,066,667 (8.17%) over fiscal year 2005. *Personal Services* increased \$7,908,010 (8.25%) due to a 5.0% cost-of-living increase, a 1% county funded 401K contribution and increases of \$3,043,468 in medical insurance and workers compensation costs. These increases were offset by a reduction of 23 full-time equivalent positions. *Operating Expenditures* will increase \$3,785,586 (12.02%). Contracted services accounts for \$3,011,446 of the operating increase. *Other Charges and Services* will increase \$4,172,777 (3.84%) to \$112,780,496. Funding for education increases \$2,499,193, Medicaid \$1,400,000 and Mental Health expenditures \$291,343. *Capital Outlay* expenditures has been increased \$2,330,552 (126.32%) for the purchase of vehicles, capital improvements, and renovations to Fayetteville Technical Community College.

The fiscal year 2006 budget was adopted based in part on the City of Fayetteville annexing 42,687 residents. The Homebuilders Association of Fayetteville, the Cumberland County Citizens United and a soldier stationed at Fort Bragg challenged the annexation in court. In June 2004, 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, 2004 in order to review the cases. Although the Court of Appeals lifted its stay on July 7, 2004, the cases were then appealed to the State Supreme Court which issued a stay of annexation on July 12, 2004. The stay effectively ended the City's opportunity for annexation in fiscal year 2005. On August 19, 2005, the state Supreme Court refused to hear the appeals thus blocking any further action in state courts. This action allowed the City of Fayetteville to annex the 28 square mile area on September 30, 2005. Had the annexation been effective on or before June 30, it would have negatively affected several shared revenues such as sales taxes, cablevisions fees, and beer & wine taxes. Because the annexation wasn't effective until September 30, the cumulative overall effect will not be felt until next fiscal year.

### **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, 2005

	Governmental Activities	Business Type Activities	Total Primary Government	Cumberland County ABC Board	Cumberland County Hospital Systems, Inc.	Eastover Sanitary District	Fayetteville Area Convention and Visitors Bureau
<b>Assets</b>							
Cash and cash equivalents	\$ 66,411,014	\$ 20,481,475	\$ 86,892,489	\$ 1,936,088	\$ 3,445,000	\$ -	\$ 231,059
Investments	41,740,618	10,884,959	52,625,577	-	27,258,000	-	-
Taxes receivable, net	7,289,836	245,353	7,535,189	-	-	-	-
Accounts receivable, net	38,499	-	38,499	-	82,012,000	-	14,801
Sales tax receivable	14,546,107	210,245	14,756,352	-	-	44	-
Due from other governments	8,171,644	886,470	9,058,114	-	-	64,405	87,828
Patient receivables	1,972,839	-	1,972,839	-	-	-	-
Other receivables, net	257,253	647,435	904,688	-	-	-	-
Internal balances	704,650	(704,650)	-	-	-	-	-
Due from component units	194,028	-	194,028	-	-	-	-
Inventories	657,718	-	657,718	1,668,318	5,960,000	-	1,491
Prepaid expenses	10,600	-	10,600	8,703	3,192,000	-	8,378
Restricted cash and cash equivalents	13,467,248	1,432,212	14,899,460	24,907	-	252,732	-
Restricted investments	4,347,201	-	4,347,201	-	151,210,000	-	-
Restricted accounts receivable	473	866	1,339	-	-	9,040	-
Capital assets:							
Nondepreciable	22,810,664	21,214,723	44,025,387	648,021	33,947,000	150,914	-
Depreciable, net	105,045,563	56,476,391	161,521,954	1,566,871	146,226,000	5,841,260	42,766
Other assets	255,573	-	255,573	-	10,914,000	-	-
<b>Total assets</b>	<b>287,921,528</b>	<b>111,775,479</b>	<b>399,697,007</b>	<b>5,852,908</b>	<b>464,164,000</b>	<b>6,318,395</b>	<b>386,323</b>
<b>Liabilities</b>							
Accounts and vouchers payable	9,753,702	1,092,191	10,845,893	1,296,578	26,675,000	23,063	86,281
Due to other governments	4,250,742	46,249	4,296,991	-	-	-	-
Accrued payroll	5,375,377	168,837	5,544,214	-	22,896,000	-	-
Accrued interest payable	2,047,482	1,608,858	3,656,340	187,523	-	14,419	-
Other payables	88,096	4,980	93,086	-	16,830,000	50,000	-
Due to agencies	-	-	-	-	22,286,000	-	-
Unearned revenue	1,992,953	-	1,992,953	-	-	-	-
Long-term liabilities:							
Due in less than one year	16,386,579	4,056,979	20,443,558	-	5,682,000	44,000	-
Due in more than one year	179,715,788	50,130,649	229,846,437	-	125,012,000	3,817,500	-
<b>Total liabilities</b>	<b>219,610,719</b>	<b>57,108,753</b>	<b>276,719,472</b>	<b>1,484,101</b>	<b>219,381,000</b>	<b>3,948,982</b>	<b>86,281</b>
<b>Net assets</b>							
Invested in capital assets net of related debt	13,374,791	29,393,382	42,768,173	2,214,892	63,903,000	2,174,674	42,766
Restricted for debt service	9,492,688	1,432,349	10,925,037	530,733	13,515,000	261,772	-
Restricted by grants	25,731,775	-	25,731,775	-	-	-	-
Restricted for cemetery	36,913	-	36,913	-	-	-	-
Unrestricted	19,674,642	23,840,995	43,515,637	1,623,182	167,365,000	(67,033)	257,276
<b>Total net assets</b>	<b>\$ 68,310,809</b>	<b>\$ 54,666,726</b>	<b>\$ 122,977,535</b>	<b>\$ 4,368,807</b>	<b>\$ 244,783,000</b>	<b>\$ 2,369,413</b>	<b>\$ 300,042</b>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Statement of Activities**  
**Year Ended June 30, 2005**

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		Cumberland County ABC Board	Cumberland County Hospital Systems, Inc.	Eastover Sanitary District	Fayetteville Area Convention and Visitors Bureau
					Governmental Activities	Business-type Activities				
<b>Primary government:</b>										
Governmental activities:										
General government:	\$ 20,761,217	\$ 3,839,955	\$ 534,074	\$ 2,400,000	\$ (13,987,188)	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety:	41,207,126	2,420,801	1,711,447	543,995	(56,530,883)	-	-	-	-	-
Economic and physical development:	12,357,631	1,205,185	8,373,974	266,840	(2,311,832)	-	-	-	-	-
Human services:	107,506,798	18,407,219	53,756,844	-	(35,342,735)	-	-	-	-	-
Cultural and recreational:	13,865,651	316,072	1,117,610	-	(12,431,969)	-	-	-	-	-
Education:	83,763,840	-	-	-	(83,763,840)	-	-	-	-	-
Interest on long-term debt:	9,190,661	-	-	-	(9,190,661)	-	-	-	-	-
<b>Total governmental activities:</b>	<b>268,653,124</b>	<b>26,189,232</b>	<b>65,693,949</b>	<b>3,210,835</b>	<b>(193,559,108)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Business-type activities:</b>										
Crown center:	11,172,781	2,002,713	-	-	(9,170,068)	-	-	-	-	-
Solid waste:	5,123,756	3,752,650	-	-	(1,371,106)	-	-	-	-	-
NORCRESS Water and Sewer District:	-	10,224	5,269,641	-	5,279,865	-	-	-	-	-
Kelly Hills Water and Sewer District:	-	-	1,782,725	-	1,782,725	-	-	-	-	-
<b>Total business-type activities:</b>	<b>16,296,537</b>	<b>5,765,587</b>	<b>7,052,366</b>	<b>-</b>	<b>(3,478,584)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total primary government:</b>	<b>\$ 304,949,661</b>	<b>\$ 31,954,819</b>	<b>\$ 65,693,949</b>	<b>\$ 10,283,201</b>	<b>(193,559,108)</b>	<b>(3,478,584)</b>	<b>(197,037,692)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Component unit:</b>										
ABC Board:	\$ 12,798,198	\$ 13,151,482	\$ -	\$ -	\$ -	\$ -	\$ 353,284	\$ -	\$ -	\$ -
Cumberland County Hospital System:	404,965,000	414,350,000	-	-	-	-	9,355,000	-	-	-
Eastover Sanitary District:	359,797	255,003	-	56,560	-	-	-	(48,234)	-	-
Fayetteville Area Convention & Visitors Bureau:	1,218,442	1,037,670	-	-	-	-	-	-	-	(180,772)
<b>Total component unit:</b>	<b>\$ 419,371,437</b>	<b>\$ 428,794,155</b>	<b>\$ -</b>	<b>\$ 56,560</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 353,284</b>	<b>\$ 9,355,000</b>	<b>\$ (48,234)</b>	<b>\$ (180,772)</b>
<b>General revenues:</b>										
Property taxes:					138,418,541					
Other taxes:					58,376,570					
Grants and contributions not restricted to specific programs:					4,592,341					
Unrestricted investment earnings:					566,852				7,114	1,501
Loss on sale of capital assets:					(648,704)					
Miscellaneous:					6,445,978			18,040		143,884
Contributions:					835,559			99,000		
Transfers:					9,922,686			-		-
<b>Total general revenues and transfers:</b>					<b>200,503,996</b>			<b>59,540</b>	<b>7,114</b>	<b>145,385</b>
<b>Change in net assets:</b>										
Net assets - beginning:					6,750,888			412,824		(41,120)
Prior period adjustment - merger:					61,559,921			3,955,983		2,410,533
<b>Net assets - beginning - as restated:</b>					<b>68,310,809</b>			<b>4,368,807</b>		<b>2,369,413</b>
<b>Net assets - ending:</b>					<b>69,310,809</b>			<b>4,368,807</b>		<b>2,369,413</b>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Balance Sheet  
Governmental Funds  
June 30, 2005**

	General	2004 School Bonds	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 43,790,508	\$ -	\$ 22,620,506	\$ 66,411,014
Investments	40,702,061	-	1,038,557	41,740,618
Taxes receivable, net	5,655,864	-	683,913	6,339,777
Sales tax receivable	12,082,485	-	2,463,415	14,545,900
Due from other governments	7,092,413	-	1,079,231	8,171,644
Patient receivables	1,972,839	-	-	1,972,839
Other receivables, net	209,143	-	23,110	232,253
Due from other funds	1,461,606	-	-	1,461,606
Due from component units	194,028	-	-	194,028
Inventories	265,955	-	-	265,955
Restricted assets:				
Cash and cash equivalents	862,441	720,139	6,875,769	8,458,349
Investments	-	2,162,476	2,184,725	4,347,201
Accounts receivable	-	-	473	473
<b>Total assets</b>	<b>\$ 114,289,343</b>	<b>\$ 2,882,615</b>	<b>\$ 36,969,699</b>	<b>\$ 154,141,657</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts and vouchers payable	\$ 5,842,020	\$ 784,302	\$ 1,358,672	\$ 7,984,994
Due to other governments	4,199,391	-	51,351	4,250,742
Accrued payroll	5,220,115	-	155,262	5,375,377
Other payables	60,243	-	27,853	88,096
Due to other funds	220,350	-	498,107	718,457
Deferred revenue	8,148,379	-	686,653	8,835,032
<b>Total liabilities</b>	<b>23,690,498</b>	<b>784,302</b>	<b>2,777,898</b>	<b>27,252,698</b>
<b>Fund balances:</b>				
<b>Reserved:</b>				
Reserved for inventories	265,955	-	-	265,955
Reserved for register of deeds	137,081	-	-	137,081
Reserved for encumbrances	3,962,466	-	427,951	4,390,417
Reserved by State statute	22,374,474	-	3,561,323	25,935,797
Reserved for inmates	-	-	310,054	310,054
Reserved for cemetery	-	-	36,913	36,913
<b>Unreserved:</b>				
Designated for subsequent year's expenditures	17,502,451	-	-	17,502,451
Designated for other purposes	-	-	200,000	200,000
Designated for technology	2,861,997	-	-	2,861,997
Designated for renovations and maintenance	3,984,050	-	-	3,984,050
Designated for health department renovations	2,500,000	-	-	2,500,000
Designated for school buses	453,000	-	-	453,000
Undesignated	36,557,371	2,098,313	-	38,655,684
<b>Unreserved, reported in nonmajor:</b>				
Designated for subsequent year's expenditures				
Special revenue	-	-	4,190,146	4,190,146
<b>Undesignated</b>				
Special revenue	-	-	17,047,045	17,047,045
Capital projects	-	-	8,418,369	8,418,369
<b>Total fund balances</b>	<b>90,598,845</b>	<b>2,098,313</b>	<b>34,191,801</b>	<b>126,888,959</b>
<b>Total liabilities and fund balances</b>	<b>\$ 114,289,343</b>	<b>\$ 2,882,615</b>	<b>\$ 36,969,699</b>	<b>\$ 154,141,657</b>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Assets

June 30, 2005

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

Ending fund balance - governmental funds \$ 126,888,959

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (see note 4). 127,856,227

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Deferred Revenue	\$ 6,842,079	
Accrued Tax Penalties	950,059	
Bond issue cost	255,573	
Prepaid Pension benefit	<u>10,600</u>	
		8,058,311

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. 3,657,161

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	\$ (196,102,367)	
Accrued interest payable	<u>(2,047,482)</u>	
		(198,149,849)

Net assets of governmental activities \$ 68,310,809

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2005**

	<b>General</b>	<b>2004 School Bonds</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Ad valorem taxes	\$ 129,495,613	\$ -	\$ 9,801,096	\$ 139,296,709
Other taxes	46,356,515	-	14,902,249	61,258,764
Unrestricted intergovernmental revenue	4,461,495	-	130,846	4,592,341
Restricted intergovernmental revenue	55,744,269	-	13,184,475	68,928,744
Licenses and permits	5,231,307	-	-	5,231,307
Sales and services	20,709,799	-	229,084	20,938,883
Interest earned on investments	2,263,021	165,362	566,453	2,994,836
Miscellaneous	5,667,514	-	1,134,240	6,801,754
<b>Total revenues</b>	<b>269,929,533</b>	<b>165,362</b>	<b>39,948,443</b>	<b>310,043,338</b>
<b>Expenditures</b>				
Current:				
General government	19,983,976	-	464,412	20,448,388
Public safety	30,825,929	-	7,559,329	38,385,258
Economic and physical development	3,781,450	-	7,661,537	11,442,987
Human services	103,665,767	-	1,449,530	105,115,297
Cultural and recreational	7,650,218	-	5,746,493	13,396,711
Education	69,530,185	5,371,323	8,862,332	83,763,840
Capital outlay	1,703,405	-	2,533,057	4,236,462
Debt service:				
Principal payments	11,950,187	-	150,000	12,100,187
Interest and fees	9,417,933	-	59,222	9,477,155
Other issue costs	-	268,699	-	268,699
<b>Total expenditures</b>	<b>258,509,050</b>	<b>5,640,022</b>	<b>34,485,912</b>	<b>298,634,984</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>11,420,483</b>	<b>(5,474,660)</b>	<b>5,462,531</b>	<b>11,408,354</b>
<b>Other financing sources (uses)</b>				
Debt issuance	4,787,080	5,075,000	-	9,862,080
Refunding debt issuance	-	35,505,000	-	35,505,000
Premium on refunding bonds	-	2,713,376	-	2,713,376
Payment to refund bond escrow agent	-	(37,659,214)	-	(37,659,214)
Transfers in	5,336,145	2,194,400	2,827,470	10,358,015
Transfers out	(12,260,091)	(255,589)	(11,919,780)	(24,435,460)
<b>Total other financing sources (uses)</b>	<b>(2,136,866)</b>	<b>7,572,973</b>	<b>(9,092,310)</b>	<b>(3,656,203)</b>
<b>Net change in fund balances</b>	<b>9,283,617</b>	<b>2,098,313</b>	<b>(3,629,779)</b>	<b>7,752,151</b>
<b>Fund balance - beginning</b>	<b>81,315,228</b>	<b>-</b>	<b>37,821,580</b>	<b>119,136,808</b>
<b>Fund balance - ending</b>	<b>\$ 90,598,845</b>	<b>\$ 2,098,313</b>	<b>\$ 34,191,801</b>	<b>\$ 126,888,959</b>

**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, 2005**

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

Net change in fund balances - total governmental funds	\$	7,752,151
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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	\$	8,113,160	
Depreciation		<u>(5,600,789)</u>	2,512,371

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) to increase net assets.		(1,190,697)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Accrued tax penalties	\$	(878,168)	
Pension costs		10,600	
Deferred revenues		<u>(2,882,194)</u>	(3,749,762)

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 treatment of long-

Principal payments	\$	12,100,186	
Accrued interest payable		555,194	
Accrued vacation payable		(58,134)	
Miscellaneous		617,060	
Net bond proceeds		<u>(10,421,242)</u>	2,793,064

The net revenue of certain activities of the internal service fund is reported with governmental activities.		<u>(1,366,239)</u>
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Change in net assets of governmental activities	\$	<u>6,750,888</u>
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**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances-  
Budget and Actual  
Year Ended June 30, 2005**

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 124,675,577	\$ 124,675,577	\$ 129,495,613	\$ 4,820,036
Other taxes	36,839,444	39,914,402	46,356,515	6,442,113
Unrestricted intergovernmental revenue	6,116,286	4,119,019	4,461,495	342,476
Restricted intergovernmental revenue	55,279,855	61,345,443	55,744,269	(5,601,174)
Licenses and permits	3,359,282	3,654,962	5,231,307	1,576,345
Sales and services	18,020,751	20,548,168	20,709,799	161,631
Interest earned on investments	672,042	672,042	2,263,021	1,590,979
Miscellaneous	4,863,625	5,004,861	5,667,514	662,653
<b>Total revenues</b>	<b>249,826,862</b>	<b>259,934,474</b>	<b>269,929,533</b>	<b>9,995,059</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	17,990,759	23,351,688	19,983,976	3,367,712
Public safety	30,972,582	32,213,350	30,825,929	1,387,421
Economic and physical development	3,934,880	4,023,019	3,781,450	241,569
Human services	109,059,381	115,706,273	103,665,767	12,040,506
Cultural and recreational	7,760,075	8,024,682	7,650,218	374,464
Education	68,516,736	69,840,674	69,530,185	310,489
Capital outlay	-	2,992,355	1,703,405	1,288,950
Debt service:				
Principal payments	11,532,580	11,916,220	11,950,187	(33,967)
Interest and fees	9,415,798	9,463,020	9,417,933	45,087
<b>Total expenditures</b>	<b>259,182,791</b>	<b>277,531,281</b>	<b>258,509,050</b>	<b>19,022,231</b>
<b>Revenues over (under) expenditures</b>	<b>(9,355,929)</b>	<b>(17,596,807)</b>	<b>11,420,483</b>	<b>(29,017,290)</b>
<b>Other financing sources (uses):</b>				
Debt issuance	-	4,537,080	4,787,080	(250,000)
Transfers in	4,305,690	5,366,171	5,336,145	30,026
Transfers out	(6,292,787)	(12,921,546)	(12,260,091)	(661,455)
Appropriated fund balance	11,343,026	20,615,102	-	20,615,102
<b>Total other financing sources (uses)</b>	<b>9,355,929</b>	<b>17,596,807</b>	<b>(2,136,866)</b>	<b>19,733,673</b>
<b>Revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>9,283,617</b>	<b>\$ (9,283,617)</b>
<b>Fund Balances:</b>				
Beginning of year, July 1			81,315,228	
End of year, June 30			<u>\$ 90,598,845</u>	

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Statement of Net Assets  
Proprietary Funds  
June 30, 2005**

	Enterprise Funds					Internal Service Funds
	Cumberland County Solid Waste Fund	Cumberland County Crown Center Fund	Kelly Hills Water and Sewer District Fund	NORCRESS Water and Sewer District Fund	Total	
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	\$ 17,581,032	\$ 2,900,443	\$ -	\$ -	\$ 20,481,475	\$ -
Investments	10,884,959	-	-	-	10,884,959	-
Taxes receivable	245,353	-	-	-	245,353	-
Sales tax receivable	46,017	18,152	21,308	124,768	210,245	207
Due from other governments	102,487	-	310,222	473,761	886,470	391,763
Other receivables	338,805	308,630	-	-	647,435	25,021
Due from other funds	220,350	-	-	-	220,350	-
<b>Total current assets</b>	<b>29,419,003</b>	<b>3,227,225</b>	<b>331,530</b>	<b>598,529</b>	<b>33,576,287</b>	<b>416,991</b>
<b>Noncurrent assets</b>						
Restricted:						
Cash and cash equivalents	662,074	770,138	-	-	1,432,212	5,008,899
Accounts receivable	-	866	-	-	866	-
Capital assets, net of accumulated depreciation	10,616,200	56,211,714	2,066,296	8,796,904	77,691,114	-
<b>Total noncurrent assets</b>	<b>11,278,274</b>	<b>56,982,718</b>	<b>2,066,296</b>	<b>8,796,904</b>	<b>79,124,192</b>	<b>5,008,899</b>
<b>Total assets</b>	<b>40,697,277</b>	<b>60,209,943</b>	<b>2,397,826</b>	<b>9,395,433</b>	<b>112,700,479</b>	<b>5,425,890</b>
<b>Liabilities and net assets</b>						
<b>Current liabilities</b>						
Accounts and vouchers payable	129,486	116,051	232,620	614,034	1,092,191	33,405
Due to other governments	-	46,249	-	-	46,249	-
Accrued payroll	90,749	78,088	-	-	168,837	17,521
Accrued interest payable	-	1,608,858	-	-	1,608,858	-
Other payables	4,990	-	-	-	4,990	-
Incurred but not reported	-	-	-	-	-	1,717,803
Current portion of long-term debt	88,905	2,443,840	-	-	2,532,745	-
Bond anticipation notes payable	-	-	-	1,250,000	1,250,000	-
Due to other funds	223,508	2,000	147,680	551,812	925,000	-
<b>Total current liabilities</b>	<b>537,638</b>	<b>4,295,086</b>	<b>380,300</b>	<b>2,415,846</b>	<b>7,628,870</b>	<b>1,768,729</b>
<b>Noncurrent liabilities</b>						
Post closing liability	5,712,593	-	-	-	5,712,593	-
Long-term debt	-	44,683,461	-	-	44,683,461	-
Accrued vacation	4,891	3,938	-	-	8,829	-
<b>Total noncurrent liabilities</b>	<b>5,717,484</b>	<b>44,687,399</b>	<b>-</b>	<b>-</b>	<b>50,404,883</b>	<b>-</b>
<b>Total liabilities</b>	<b>6,255,122</b>	<b>48,982,485</b>	<b>380,300</b>	<b>2,415,846</b>	<b>58,033,753</b>	<b>1,768,729</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	10,616,200	9,163,982	2,066,296	7,546,904	29,393,382	-
Restricted net assets	662,074	770,275	-	-	1,432,349	-
Unrestricted	23,163,881	1,293,201	(48,770)	(567,317)	23,840,995	3,657,161
<b>Total net assets</b>	<b>\$ 34,442,155</b>	<b>\$ 11,227,458</b>	<b>\$ 2,017,526</b>	<b>\$ 6,979,587</b>	<b>\$ 54,666,726</b>	<b>\$ 3,657,161</b>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2005**

	Enterprise Funds				Total	Internal Service Funds
	Cumberland County Solid Waste Fund	Cumberland County Crown Center Fund	Kelly Hills Water and Sewer District Fund	NORCRESS Water and Sewer District Fund		
<b>Operating revenues</b>						
Charges for services	\$ 3,322,283	\$ 2,002,713	\$ -	\$ 10,224	\$ 5,335,220	\$ -
Contributions	161	-	-	-	161	10,227,656
Other operating revenue	430,367	-	-	-	430,367	-
<b>Total operating revenues</b>	<b>3,752,811</b>	<b>2,002,713</b>	<b>-</b>	<b>10,224</b>	<b>5,765,748</b>	<b>10,227,656</b>
<b>Operating expenses</b>						
Salaries and employee benefits	1,666,458	1,632,909	-	-	3,299,367	15,230,815
Other supplies	1,141,693	412,654	-	-	1,554,347	-
Repairs and maintenance	470,792	1,828,371	-	-	2,299,163	-
Utilities	54,470	734,908	-	-	789,378	-
Administrative costs	395,989	1,690,560	-	-	2,086,549	571,959
Depreciation	667,774	1,941,189	-	-	2,608,963	-
Landfill closure and postclosure care costs	732,330	-	-	-	732,330	-
<b>Total operating expenses</b>	<b>5,129,506</b>	<b>8,240,591</b>	<b>-</b>	<b>-</b>	<b>13,370,097</b>	<b>15,802,774</b>
<b>Operating income (loss)</b>	<b>(1,376,695)</b>	<b>(6,237,878)</b>	<b>-</b>	<b>10,224</b>	<b>(7,604,349)</b>	<b>(5,575,118)</b>
<b>Nonoperating revenue (expense)</b>						
Interest earned on investments	551,903	14,944	-	5	566,852	54,022
Motel occupancy tax	-	802,114	-	-	802,114	-
Gain (loss) on disposal of capital assets	5,750	-	-	-	5,750	-
Miscellaneous	10,398	-	-	825,000	835,398	-
Taxes	4,519,194	-	-	-	4,519,194	-
Interest expense	-	(2,908,127)	-	-	(2,908,127)	-
Tax distribution fee	-	(24,063)	-	-	(24,063)	-
<b>Total nonoperating revenue (expense)</b>	<b>5,087,245</b>	<b>(2,115,132)</b>	<b>-</b>	<b>825,005</b>	<b>3,797,118</b>	<b>54,022</b>
<b>Income (loss) before transfers and contributions</b>	<b>3,710,550</b>	<b>(8,353,010)</b>	<b>-</b>	<b>835,229</b>	<b>(3,807,231)</b>	<b>(5,521,096)</b>
Transfers in	-	9,994,907	-	185,137	10,180,044	4,154,857
Transfers out	(257,456)	-	-	-	(257,456)	-
Capital contributions	-	-	1,782,725	5,269,641	7,052,366	-
<b>Change in net assets</b>	<b>3,453,094</b>	<b>1,641,897</b>	<b>1,782,725</b>	<b>6,290,007</b>	<b>13,167,723</b>	<b>(1,366,239)</b>
<b>Total net assets - beginning</b>	<b>30,989,061</b>	<b>9,585,561</b>	<b>234,801</b>	<b>689,580</b>	<b>41,499,003</b>	<b>5,023,400</b>
<b>Total net assets - ending</b>	<b>\$ 34,442,155</b>	<b>\$ 11,227,458</b>	<b>\$ 2,017,526</b>	<b>\$ 6,979,587</b>	<b>\$ 54,866,726</b>	<b>\$ 3,657,161</b>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2005

	Enterprise Funds				Total	Internal Service Funds
	Cumberland County Solid Waste Fund	Cumberland County Crown Center Fund	Kelly Hills Water and Sewer District Fund	NORCRESS Water and Sewer District Fund		
<b>Operating activities</b>						
Cash received from customers	\$ 3,375,644	\$ 1,840,617	\$ -	\$ 10,224	\$ 5,226,485	\$ -
Other operating revenue	241,238	-	-	-	241,238	-
Cash received from contributions	-	-	-	-	-	10,227,817
Cash paid to employees	(1,623,360)	(1,626,425)	-	-	(3,249,785)	-
Cash paid for goods and services	(1,810,888)	(4,875,936)	48,770	352,089	(6,285,965)	(901,481)
Cash paid for claims	-	-	-	-	-	(14,966,430)
<b>Net cash provided by (used in) operating activities</b>	<b>182,634</b>	<b>(4,661,744)</b>	<b>48,770</b>	<b>362,313</b>	<b>(4,068,027)</b>	<b>(5,640,294)</b>
<b>Noncapital financing activities</b>						
Transfers in	-	9,994,907	-	185,137	10,180,044	4,154,857
Transfers out	(257,456)	-	-	-	(257,456)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(257,456)</b>	<b>9,994,907</b>	<b>-</b>	<b>185,137</b>	<b>9,922,588</b>	<b>4,154,857</b>
<b>Capital and related financing activities</b>						
Acquisition and construction of capital assets	(581,466)	(127,826)	(48,770)	(2,839,710)	(3,597,772)	-
Proceeds from issuance of debt	-	-	-	1,250,000	1,250,000	-
Principal paid on long-term debt	-	(1,872,431)	-	-	(1,872,431)	-
Interest paid on bonds	-	(2,758,752)	-	-	(2,758,752)	-
Motel occupancy tax	4,519,194	802,114	-	-	5,321,308	-
Tax distribution fee	-	(24,063)	-	-	(24,063)	-
Other miscellaneous transactions	28,720	-	-	825,000	853,720	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>3,966,448</b>	<b>(3,980,958)</b>	<b>(48,770)</b>	<b>(764,710)</b>	<b>(827,990)</b>	<b>-</b>
<b>Investing activities</b>						
Proceeds from sale of investments	3,180,482	-	-	-	3,180,482	-
Investment earnings	551,903	14,944	-	5	566,852	54,022
<b>Net cash provided (used) in investing activities</b>	<b>3,732,385</b>	<b>14,944</b>	<b>-</b>	<b>5</b>	<b>3,747,334</b>	<b>54,022</b>
<b>Net increase in cash and cash equivalents</b>	<b>7,624,011</b>	<b>1,367,149</b>	<b>-</b>	<b>(217,255)</b>	<b>8,773,905</b>	<b>(1,431,415)</b>
<b>Cash and cash equivalents</b>						
Beginning of year	10,619,095	2,303,432	-	217,255	13,139,782	6,440,314
End of year	\$ 18,243,106	\$ 3,670,581	\$ -	\$ -	\$ 21,913,687	\$ 5,008,899
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>						
Operating income (loss)	\$ (1,376,695)	\$ (6,237,878)	\$ -	\$ 10,224	\$ (7,604,349)	\$ (5,575,118)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	667,774	1,941,189	-	-	2,608,963	-
Landfill closure and post closure care costs	732,330	-	-	-	732,330	-
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	53,361	(727)	-	-	52,634	-
(Increase) decrease in other receivables	(189,290)	(281,062)	(21,308)	(124,767)	(616,427)	2,761
(Increase) decrease in inventories	1,202	-	-	(452,361)	(451,159)	(391,763)
(Increase) decrease in internal balances	262,357	-	(162,542)	-	99,815	-
Increase (decrease) in accounts payable and accrued liabilities	(11,503)	(89,750)	-	-	(101,253)	317,543
Increase (decrease) in due to other funds	-	-	-	551,812	551,812	-
Increase (decrease) in compensated absences payable	3,352	6,484	-	-	9,836	-
Increase (decrease) in deferred revenue	-	-	232,620	377,405	610,025	-
Increase (decrease) in contract retainage	39,746	-	-	-	39,746	6,283
Total adjustments	1,559,329	1,576,134	48,770	352,089	3,536,322	(65,176)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 182,634</b>	<b>\$ (4,661,744)</b>	<b>\$ 48,770</b>	<b>\$ 362,313</b>	<b>\$ (4,068,027)</b>	<b>\$ (5,640,294)</b>
<b>Noncash investing, capital, and financing activities:</b>						
Capital contributions	\$ -	\$ -	\$ 1,782,725	\$ 5,269,641	\$ 7,052,366	\$ -
Cash and cash equivalents:						
Unrestricted	\$ 17,581,032	\$ 2,900,443	\$ -	\$ -	\$ 20,481,475	\$ -
Restricted	662,074	770,138	-	-	1,432,212	5,008,899
<b>Total</b>	<b>\$ 18,243,106</b>	<b>\$ 3,670,581</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,913,687</b>	<b>\$ 5,008,899</b>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005**

	<u>Pension Trust Fund</u>	
	<u>Special Separation Allowance Fund</u>	<u>Agency Funds</u>
<b>Assets</b>		
Taxes receivable	\$ -	\$ 4,672,249
Restricted cash and cash equivalents	<u>965,732</u>	<u>676,402</u>
Total assets	<u>965,732</u>	<u>\$ 5,348,651</u>
<b>Liabilities</b>		
Accounts and vouchers payable	-	\$ 5,310,152
Due to other funds	-	<u>38,499</u>
Total liabilities	<u>-</u>	<u>\$ 5,348,651</u>
<b>Net assets</b>		
Reserved for employees pension benefits	<u>\$ 965,732</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
Year Ended June 30, 2005

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	Pension Trust Fund
	Special Separation Allowance Fund
<b>Additions</b>	
Employee contributions	\$ 220,000
Interest earned on investments	18,885
Total additions	<u>238,885</u>
<b>Deductions</b>	
Benefits	117,449
Total deductions	<u>117,449</u>
<b>Change in net assets</b>	121,436
<b>Total net assets - beginning</b>	<u>844,296</u>
<b>Total net assets - ending</b>	<u>\$ 965,732</u>

## NOTES TO FINANCIAL STATEMENTS

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**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Financial Statements and Schedules**

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COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**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**

NORGRESS 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. The authorities are included as enterprise funds.

The Cumberland County Tourism Development Authority ("the TDA") exists to promote travel, tourism, and conventions in the County, sponsor tourist-related events and activities in the County, and finance tourist-related capital projects in the County. A voting majority of the 7-member board of directors is appointed by Cumberland County. The TDA is included as a special revenue fund. The TDA was reported as an agency fund in the prior year. This change in presentation resulted in an increase in beginning fund balance of \$403,542.

**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.

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Notes to the Financial Statements (continued)**

**June 30, 2005**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**A - Reporting Entity (continued)**

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. The Fayetteville Area Convention and Visitors Bureau ("the Bureau"), which has a June 30 year-end, is a non-profit organization that provides services to promote the development and expansion of travel and tourism within the Fayetteville area. It is presented as if it were a proprietary fund.

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 Tourism Development Authority	Blended	A voting majority of the Authority's 7-member board of directors is appointed by the County.	Included in the County's financial statements.
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.
Fayetteville Area Convention and Visitors Bureau	Discrete	A voting majority of the Bureau's 11-member board of directors is appointed by the County.	Fayetteville Area Convention and Visitors Bureau 245 Person Street Fayetteville, NC 28301

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**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.

*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 funds:

*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.

*2004 School Bonds Fund.* This fund accounts for the transactions related to the issuance of 2004 School Bonds and construction expenditures.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**Note 1 - Summary of Significant Accounting Policies (continued)**

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

**Basis of Presentation (continued)**

The County reports the following non-major governmental funds:

*Special Revenue Funds.* Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specific purposes. The County reports the following Special Revenue Funds: 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; 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; Tourism Development Authority Fund.

*Capital Project Funds.* Capital Project Funds account for financial resources to be used for the acquisition or construction of governmental capital assets. The County reports the following Capital Project Funds: 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; Averagesboro Battlefield Fund.

*Cemetery Permanent Fund.* The Cemetery Permanent Fund is used to account for perpetual care of the County owned cemetery.

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.

*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, 2005

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**B - Basis of Presentation - Basis of Accounting (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; and the Stormwater Utility Fund, which accounts for monies collected in connection with the joint storm water utility agreement with the City of Fayetteville.

**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.

*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.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**Note 1 - Summary of Significant Accounting Policies (continued)**

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

**Measurement Focus, Basis of Accounting (continued)**

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 2004 through February 2005 apply to the fiscal year ended June 30, 2005. 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, 2005 because they are intended to finance the County's operations during the 2006 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.

**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.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**C - Budgetary Data (continued)**

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, the District, and the Bureau 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, the District, and the Bureau 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, the District, and the Bureau may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County, the Health System, the ABC Board, the District, and the Bureau 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.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**D - Assets, Liabilities and Fund Equity (continued)**

**1. Deposits and Investments (continued)**

The County, the Health System, the ABC Board, the District, and the Bureau 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, the District, and the Bureau 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, 2004. 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 2005 and future years has been eliminated, unless otherwise reinstated by the County Board of Commissioners.

**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.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**D - Assets, Liabilities and Fund Equity (continued)**

**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

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**D - Assets, Liabilities and Fund Equity (continued)**

**7. Capital Assets (continued)**

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.

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

	<u>Years</u>
Equipment	5
Furniture	10
Improvements	3

**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, 2005

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**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 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.

**Unreserved**

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2005-2006 budget ordinance.

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**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 (continued)**

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

Designated for health department renovation – portion of total fund balance designed by the management for renovation to health department buildings.

Designated for school buses – portion of total fund balance designated by the management for the potential purchase of eight school buses.

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. Health System Merger**

Effective June 1, 2004, the Health System merged with Highsmith-Rainey Long Term Acute Care Hospital (the "LTACH") to integrate the functions of the Health System and the LTACH. The merger has been accounted for as a pooling of interests, and accordingly, the Health System's financial statements have been restated for the period prior to the merger to include the balance sheet; revenue, expense and changes in net assets; and cash flows of the LTACH.

Revenues, expenses and changes in net assets for the individual entities for the periods prior to the June 1, 2004 merger are as follows:

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Notes to the Financial Statements (continued)**

**June 30, 2005**

**Note 1 - Summary of Significant Accounting Policies (continued)**

**D - Assets, Liabilities and Fund Equity (continued)**

**12. Health System Merger (continued)**

	2004		
	Health System	LTACH	Combined
Operating revenue	\$ 409,690,000	\$ 4,660,000	\$ 414,350,000
Operating expenses	401,437,000	3,558,000	404,995,000
Operating income	8,253,000	1,102,000	9,355,000
Nonoperating income	1,564,000	-	1,564,000
Capital contributions	99,000	-	99,000
Change in net assets	9,916,000	1,102,000	11,018,000
Net assets:			
Beginning of year	234,052,000	(287,000)	233,765,000
End of year	\$ 243,968,000	\$ 815,000	\$ 244,783,000

**13. 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.

**14. 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.

**15. 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.

**16. Estimated Malpractice Costs**

The Health System established a provision for estimated malpractice claims that include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**E – Implemented Pronouncements**

The County has implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3. The deposits and investments of state and local governments are exposed to risks that have the potential to result in losses. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As a component of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the identified risks in this Statement should be disclosed.

**F – Upcoming Pronouncements**

**GASB Statement No. 42 “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”**, will be effective for fiscal periods beginning after December 15, 2004. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.

**GASB Statement No. 44 “Economic Condition Reporting: The Statistical Section”—an amendment of NCGA Statement 1** will be effective for statistical sections prepared for periods beginning after June 15, 2005. This Statement amends the portions of NCGA, Statement 1, Governmental Accounting and Financial Reporting Principles that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government.

There were three shortcomings that were identified in the statistical section since NCGA Statement 1 was issued in 1979. First, NCGA Statement 1 presented a list of fifteen required schedules with no additional explanation of the nature of the information they were to contain. As a result, some governments prepared their statistical sections differently from others, thereby diminishing the usefulness and comparability of the information. Second, the statistical section requirements were oriented to general-purpose local governments. Consequently, other types of governments had little guidance on how to adapt the requirements to their circumstances, resulting in incomplete and inconsistent application of the standards and, therefore, additional loss of comparability and usefulness. Third, the requirements for the statistical section did not encompass the new information that governments are presenting as a result of GASB Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.

**GASB Statement No. 45 “Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions”** will be effective in three phases based on a government’s total annual revenues in the first fiscal year ending after June 15, 1999. This Statement is effective for periods beginning after December 15, 2006, for phase one governments (those with total annual revenues of \$100 million or more); after December 15, 2007, for phase two governments (those with total annual revenues of \$10 million or more but less than \$100 million); and after December 15, 2008, for phase three governments (those with total annual revenues of less than \$10 million). Earlier implementation is encouraged.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**F - Upcoming Pronouncements (continued)**

In addition to pensions, many state and local governmental employers provide other post-employment benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes post-employment healthcare, as well as other forms of post-employment benefits (for example, life insurance) when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

**Note 2 - Cash, Cash Equivalents and Investments**

**A - Deposits**

All of the County's, the Health System's, the ABC Board's, the District's, and the Bureau'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, the ABC Board's, or the Bureau'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, the District, and the Bureau, 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, the Bureau, 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, the District, or the Bureau 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, 2005, the County's deposits had a carrying amount of \$67,293,330 and a bank balance of \$69,181,309. Of the bank balance, \$500,000 was covered by Federal depository insurance, \$68,471,592 was covered by collateral under the Pooling Method, and \$209,717 was related to retainage from an insurance administrator for future claim payments. Included in the County's deposits is cash of \$252,732 for the District. The County had \$11,745 in the petty cash and change funds.

At June 30, 2005, the ABC Board's deposits had a carrying amount of \$1,943,025 and a bank balance of \$2,003,625. Of the bank balance, \$300,000 was covered by Federal depository insurance and \$1,703,625 was covered by collateral under the Pooling Method. The ABC Board had petty cash of \$17,970.

At June 30, 2005, the Bureau's deposits had a carrying amount of \$23,879 and a bank balance of approximately \$335,755. Of the bank balances \$100,000 was covered by Federal depository insurance and \$235,755 was covered by collateral under the Pooling Method. Included in the Bureau's deposits are certificates of deposit of \$207,055. The Bureau had petty cash of \$125.

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Notes to the Financial Statements (continued)**

**June 30, 2005**

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

**B - Investments - County**

As of June 30, 2005 the County had the following investments and maturities:

Investment Type	Fair Value	Less than 6		
		Months	6 - 12 Months	1 - 2 Years
Bankers Acceptance	\$ 1,474,845	\$ -	\$ 1,474,845	\$ -
Certificate of Deposit	30,468	-	-	30,468
US Government Agencies	34,493,508	9,420,745	18,612,397	6,460,365
Commercial Paper	12,095,037	12,095,037	-	-
NC Capital Management Trust -- Cash Portfolio	23,460,661	N/A	N/A	N/A
NC Student Loans	21,800,000	21,800,000	-	-
<b>Total</b>	<b>\$ 93,354,518</b>	<b>\$ 43,315,782</b>	<b>\$ 20,087,242</b>	<b>\$ 6,490,833</b>

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy requires investment purchases to be based upon cash flow needs with staggered maturity dates and limits its investment portfolio to a final maturity of no more than two years.

**Credit Risk:** State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2005, the County's investments in commercial paper were rated P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2005. The County's investments in US Agencies (Federal Home Loan Bank, Federal Farm Credit Banks, Federal National Mortgage Assn and Federal Home Loan Mortgage Corporation) are rated AAA by Standard & Poor's and Aaa by Moody's Investor Service.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Wachovia Bank provides safekeeping service for the County. The securities are held in a separate entity with the bank and our held in the name of County of Cumberland.

**Concentration of Credit Risk:** It is the County's policy that no more than 50% of the total investment portfolio may be invested in commercial paper and bankers acceptances. In addition no more than 6% of the total investment portfolio will be invested in any one company's commercial paper or financial institution's bankers acceptances. More than 5% of the County's investments are in Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Fannie Mae, and NC Student Loans. These investments are 9.0%, 7.6%, 8.9% and 19.2% respectively of the County's total investments.

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Notes to the Financial Statements (continued)**

**June 30, 2005**

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

**C – Investments – Health System**

In accordance with GASB Statement No. 40, *Deposit and Risk Disclosures*, the Health System's investments are categorized by investment type. As of September 30, 2004, the Health System had the following investments (modified durations are in years):

Investment Type	<u>Fair Value</u>	<u>Modified Duration</u>	<u>Allocation %</u>
<b>Liquid Fund and Interest Receivable</b>			
<b>Investment Account Cash (Pending Reinvestment)</b>			
Short, Noncurrent, and Board			
Designated Investments	\$ 2,019,000	N/A	N/A
Other Trusteed Assets - Self Insurance	1,413,000	N/A	N/A
	<u>3,432,000</u>		
<b>North Carolina Capital Management Trust</b>			
Short, Noncurrent, and Board			
Designated Investments	17,896,000	N/A	N/A
Other Trusteed Assets - Self Insurance	702,000	N/A	N/A
	<u>18,598,000</u>		
<b>Interest Receivable</b>			
Short, Noncurrent, and Board			
Designated Investments	879,000	N/A	N/A
Other Trusteed Assets - Self Insurance	187,000	N/A	N/A
	<u>1,066,000</u>		
Subtotal of Liquid Funds and Interest Receivable	<u>23,096,000</u>	N/A	N/A
<b>Short, Intermediate, and Broad Duration Funds</b>			
<b>U.S. Treasury Notes</b>			
Short, Noncurrent, and Board			
Designated Investments	19,965,000	1.95	
Other Trusteed Assets - Self Insurance	9,602,000	1.85	
Other Trusteed Assets - Bond Related	9,231,000	-	
	<u>38,798,000</u>		25%
<b>U.S. Agency Obligation</b>			
Short, Noncurrent, and Board			
Designated Investments	37,404,000	1.72	
Other Trusteed Assets - Self Insurance	9,823,000	1.31	
Other Trusteed Assets - Bond Related	11,656,000	-	
	<u>58,883,000</u>		38%
<b>Asset-Backed Securities (Mortgage Related)</b>			
Short, Noncurrent, and Board			
Designated Investments	56,906,000	1.32	37%
Subtotal of Short, Noncurrent, and Board			
Designated Investments	<u>154,587,000</u>		
Short-term investments - Cape Fear Valley Health Foundation	785,000		
Total Fair Value	<u>\$ 178,468,000</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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

**C – Investments – Health System (continued)**

**Credit Risk.** The Health System's cash and investment policies are subject to the Hospital Authorities Act, North Carolina General Statute ("NCGS") 159-30. The Health System may, for funds not required for immediate disbursement, make investments, which are permissible for trustees, executors and other fiduciaries under North Carolina law. Funds designated by the Board of Trustees for capital improvements and other trusted assets are not needed for immediate operating needs and, as such, are invested in a mix of cash equivalents and fixed income securities.

For cash and cash equivalents, the Health System follows NCGS 159-30, whereby all deposits of the Health System with depositories are covered under the state-wide single financial institution collateral pools (known as the "Pooling Method") whereby collateral is maintained for all the depository's governmental units in the state. The North Carolina State Treasurer monitors the Pooling Method collateralized with securities being held by the State Treasurer's agent in the name of the State Treasurer. 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 Health System. Because of the inability to measure the exact amount of collateral pledged for the Health System under the Pooling Method, the potential exists for under collateralization, and this risk may increase in period of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each Pooling Method depository.

As permitted under NCGS 159-30, the Health System invests a portion of its liquid funds in the North Carolina Capital Management Trust ("NCCMT"), a money market fund.

NCGS 159-30, as interpreted by the North Carolina General Assembly, limits investment in Government Sponsored Enterprises ("GSE"), such as the Federal Home Loan Mortgage Corporation ("Freddie Mac"), the Federal National Mortgage Association ("Fannie Mae"), and the Government National Mortgage Association ("Ginnie Mae"). The interpretation only allows for investments in securities of GSEs that are direct obligations that are fully guaranteed by the United States government. The only GSE asset-backed securities permitted as investments under the interpretation are those offered by Ginnie Mae, as they are fully guaranteed by the United States government.

The Health System's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of September 30, 2004. The Health System's investments in US Agencies (Federal Home Loan Bank, Federal Farm Credit Banks, Federal National Mortgage Assn and Federal Home Loan Mortgage Corporation) are rated AAA by Standard & Poor's

**Custodial Credit Risk.** At September 30, 2004, the Health System's deposits had a carrying amount of approximately \$2,921,000 and a bank balance of approximately \$9,379,000. Of the bank balance, \$200,000 was covered by Federal depository insurance and approximately \$9,179,000 was covered by collateral under the Pooling Method. Cash and cash equivalents also includes \$524,000 for Cape Fear Valley Health Foundation.

**Concentration of Credit Risk.** More than 5% of the Health System's investments are in Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, and North Carolina Capital Management Trust. These investments are 7%, 9%, 14%, and 11% respectively of the Health System's total investments.

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Notes to the Financial Statements (continued)**

**June 30, 2005**

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

**C – Investments – Health System (continued)**

**Interest Rate Risk.** The Health System amended its formal investment policy during fiscal year ended September 30, 2004. Through this policy, the Health System manages its exposure to fair value losses arising from increasing interest rates by segregating its investment guidelines between short-term and long-term investments. Short-term funds, investments with a time horizon of one year or less, are allocated up to \$25 million of the total investment portfolio, depending upon the Health System's liquidity needs. The remaining portfolio is allocated to long-term investments. Within the long-term section of the portfolio, 50% is allocated to short or intermediate duration fixed income investments and 50% is allocated to broad duration fixed income investments. The Health System elected to delay implementation of this investment policy during the fiscal year ended September 30, 2004 in response to the current interest rate environment.

As permitted under NCGS 159-30, the Health System invests in Ginnie Mae asset-backed securities. The fair values of these securities are based on cash flows from principal and interest payments on the underlying mortgages. Prepayments reduce the future cash flows of these investments and consequently their fair values. Therefore, these securities are sensitive to decreases in interest rates, which may result in an increase in prepayments by mortgagees. As of September 30, 2004 and 2003, the Health System had \$56,909 and \$0, respectively, invested in this type of asset-backed security.

**D – Reconciliation to Cash and Investments**

	<u>County</u>	<u>ABC Board</u>	<u>Health System</u>	<u>District</u>	<u>Bureau</u>
Total investments	\$ 93,354,518	\$ -	\$ 177,644,000	\$ -	\$ -
Cash (demand deposits)	67,040,598	1,943,025	4,269,000	252,732	230,934
Petty cash	11,745	17,970	-	-	125
Total cash and investments	<u>160,406,861</u>	<u>1,960,995</u>	<u>181,913,000</u>	<u>252,732</u>	<u>231,059</u>
Less: investments	(56,972,778)	-	(178,468,000)	-	-
Total cash and equivalents	<u>\$ 103,434,083</u>	<u>\$ 1,960,995</u>	<u>\$ 3,445,000</u>	<u>\$ 252,732</u>	<u>\$ 231,059</u>

**Total per Statement of Net Assets:**

Cash and cash equivalent - unrestricted	\$ 86,892,489	\$ 1,936,088	\$ 3,445,000	\$ -	\$ 231,059
Cash and cash equivalent - restricted	14,899,460	24,907	-	252,732	-
Cash and cash equivalent - pension trust fund	965,732	-	-	-	-
Cash and cash equivalent - agency funds	676,402	-	-	-	-
Total cash and equivalents	<u>\$ 103,434,083</u>	<u>\$ 1,960,995</u>	<u>\$ 3,445,000</u>	<u>\$ 252,732</u>	<u>\$ 231,059</u>
Investments - unrestricted	\$ 52,625,577	\$ -	\$ 27,258,000	\$ -	\$ -
Investments - restricted	4,347,201	-	151,210,000	-	-
Total investments	<u>\$ 56,972,778</u>	<u>\$ -</u>	<u>\$ 178,468,000</u>	<u>\$ -</u>	<u>\$ -</u>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Notes to the Financial Statements (continued)**

**June 30, 2005**

**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, 2005 is as follows:

Taxes receivable - General Fund	\$ 7,945,180
Patient receivable - General Fund	6,540,358
Other receivables - Water and Sewer Special Revenue Fund	4,266,231
Accounts receivable - Health System	<u>28,053,000</u>
	<u>\$ 46,804,769</u>

**Note 4 - Capital Assets**

**Primary Government**

Capital asset activity for the governmental activities for the year ended June 30, 2005 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 18,210,621	\$ 330,937	\$ 282,927	\$ -	\$ 18,258,631
Construction in progress	4,526	4,547,507	-	-	4,552,033
Total capital assets not being depreciated	<u>18,215,147</u>	<u>4,878,444</u>	<u>282,927</u>	<u>-</u>	<u>22,810,664</u>
Capital assets being depreciated:					
Buildings and improvements	142,003,829	1,870,983	3,044,832	-	140,829,980
Equipment, furniture and fixtures	15,160,091	1,005,858	424,008	-	15,741,941
Vehicles	10,170,147	357,875	640,527	-	9,887,495
Total capital assets being depreciated	<u>167,334,067</u>	<u>3,234,716</u>	<u>4,109,367</u>	<u>-</u>	<u>166,459,416</u>
Less accumulated depreciation for:					
Buildings and improvements	39,498,154	3,720,772	2,131,616	-	41,087,310
Equipment, furniture and fixtures	11,378,341	1,082,648	439,659	-	12,021,330
Vehicles	8,138,166	797,369	630,322	-	8,305,213
Total accumulated depreciation	<u>59,014,661</u>	<u>\$ 5,600,789</u>	<u>\$ 3,201,597</u>	<u>\$ -</u>	<u>61,413,853</u>
Total capital assets being depreciated, net	<u>108,319,406</u>				<u>105,045,563</u>
Governmental activity capital assets, net	<u>\$ 126,534,553</u>				<u>\$ 127,856,227</u>

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

General government	\$ 798,712
Public safety	2,311,971
Human services	1,300,859
Economic and physical development	829,058
Cultural and recreational	<u>360,189</u>
Total depreciation expense	<u>\$ 5,600,789</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

**Note 4 - Capital Assets (continued)**

**Primary Government (continued)**

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

Business-type activities:	Beginning Balances	Increases	Adjustments & Decreases	Ending Balances
<b>Cumberland County Solid Waste</b>				
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	5,003,754	564,322	-	5,568,076
Vehicles	1,747,693	17,144	(21,808)	1,743,029
Total capital assets being depreciated	<u>18,483,007</u>	<u>581,466</u>	<u>(21,808)</u>	<u>19,042,665</u>
Less accumulated depreciation for:				
Landfill	7,198,817	-	-	7,198,817
Buildings and building improvements	3,065,800	178,189	-	3,243,989
Furniture, fixtures and equipment	3,340,018	361,378	-	3,701,396
Vehicles	1,186,986	128,194	(9,223)	1,305,957
Total accumulated depreciation	<u>14,791,621</u>	<u>\$ 667,761</u>	<u>\$ (9,223)</u>	<u>15,450,159</u>
Total capital assets being depreciated, net	<u>3,691,386</u>			<u>3,592,506</u>
Cumberland County Solid Waste capital assets, net	<u>\$ 10,715,080</u>			<u>\$ 10,616,200</u>
<b>Cumberland County Crown Center</b>				
Capital assets not being depreciated:				
Land	\$ 3,327,829	\$ -	\$ -	\$ 3,327,829
Capital assets being depreciated:				
Buildings and building improvements	67,729,808	99,817	-	67,829,625
Furniture, fixtures and equipment	3,288,872	28,010	-	3,316,882
Vehicles	64,385	-	-	64,385
Total capital assets being depreciated	<u>71,083,065</u>	<u>127,827</u>	<u>-</u>	<u>71,210,892</u>
Less accumulated depreciation for:				
Building and building improvements	14,753,591	1,709,489	-	16,463,080
Furniture, fixtures and equipment	1,593,551	226,558	-	1,820,109
Vehicles	38,675	5,143	-	43,818
Total accumulated depreciation	<u>16,385,817</u>	<u>\$ 1,941,190</u>	<u>\$ -</u>	<u>18,327,007</u>
Total capital assets being depreciated, net	<u>54,697,248</u>			<u>52,883,885</u>
Cumberland County Crown Center capital assets, net	<u>\$ 58,025,077</u>			<u>\$ 56,211,714</u>
<b>Kelly Hills Water and Sewer District</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 234,801	\$ 1,831,495	\$ -	\$ 2,066,296
Total capital assets not being depreciated	<u>234,801</u>	<u>\$ 1,831,495</u>	<u>\$ -</u>	<u>2,066,296</u>
Kelly Hills Water and Sewer District capital assets, net	<u>\$ 234,801</u>			<u>\$ 2,066,296</u>
<b>Norcross Water and Sewer District</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 687,554	\$ 8,109,350	\$ -	\$ 8,796,904
Total capital assets not being depreciated	<u>687,554</u>	<u>\$ 8,109,350</u>	<u>\$ -</u>	<u>8,796,904</u>
Norcross Water and Sewer District capital assets, net	<u>\$ 687,554</u>			<u>\$ 8,796,904</u>
Business-type activities capital assets, net	<u>\$ 69,662,512</u>			<u>\$ 77,691,114</u>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Notes to the Financial Statements (continued)**

**June 30, 2005**

**Note 4 - Capital Assets (continued)**

**Primary Government (continued)**

Construction contracts of approximately \$65,265,064 exist for various renovation and construction projects for the County. At June 30, 2005, the remaining commitment on these contracts approximated \$3,450,986. Construction contracts of approximately \$9,106,176 exist for various renovation and construction projects for Eastover Sanitary District. At June 30, 2005, the remaining commitment on these contracts approximated \$2,738,750.

**Discretely presented component units**

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated				
Land	\$ 421,810	\$ 226,211	\$ -	\$ 648,021
Construction in Progress	228,860	-	(228,860)	-
Total capital assets not being depreciated	<u>650,670</u>	<u>226,211</u>	<u>(228,860)</u>	<u>648,021</u>
Capital assets being depreciated:				
Buildings and improvements	1,384,716	574,556	-	1,959,272
Leasehold improvements	110,744	18,890	-	129,634
Furniture and equipment	566,587	261,145	-	827,732
Vehicles	215,111	-	(117)	214,994
ABE equipment	2,585	-	-	2,585
Total capital assets being depreciated	<u>2,279,743</u>	<u>854,591</u>	<u>(117)</u>	<u>3,134,217</u>
Less accumulated depreciation	<u>(1,408,090)</u>	<u>(159,256)</u>	<u>-</u>	<u>(1,567,346)</u>
Total capital assets being depreciated, net	<u>871,653</u>	<u>\$ 695,335</u>	<u>\$ (117)</u>	<u>1,566,871</u>
ABC capital assets, net	<u>\$ 1,522,323</u>			<u>\$ 2,214,892</u>

The following is a summary of proprietary fund-type capital assets for the Health System at September 30, 2004:

	Beginning Balances Reported	Merger Adjustment (Note 1)	Beginning Balances Restated	Increases	Decreases/ Transfers	Ending Balances
Capital assets not being depreciated:						
Land and land improvements	\$ 22,808,000	\$ -	\$ 22,808,000	\$ 794,000	\$ (4,000)	\$ 23,598,000
Construction in progress	6,775,000	-	6,775,000	19,763,000	(16,189,000)	10,349,000
Total capital assets not being depreciated	<u>29,583,000</u>	<u>-</u>	<u>29,583,000</u>	<u>20,557,000</u>	<u>(16,193,000)</u>	<u>33,947,000</u>
Capital assets being depreciated:						
Buildings	195,441,000	-	195,441,000	7,440,000	(1,947,000)	200,934,000
Furniture, fixtures and equipment	132,592,000	527,000	133,119,000	13,006,000	(1,397,000)	144,728,000
Total capital assets being depreciated	<u>328,033,000</u>	<u>527,000</u>	<u>328,560,000</u>	<u>20,446,000</u>	<u>(3,344,000)</u>	<u>345,662,000</u>
Less accumulated depreciation	<u>(179,801,000)</u>	<u>(157,000)</u>	<u>(179,958,000)</u>	<u>(23,391,000)</u>	<u>3,913,000</u>	<u>(199,436,000)</u>
Total capital assets being depreciated, net	<u>148,232,000</u>	<u>370,000</u>	<u>148,602,000</u>	<u>\$ (2,945,000)</u>	<u>\$ 569,000</u>	<u>146,226,000</u>
Health System capital assets, net	<u>\$ 177,815,000</u>	<u>\$ 370,000</u>	<u>\$ 178,185,000</u>			<u>\$ 180,173,000</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

**Note 4 - Capital Assets (continued)**

**Discretely presented component units (continued)**

The merger and acquisition column relates to the Health System merged with Highsmith-Rainey Long Term Acute Care Hospital effective June 1, 2004.

Construction contracts of approximately \$3,092,290 exist for the renovation or construction of Hospital facilities for the Health System. At September 30, 2004, the remaining commitment on these contracts approximated \$1,165,697.

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

	Beginning Balances	Increases	Decreases/ Transfers	Ending Balances
<i>Eastover Sanitary District</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 46,996	\$ 103,918	\$ -	\$ 150,914
Total capital assets not being depreciated	46,996	103,918	-	150,914
Capital assets being depreciated:				
Water lines	6,315,440	-	-	6,315,440
Total capital assets being depreciated	6,315,440	-	-	6,315,440
Less accumulated depreciation	(315,681)	(158,499)	-	(474,180)
Total capital assets being depreciated, net	5,999,759	\$ (158,499)	\$ -	5,841,260
Total capital assets being depreciated, net	<u>\$ 6,046,755</u>			<u>\$ 5,992,174</u>

The following is a summary of capital assets for the Visitors Bureau at June 30:

	Beginning Balances	Increases	Decreases/ Transfers	Ending Balances
<i>Fayetteville Area Convention &amp; Visitors Bureau</i>				
Capital assets being depreciated:				
Furniture and fixtures	\$ 13,770	\$ 4,323	\$ -	\$ 18,093
Equipment	73,228	13,079	-	86,307
Software	21,285	-	-	21,285
Capital improvements	6,232	-	-	6,232
Total capital assets being depreciated	114,515	17,402	-	131,917
Less accumulated depreciation	(70,616)	(18,535)	-	(89,151)
Total capital assets being depreciated, net	<u>\$ 43,899</u>	<u>\$ (1,133)</u>	<u>\$ -</u>	<u>\$ 42,766</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

**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, 2004, the Separation Allowance's membership consisted of:

Retirees receiving benefits	15
Active plan members	<u>274</u>
Total	<u>289</u>

**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 \$220,000. 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.

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Notes to the Financial Statements (continued)**

**June 30, 2005**

**Note 5 - Pension Plan Obligations (continued)**

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

**Contributions (continued)**

The annual required contribution for the current year was determined as part of the December 31, 2003 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, 2004 was 26 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	\$ 203,462
Interest on net pension obligation	424
Adjustment to annual required contribution	<u>(328)</u>
Annual pension cost	203,558
Contributions made	<u>(220,000)</u>
Increase in prepaid pension benefit	(16,442)
Pension obligation beginning of year	<u>5,842</u>
 Prepaid pension benefit end of year	 <u>\$ (10,600)</u>

**Three Year Trend Information**

<b>Fiscal Year Ended June 30,</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2003	\$ 205,735	77.77%	\$ (8,228)
2004	214,070	93.43%	5,842
2005	203,558	108.08%	(10,600)

**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, 2005, 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 \$19,900 for the years ending June 30, 2005 and 2004, 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.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**Note 5 - Pension Plan Obligations (continued)**

**B - Local Governmental Employees' Retirement System**

**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 7.57% 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, 2005, 2004 and 2003 were \$3,564,128, \$3,427,140 and \$3,345,538, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2005, 2004 and 2003 were \$108,530, \$98,950, and \$90,392, respectively. The contributions made by the County and the ABC Board equaled the required contributions for the year.

**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, 2005 were \$715,723, which consisted of \$511,086 from the County and \$204,637 from the law enforcement officers.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**Note 5 - Pension Plan Obligations (continued)**

**C - Supplemental Retirement Income Plan for Law Enforcement Officers (continued)**

**Funding Policy (continued)**

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, 2005, contributions for law enforcement officers were \$10,213, which consisted of \$8,183 from the Board and \$2,030 from the law enforcement officers. Total contributions for employees not engaged in law enforcement for the year ended June 30, 2005 were \$83,562, which consisted of \$62,387 from the Board and \$21,175 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, 2005, the County's required and actual contributions were \$94,868.

**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.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

**Note 5 - Pension Plan Obligations (continued)**

**E - The Health System Pension Plan (continued)**

**Funding Policy (continued)**

The Health System's contribution to the Plan for the current year was \$7,409,000, or 9% 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>
09/30/2004	\$ 5,587,000	100%	\$ -
09/30/2003	5,287,000	100%	-
09/30/2002	4,528,000	100%	-

**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, 2004 and 2003, amounted to \$590,000 and \$447,000, respectively, net of the cash surrender value of the life insurance policies.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**Note 5 - Pension Plan Obligations (continued)**

**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 170 retirees are enrolled in the regular plan and 220 are enrolled in the Medicare carve-out plan. For the fiscal year ending June 30, 2005 the County made payments for post retirement health benefits of \$2,766,631. 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 be less than \$25,000 and no more than \$50,000. 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.

For the fiscal year ended June 30, 2005 the County made contributions to the State for death benefits of \$78,908. The County's required contributions for employees not engaged in law enforcement, Crown Center employees and law enforcement officers, represented .10 percent, .12 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 \$0 of benefits for the years ended June 30, 2005 and 2004 respectively. There are currently 21 retirees whose spouses or estates are eligible to receive this death benefit.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

**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 \$5,712,593 reported as landfill closure and postclosure care liability at June 30, 2005 consists of a closed landfill with estimated costs of \$1,185,938, a phase 2 C & D landfill with estimated costs of \$514,265 and the subtitle D landfill with estimated costs of \$4,012,390. 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 14.80% and 31.89%, respectively of the total estimated capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,961,014 and \$8,569,832 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 2005. 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.

**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:

	<b>Deferred Revenue</b>	<b>Unearned Revenue</b>
Taxes receivable net of allowance - General Fund	\$ 5,655,863	\$ -
Taxes receivable net of allowance - Other Governmental Funds	683,918	-
Accounts receivable - General Fund	638,041	-
Accounts receivable - Other Governmental Funds	2,735	-
Prepaid taxes not yet earned - General Fund	-	1,854,475
	<u>\$ 6,980,557</u>	<u>\$ 1,854,475</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.

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Notes to the Financial Statements (continued)**

**June 30, 2005**

**Note 8 - Risk Management (continued)**

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 claims liability of each insurance fund at June 30, 2005 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.

Changes in the balances of claim liabilities for the County during the years ended June 30, 2005 and 2004 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>
2004-05	\$ 1,399,753	\$ 12,652,174	\$ (12,334,124)	\$ 1,717,803
2003-04	\$ 1,024,348	\$ 10,809,656	\$ (10,434,251)	\$ 1,399,753

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 is self-insured for medical malpractice and workers' compensation up to the various limits discussed below. The Health System has purchased commercial insurance to cover losses exceeding the self-insurance limits.

**Estimated Malpractice Costs** – The Health System is self-insured for medical malpractice risks up to \$3,000,000 per claim and \$9,000,000 aggregate, on a claims-made basis. In addition, the Health System has an excess coverage policy, which is limited to annual costs of \$50,000.

Losses from asserted claims and from unasserted claims identified under the Health System's incident reporting system, and possible losses attributable to incidents that may have occurred but that have not been identified under the incident reporting system, are accrued based on estimates that incorporate the Health System's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. Such estimates are prepared by an independent actuary. Accrued malpractice losses have not been discounted.

The following is a summary of the activity in the liability for medical malpractice claims for the years ended September 30, 2004 and 2003:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2004	<u>\$11,018,000</u>	<u>\$8,045,000</u>	<u>\$(1,225,000)</u>	<u>\$17,838,000</u>
2003	<u>\$11,752,000</u>	<u>\$ 787,000</u>	<u>\$(1,521,000)</u>	<u>\$11,018,000</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**Note 8 - Risk Management (continued)**

The Health System has established a revocable trust fund for the payment of medical malpractice claim settlements. Independent actuaries have been retained to assist the Health System with determining amount deposited in the trust fund.

**Workers' Compensation** – The Health System is self-insured for workers' compensation claims with an excess coverage (stop loss) policy that covers annual workers' compensation claims in excess of \$350 per claim limited to \$1,000 per claim and \$1,000 aggregate. The Health System has utilized independent actuaries to estimate the ultimate cost of the self-insurance portion of the settlement of such claims. Workers' compensation liability was \$4,460 and \$3,888 at September 30, 2004 and 2003, respectively. Workers' compensation expense for the years ended September 30, 2004 and 2003 was \$1,950 and \$1,078 respectively.

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.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**Note 9 - Long-term Obligations**

**A - Capital Lease Obligations**

During the current fiscal year the County entered into a lease agreement as lessee for financing the acquisition of new energy efficient equipment and improvements to existing energy infrastructure relating to a guaranteed energy savings contract. This 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 \$284,661, beginning June 9, 2006, including interest at 3.945%. \$ 4,537,080

Under the terms of the lease, title passes to the County at the end of the lease term. The lease expires on December 9, 2017. At June 30, 2005, the value of the capital assets associated with this lease and included in construction in progress was \$3,856,518.

**B - General Obligation Bonds - County**

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.

During the current fiscal year the County issued \$5,075,000 in General Obligation Bonds and \$35,505,000 in General Obligation Refunding Bonds. The County's general obligation bonds payable at June 30, 2005 are comprised of the following individual issues:

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

**Note 9 - Long-term Obligations (continued)**

**B - General Obligation Bonds – County (continued)**

*Governmental Activities:*

<b>\$23,325,000 General Obligation Bonds, School Refunding Series 1998</b> 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%.	\$ 16,035,000
<b>\$53,180,000 General Obligation Bonds, School Series 1998</b> 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%.	37,080,000
<b>\$11,400,000 General Obligation Bonds, Library Series 1997</b> Serial bonds payable annually March 1, 2006 and March 1, 2007 in the amount of \$600,000; interest of 4.9%.	1,200,000
<b>\$29,945,000 General Obligation Bonds, School Series 2000</b> Serial bonds payable annually from March 1, 2006 through March 1, 2010 in amounts ranging from \$1,100,000 to \$1,200,000; interest of 5.5%.	5,800,000
<b>\$14,875,000 General Obligation Bonds, School Series 2002</b> 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 4.0% to 5.0%.	13,875,000
<b>\$5,075,000 General Obligation Bonds, School Series 2004</b> Serial bonds payable annually from February 1, 2006 through February 1, 2023 in amounts ranging from \$500,000 to \$2,000,000; Interest ranges from 4.0% to 5.0%.	5,075,000
<b>\$35,505,000 General Obligation Refunding Bonds, Series 2004</b> Serial bonds payable annually from May 1, 2005 through May 1, 2019 in amounts ranging from \$430,000 to \$4,390,000; Interest ranges from 3.0% to 5.0%.	<u>35,075,000</u> 114,140,000
Plus bond premium	2,580,834
Less gain on defeasance	<u>(2,857,456)</u>
Total	<u>\$113,863,378</u>

At June 30, 2005, the County had bonds authorized but unissued of \$14,101,000 and a legal debt margin of \$1,192,783,000.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**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, 2005 are as follows:

*Business-type Activities:*

\$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%.	19,635,000
\$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%.	<u>18,385,000</u>
	51,058,781
Less gain on defeasance	<u>(4,010,320)</u>
	<u>\$ 47,048,461</u>

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, and therefore, are accounted for in the governmental activities. Certificates outstanding for the year ended June 30, 2005 are as follows:

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**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%. \$ 20,570,000

\$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% 33,330,000

\$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

\$ 70,635,000

**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%. \$ 1,363,467

Note payable in semi-annual installments ranging From \$27,743 to \$28,322 including interest of 4.5%. 227,393

Note payable in ten annual installments of \$150,000 plus variable interest at an average rate of 5.86% 750,000

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% 658,411

\$ 2,999,271

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Notes to the Financial Statements (continued)**

**June 30, 2005**

**Note 9 - Long-term Obligations (continued)**

**E - Bond Anticipation Notes**

NORCRESS issued general obligation bond anticipation notes during Fiscal Year 2005 in order to finance construction of a water and sewer project to benefit the citizens of Falcon, Godwin, and Wade. NORCRESS plans to retire the notes in Fiscal Year 2006 using the proceeds of general obligation bonds to be issued when construction is 95% complete.

NORCRESS bond anticipation notes outstanding for the year ended June 30, 2005 are as follows:

**\$1,250,000 General Obligation Sewer Bonds, Series 2004**

Term bond payable August 24, 2005 in a single installment of \$1,250,000 plus interest accruing at a rate of 2.04%

\$ 1,250,000

**F - Long-term Obligation Activity**

The following is a summary of changes in the County's long-term obligations as of June 30, 2005:

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Refundings /Other</u>	<u>Payments</u>	<u>Balance June 30, 2005</u>	<u>Current Portion of Long-term Liabilities</u>
Governmental activities:						
Bonds payable	\$ 115,895,000	\$ 40,580,000	\$ 34,655,000	\$ 7,680,000	\$ 114,140,000	\$ 7,975,000
Bond premium	-	2,713,376	-	132,542	2,580,834	187,118
Gain on defeasance	-	(3,004,214)	-	(146,758)	(2,857,456)	(207,187)
Capital lease obligations	-	4,537,080	-	-	4,537,080	(25,151)
Certificates of participation payable	74,570,000	-	-	3,935,000	70,635,000	4,160,000
Notes payable	3,234,457	250,000	-	485,186	2,999,271	432,543
Accrued vacation	4,009,505	3,867,163	-	3,809,030	4,067,638	3,864,256
Arbitrage rebate payable	617,060	-	617,060	-	-	-
<b>Total governmental activities</b>	<b>\$ 198,326,022</b>	<b>\$ 48,943,405</b>	<b>\$ 35,272,060</b>	<b>\$ 15,895,000</b>	<b>\$ 196,102,367</b>	<b>\$ 16,386,579</b>

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Refundings /Other</u>	<u>Payments</u>	<u>Balance June 30, 2005</u>	<u>Current Portion of Long-term Liabilities</u>
Business-type activities:						
Certificates of participation payable	\$ 53,183,781	\$ -	\$ -	\$ 2,125,000	\$ 51,058,781	\$ 2,365,000
Bond anticipation note	-	1,250,000	-	-	1,250,000	1,250,000
Gain on defeasance	(4,229,929)	219,609	-	-	(4,010,320)	274,234
Notes payable	-	-	-	-	-	-
Accrued landfill closure and post closure costs	4,980,263	732,330	-	-	5,712,593	-
Accrued vacation	166,738	63,661	-	53,825	176,574	167,745
<b>Total business-type activities</b>	<b>\$ 54,100,853</b>	<b>\$ 2,265,600</b>	<b>\$ -</b>	<b>\$ 2,178,825</b>	<b>\$ 54,187,628</b>	<b>\$ 4,056,979</b>

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, 2005

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, bond anticipation notes, and arbitrage rebate payable, accrued landfill closure and postclosure costs):

	General Obligation Bonds		Certificates of Participation		Capital Leases		Notes Payable		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities:										
2006	\$ 7,975,000	\$ 5,349,371	\$ 4,160,000	\$ 3,379,075	\$ (25,151)	\$ 273,812	\$ 432,544	\$ 142,539	\$ 12,542,393	\$ 9,144,797
2007	7,935,000	4,988,461	4,225,000	3,199,640	320,471	176,850	441,573	119,440	12,922,044	8,484,391
2008	7,995,000	4,629,071	4,300,000	3,014,065	333,238	164,083	786,551	93,910	13,414,789	7,901,129
2009	7,940,000	4,277,101	4,365,000	2,823,408	346,514	150,807	265,728	153,126	12,917,242	7,404,442
2010	7,885,000	3,927,181	4,130,000	2,628,080	360,319	137,002	235,600	143,721	12,610,919	6,835,984
2011-2015	39,440,000	13,982,249	22,105,000	10,093,430	2,028,701	457,906	837,275	120,042	64,410,976	24,663,627
2016-2020	31,920,000	4,567,274	18,875,000	4,604,688	1,172,988	70,315	-	-	51,967,988	9,242,277
2021-2025	3,050,000	178,562	8,475,000	1,110,638	-	-	-	-	11,525,000	1,289,200
	114,140,000	41,899,270	70,635,000	30,853,024	4,537,080	1,430,775	2,999,271	772,778	192,311,351	74,955,847
Add: Bond premium	2,580,834	-	-	-	-	-	-	-	2,580,834	-
Less: Gain on defeasance (net of amortization)	(2,857,456)	-	-	-	-	-	-	-	(2,857,456)	-
	\$ 113,863,378	\$ 41,899,270	\$ 70,635,000	\$ 30,853,024	\$ 4,537,080	\$ 1,430,775	\$ 2,999,271	\$ 772,778	\$ 192,034,729	\$ 74,955,847
Business-type Activities:										
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	-	-	3,465,000	1,842,550	-	-	-	-	3,465,000	1,842,550
2011-2015	-	-	8,673,781	10,948,152	-	-	-	-	8,673,781	10,948,152
2016-2020	-	-	12,210,000	5,510,500	-	-	-	-	12,210,000	5,510,500
2021-2025	-	-	15,690,000	2,039,750	-	-	-	-	15,690,000	2,039,750
	-	-	51,058,781	29,225,902	-	-	-	-	51,058,781	29,225,902
Less: Gain on defeasance (net of amortization)	-	-	(4,010,320)	-	-	-	-	-	(4,010,320)	-
	\$ 113,863,378	\$ 41,899,270	\$ 117,683,461	\$ 60,078,926	\$ 4,537,080	\$ 1,430,775	\$ 2,999,271	\$ 772,778	\$ 239,083,190	\$ 104,181,749

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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, 2005, there were \$1,100,000 series of industrial revenue bonds outstanding.

**H - Defeasance of Debt**

***Current Year's Defeasance of Debt***

On October 19, 2004, the County issued \$35,505,000 General Obligation Refunding Bonds, Series 2004 for the purpose of providing funds, together with other available funds, to advance refund \$34,655,000 of outstanding General Obligation Bonds, as follows:

School Bonds, Series 2000	\$18,645,000
School Bonds, Series 1995	6,750,000
Community College Facilities Bonds, Series 1994	3,260,000
Library Facilities Bonds, Series 1997	<u>6,000,000</u>
	<u>\$34,655,000</u>

Interest on the Refunding Bonds is payable semiannually on May 1 and November 1, commencing May 1, 2005, at rates ranging from 3% to 5%. The maturity of the Refunding Bonds is May 1, 2019. The County completed the advance refunding to reduce its total debt service payments over 15 years by \$2,155,009 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,852,747. The net proceeds received from the refunding were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2004 General Obligation Refunding. As a result, the refunded GO bonds listed above are considered to be defeased and the liability for those bonds has been removed. The carrying value of the general obligation bonds has been adjusted for the gain from defeasance (net of amortization) of \$2,857,456.

***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, 2005, the amount of prior year defeased debt outstanding and removed from the County's liabilities amounted \$56,530,000.

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 \$4,010,320.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

Note 9- Long-term Obligations (continued)

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%. 22,355,000

*\$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%. 105,845,000

134,920,000

**Note Payable**

Note payable monthly through August, 2006, in the amount of \$84,000; interest ranges from 3.43%. 1,876,000  
136,796,000

Less unamortized discount (3,095,000)

Less deferred loss on early extinguishment of 1991 bond issue (3,007,000)

Total \$ 130,694,000

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Notes to the Financial Statements (continued)**

**June 30, 2005**

**Note 9 - Long-term Obligations (continued)**

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

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

	Balance September 30, 2003	Additions	Payments	Balance September 30, 2004	Current Portion of Long-term Liabilities
Revenue bonds	\$ 140,305,000	\$ -	\$ 5,385,000	\$ 134,920,000	\$ 5,625,000
Note payable	2,807,000	-	931,000	1,876,000	964,000
	<u>143,112,000</u>	-	<u>6,316,000</u>	<u>136,796,000</u>	<u>6,589,000</u>
Less:					
Unamortized discount	(3,662,000)	-	(655,000)	(3,007,000)	(653,000)
Deferred loss on early extinguishment of 1991 bonds	(3,375,000)	-	(280,000)	(3,095,000)	(254,000)
<b>Total</b>	<u>\$ 136,075,000</u>	<u>\$ -</u>	<u>\$ 5,381,000</u>	<u>\$ 130,694,000</u>	<u>\$ 5,682,000</u>

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

	Revenue Bonds		Note Payable	
	Principal	Interest	Principal	Interest
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	5,965,000	5,395,000	-	-
2010-2014	32,500,000	23,724,000	-	-
2015-2019	29,495,000	15,332,000	-	-
2020-2024	24,920,000	7,740,000	-	-
2025-2029	15,620,000	3,088,000	-	-
2030	3,635,000	95,000	-	-
	<u>134,920,000</u>	<u>78,968,000</u>	<u>1,876,000</u>	<u>65,000</u>
Less:				
Unamortized discounts	(3,007,000)	-	-	-
Deferred loss on early extinguishment of debt	(3,095,000)	-	-	-
	<u>\$ 128,818,000</u>	<u>\$ 78,968,000</u>	<u>\$ 1,876,000</u>	<u>\$ 65,000</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.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

**Note 9 - Long-term Obligations (continued)**

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

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, 2004, the amount of defeased debt outstanding but removed from the Health System's books amounted to \$7,452,000 including unamortized discounts.

**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 in fiscal year 2005. Principal payments amounted to \$42,500 during fiscal year 2005.

The District's general obligation bonds payable at June 30, 2005 are comprised of the following individual issues:

<i>\$2,802,000 General Obligation Water Bonds, Series 2002A</i>	
Serial bonds payable annually from June 1, 2003 through June 1, 2042 in amounts ranging from \$0 to \$124,000;	
Interest is paid annually at rate of 4.375%.	\$ 2,771,000
<i>\$1,102,000 General Obligation Water Bonds, Series 2002B</i>	
Serial bonds payable annually from June 1, 2003 through June 1, 2042 in amounts ranging from \$0 to \$46,000;	
Interest is paid annually at rate of 4.75%.	<u>1,090,500</u>
Total	3,861,500
Less current portion	<u>(44,000)</u>
Noncurrent	<u>\$ 3,817,500</u>

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

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Notes to the Financial Statements (continued)**

**June 30, 2005**

**Note 9 - Long-term Obligations (continued)**

**J- General Obligation Bonds - Eastover Sanitary District (continued)**

	Eastover Sanitary District	
	Principal	Interest
2006	\$ 44,000	\$ 173,030
2007	46,000	171,060
2008	48,000	169,001
2009	50,500	166,852
2010	52,500	164,591
2011-2015	300,000	785,481
2016-2020	374,000	711,935
2021-2025	466,000	620,221
2026-2030	580,000	506,036
2031-2035	721,500	363,819
2036-2040	839,000	189,638
2041-2042	340,000	22,830
	<u>\$ 3,861,500</u>	<u>\$ 4,044,494</u>

**Note 10 - Interfund Balances and Activity**

**Due From/To Other Funds**

The composition of interfund balances included in the fund financial statements as of June 30, 2005 is as follows:

	General	Nonmajor Governmental	Cumberland County Solid Waste	Cumberland County Crown Center	Kelly Hills Water and Sewer District	Norcross Water and Sewer District	Fiduciary	Total
Receivable Fund								
General	\$ -	\$ 498,107	\$ 223,508	\$ 2,000	\$ 147,680	\$ 551,812	\$ 38,499	\$ 1,461,606
Solid waste	220,350	-	-	-	-	-	-	220,350
Total	<u>\$ 220,350</u>	<u>\$ 498,107</u>	<u>\$ 223,508</u>	<u>\$ 2,000</u>	<u>\$ 147,680</u>	<u>\$ 551,812</u>	<u>\$ 38,499</u>	<u>\$ 1,681,956</u>

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

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Notes to the Financial Statements (continued)**

**June 30, 2005**

**Note 10 - Interfund Balances and Activity (continued)**

**Transfers to/from Other Funds**

Transfers in (out) for the year ended June 30, 2005 is summarized below:

	<u>Transfer in:</u>						<u>Total</u>
	<u>General</u>	<u>2004 School Bond</u>	<u>Nonmajor Governmental</u>	<u>Cumberland County Crown Center</u>	<u>NORCRESS Water and Sewer</u>	<u>Internal service</u>	
<b>Transfer out:</b>							
General	\$ -	\$ -	\$ 1,427,764	\$ 6,677,470	\$ -	\$ 4,154,857	\$ 12,260,091
2004 School Bond	-	-	255,589	-	-	-	255,589
Nonmajor governmental	5,078,689	2,194,400	1,144,117	3,317,437	185,137	-	11,919,780
Solid Waste	257,456	-	-	-	-	-	257,456
<b>Total Transfers out</b>	<b>\$ 5,336,145</b>	<b>\$ 2,194,400</b>	<b>\$ 2,827,470</b>	<b>\$ 9,994,907</b>	<b>\$ 185,137</b>	<b>\$ 4,154,857</b>	<b>\$ 24,692,916</b>

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.

**Note 11 – Stewardship, Compliance and Accountability**

A budget was not adopted in the Tourism Development Authority fund since this fund was previously accounted for as an Agency fund, which did not require an adopted budget. Subsequently, it was determined that this fund should be accounted for as a Special Revenue fund requiring an adopted budget by State Statute.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2005

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**Note 12 - 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, \$0 in debt is outstanding. During the current fiscal year, the County refunded the outstanding \$3,260,000 1994 FTCC bonds. 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. As a result of the refunding the County has \$2,875,000 in bonds outstanding at June 30, 2005 related to the Community College.

The County contributed \$6,646,823 and \$1,891,004 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2005. In addition, the County made debt service payments of \$370,575 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, 2005. 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, 2004, approximates \$969,000. The Health System's investment in the Partnership at September 30, 2004 is approximately \$1,553,218.

The Health System has a 50% equity interest in Cedar Creek Medical Services, LLC. The Health System's share of the LLC's income for the year ended September 30, 2004 approximated \$57,222. The Health System's investment in the LLC at September 30, 2004 is approximately \$449,000.

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, 2004 is approximately \$483,000. In 2004, Carolina Summit Healthcare, Inc. informed investors of their decision to cease operations and remit remaining funds to investors. The 2004 investment balance represents the Health System's expected receipts from Carolina Summit Healthcare, Inc. Based on this expectation, the Health System recognized a loss of \$715,000 of 2004.

The Health System is an investor in five other medical related organizations with a book value of \$991,000.

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, 2005**

**Note 13 - 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.

	<b>Federal</b>	<b>State</b>
Medicaid	\$ 141,688,802	\$ 67,992,493
TANF	6,694,904	(1,697)
Special Assistance for Adults	-	2,087,187
Energy Assistance	453,768	-
Adoption Subsidy	-	746,588
WIC Food Vouchers	8,190,658	-
Adoption Assistance	921,003	258,888
	<u>\$ 157,949,135</u>	<u>\$ 71,083,459</u>

**Note 14 - 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 was 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:

<b>Fiscal Year Ended</b>	
2006	\$ 6,900
2007	6,900
2008	6,900
	<u>\$ 20,700</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, 2004 was \$7,335,000.

**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, 2005

Note 14 - 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	\$ 3,065,000
2006	3,065,000
2007	4,065,000
2008	3,065,000
2009	3,065,000
2010-2014	15,325,000
2015-2019	15,325,000
2020-2024	15,325,000
2025-2028	12,260,000
	<u>\$ 74,560,000</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, 2005

Note 14 - 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, 2004, are as follows:

<u>Fiscal Year</u> <u>Ended</u>		
2005	\$	154,000
2006		154,000
2007		154,000
2008		154,000
2009		154,000
2010-2013		449,000
	\$	<u>1,219,000</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, 2005 future minimum lease payments under all leases are as follows:

2006	\$	79,142
2007		39,812
	\$	<u>118,954</u>

Total rent expense under leases for the year ended June 30, 2005 was \$131,727.

Note 15 - 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, 2004 and 2003 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, 2005

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**Note 15 - 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 16 - 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 17 - Goodwill**

Other assets for the Health System consist 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 18 - 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, 2005

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**Note 19 – Subsequent Events**

a. Privatization of Health System

On August 15, 2005, the Cumberland County Board of Commissioners approved an Agreement in Principle and a Transfer Agreement pursuant to N.C.G.S. 131E-8 with Cumberland County Hospital System, Inc., the nonprofit corporation doing business as Cape Fear Valley Health System to which the County's hospital system assets are presently leased (the "Corporation"), for the conveyance of all of the health system's assets to the Corporation. The assets to be transferred include Cape Fear Valley Medical Center at 1638 Owen Drive; Behavioral Health Care at 3425 Melrose Road; Southeastern Regional Rehabilitation Center at 1638 Owen Drive; Highsmith-Rainey Medical Center at 150 Robinson Street; Healthplex of Cape Fear Valley System at 1930 Skibo Road; twelve primary care clinics in Fayetteville and surrounding communities; as well as all other assets of the System now operated by the Corporation. In consideration for such transfer, the Corporation (1) shall provide funds to defease all of the County's revenue bonds currently outstanding in the approximate aggregate amount of \$130 million relating to the hospital system, (2) shall make additional annual payments to the County, and (3) shall comply with certain other covenants and promises made to the County in the Agreement in Principle and Transfer Agreement between the County and the Corporation. The Corporation will continue to provide, indigent care services without regard to ability to pay for those services, consistent with its historical practice and expenditures, providing care regardless of race, color, creed, social status, national origin or ability to pay. The Corporation will continue to operate as a community general hospital and will be required to maintain its status as an Internal Revenue Code §501(c)(3) charitable organization. The Cumberland County Board of Commissioners will appoint 15 of the 20 members of the Corporation's Board of Trustees, including all seven members of the Board of Commissioners. Pursuant to the Transfer Agreement, the Corporation's Board meetings will remain open to the general public in accordance with N.C.G.S. 143-318.10 of North Carolina's Open Meeting Act. The Corporation's breach of certain covenants in the Transfer Agreement would result in automatic, or could result in discretionary, as the case might be, reversion of ownership of the health system's assets to the County.

b. Annexation

On April 21, 2003 the City of Fayetteville developed an annexation plan for consideration of area's west to the Hoke County line, south to Fisher Road, north to Fort Bragg and other areas, with a total population of approximately 43,000. The 43,000 residents affected were included in the County's revenue base. The effective date was to be June 30, 2004. In June 2004, three lawsuits were filed to postpone the effective date of the annexation. The cases were appealed to the North Carolina Court of Appeals, who, on June 7, 2005, unanimously ruled in favor of the City of Fayetteville. Subsequently, on August 19, 2005, the North Carolina Supreme Court declined to hear the cases on discretionary review, thereby as required by state law, making the annexation effective on September 30, 2005.

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

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

<u>Calendar Year</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll (b-a/c)</u>
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%
2004	992,117	2,359,322	1,367,205	42.05%	9,573,312	14.28%

**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>
1996	\$ 57,961	43.13%
1997	68,157	110.04%
1998	74,615	33.51%
1999	75,775	127.93%
2000	99,631	16.97%
2001	122,612	20.06%
2002	213,334	7.65%
2003	206,748	77.39%
2004	214,216	93.34%
2005	203,462	108.13%

**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	12/31/2004
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	26 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%
2004	57,495,000	68,428,000	10,933,000	84.0%	85,591,000	12.8%

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Health System Pension Plan  
Required Supplementary Information  
Schedule of Employer Contributions**

<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
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%
2004	7,409,000	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

**GENERAL FUND**

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Financial Statements and Schedules**

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COUNTY OF CUMBERLAND, NORTH CAROLINA

Comparative Balance Sheets  
General Fund

June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 43,790,508	\$ 26,654,299
Investments	40,702,061	46,657,708
Taxes receivable	5,655,864	6,423,486
Accounts receivable	-	-
Accrued penalties	-	-
Sales tax receivable	12,082,485	12,115,393
Due from other governments	7,092,413	7,807,250
Patient receivables	1,972,839	2,371,559
Other receivables	209,143	166,428
Due from other funds	1,461,606	945,718
Due from component units	194,028	201,685
Inventories	265,955	204,886
Restricted assets		
Cash and cash equivalents	<u>862,441</u>	<u>228,875</u>
<b>Total assets</b>	<b><u>\$ 114,289,343</u></b>	<b><u>\$ 103,777,287</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts and vouchers payable	\$ 5,842,020	\$ 4,543,729
Due to other governments	4,199,391	2,028,845
Accrued payroll	5,220,115	4,324,269
Other payables	60,243	31,274
Due to other funds	220,350	259,199
Deferred revenues	<u>8,148,379</u>	<u>11,274,743</u>
<b>Total liabilities</b>	<b><u>23,690,498</u></b>	<b><u>22,462,059</u></b>
<b>Fund balance</b>		
Reserved for inventories	265,955	204,886
Reserved for register of deeds	137,081	140,680
Reserved for mental health programs	-	60,230
Reserved for encumbrances	3,962,466	4,435,664
Reserved by State statute	22,374,474	19,947,496
Unreserved (available for future appropriation)		
Designated for subsequent year's expenditures	17,502,451	11,380,770
Designated for other purposes	-	2,018,754
Designated for technology	2,861,997	2,861,997
Designated for renovations and maintenance	3,984,050	3,904,050
Designated for health department renovations	2,500,000	-
Designated for school buses	453,000	-
Undesignated	<u>36,557,371</u>	<u>36,360,701</u>
<b>Total fund balance</b>	<b><u>90,598,845</u></b>	<b><u>81,315,228</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 114,289,343</u></b>	<b><u>\$ 103,777,287</u></b>

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2005  
(With Comparative Totals for June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Revenues</b>				
<b>Ad valorem taxes</b>				
Current year	\$ 107,231,170	\$ 110,550,184	\$ 3,319,014	\$ 107,220,110
Prior years	2,369,133	3,016,134	647,001	2,792,049
Penalties and interest	1,240,006	1,522,926	282,920	1,347,786
Motor vehicle - current	11,518,217	11,929,820	411,603	11,779,549
Motor vehicle - prior	2,009,188	2,111,141	101,953	2,274,785
Other	307,863	365,408	57,545	311,097
<b>Total ad valorem taxes</b>	<b>124,675,577</b>	<b>129,495,613</b>	<b>4,820,036</b>	<b>125,725,376</b>
<b>Other taxes</b>				
Dog registration fees	435,000	405,668	(29,332)	441,763
Real estate transfer	854,239	1,131,223	276,984	1,069,746
Other taxes	623,332	686,819	63,487	658,219
Sales	37,999,274	44,129,779	6,130,505	39,749,685
Other	2,557	3,026	469	2,557
<b>Total other taxes</b>	<b>39,914,402</b>	<b>46,356,515</b>	<b>6,442,113</b>	<b>41,921,970</b>
<b>Unrestricted intergovernmental revenues</b>				
Federal	207,879	434,881	227,002	21,044
State government	184,338	180,181	(4,157)	299,782
Fayetteville	2,611,290	2,628,555	17,265	2,719,387
Municipalities	115,512	161,467	45,955	146,078
Other governmental	1,000,000	1,056,411	56,411	1,597,543
<b>Total unrestricted intergovernmental revenues</b>	<b>4,119,019</b>	<b>4,461,495</b>	<b>342,476</b>	<b>4,783,834</b>
<b>Restricted intergovernmental revenues</b>				
Federal	1,920,972	1,145,806	(775,166)	322,819
NC health programs	3,786,649	3,657,420	(129,229)	3,691,515
NC mental health programs	16,129,854	11,745,578	(4,384,276)	10,426,397
NC social services programs	36,941,877	36,710,224	(231,653)	34,917,664
NC library programs	683,226	696,209	12,983	686,940
NC other restricted revenue	548,644	499,332	(49,312)	477,062
Other restricted revenue	1,334,221	1,289,700	(44,521)	888,715
<b>Total restricted intergovernmental revenues</b>	<b>61,345,443</b>	<b>55,744,269</b>	<b>(5,601,174)</b>	<b>51,411,112</b>

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2005  
(With Comparative Totals for June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Revenues (continued)</b>				
<b>Licenses and permits</b>				
Inspection department permits	\$ 1,002,069	\$ 1,849,996	\$ 847,927	\$ 1,176,930
Marriage licenses	117,800	121,320	3,520	110,010
Register of Deeds fees	1,570,040	1,946,037	375,997	2,176,819
Miscellaneous permits	965,053	1,313,954	348,901	965,053
<b>Total licenses and permits</b>	<b>3,654,962</b>	<b>5,231,307</b>	<b>1,576,345</b>	<b>4,428,812</b>
<b>Sales and services</b>				
Health department fees	2,293,272	2,842,456	549,184	2,765,545
Library fees	306,000	316,072	10,072	314,607
Mental health department fees	13,821,791	13,564,193	(257,598)	12,691,276
Sheriff department fees	2,471,945	2,312,989	(158,956)	2,001,818
Social services fees	228,389	187,824	(40,565)	177,242
Other department fees	1,426,771	1,486,265	59,494	1,496,878
<b>Total sales and services</b>	<b>20,548,168</b>	<b>20,709,799</b>	<b>161,631</b>	<b>19,447,366</b>
<b>Interest earned on investments</b>	<b>672,042</b>	<b>2,263,021</b>	<b>1,590,979</b>	<b>891,441</b>
<b>Miscellaneous</b>				
Miscellaneous	413,414	1,264,300	850,886	571,253
Rent, land, and buildings	4,591,447	4,383,460	(207,987)	4,440,034
Sales miscellaneous	-	13,145	13,145	-
Special assessments	-	6,609	6,609	1,740
<b>Total miscellaneous</b>	<b>5,004,861</b>	<b>5,667,514</b>	<b>662,653</b>	<b>5,013,027</b>
<b>Total revenues</b>	<b>259,934,474</b>	<b>269,929,533</b>	<b>9,995,059</b>	<b>253,622,938</b>

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2005  
(With Comparative Totals for June 30, 2004)

	2005			2004
	Budget	Actual	Variance Positive (Negative)	
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Governing body	\$ 412,618	\$ 390,164	\$ 22,454	\$ 339,152
Administration	1,121,679	1,064,158	57,521	978,755
Court facilities	41,000	13,273	27,727	95,885
Information services	1,386,652	1,346,379	40,273	1,218,018
Elections	755,713	695,294	60,419	480,927
Finance	824,868	786,146	38,722	742,659
Legal	466,869	465,239	1,630	447,182
Register of Deeds	1,668,270	1,578,571	89,699	1,575,157
Tax assessor	3,554,529	3,389,506	165,023	3,198,754
Print shop	162,146	134,066	28,080	127,851
Public Building	2,138,788	1,713,220	425,568	1,869,953
Message center	139,847	124,876	14,971	129,331
Carpenter shop	165,760	161,639	4,121	151,923
Public buildings - equipment maintenance	699,965	645,281	54,684	647,742
Public buildings - janitorial	518,947	518,638	309	474,030
Central maintenance	792,145	737,218	54,927	642,271
Landscaping and grounds	489,037	474,100	14,937	477,535
General government other	9,245,408	6,303,508	2,941,900	1,822,804
<b>Total general government</b>	<b>24,584,241</b>	<b>20,541,276</b>	<b>4,042,965</b>	<b>15,419,929</b>
<b>Public safety</b>				
Emergency dispatch	2,799,075	2,028,113	770,962	1,051,736
Sheriff	17,214,786	16,823,453	391,333	16,321,961
Jail	9,153,319	8,737,029	416,290	8,184,207
Gang intervention grant	13,238	-	13,238	-
School law enforcement-local	2,100,723	2,092,953	7,770	1,999,671
Sheriff's grants	154,213	104,254	49,959	91,358
Law enforcement block grant 97	62,508	-	62,508	-
Animal Control	953,417	820,434	132,983	878,947
Public safety other	931,692	814,307	117,385	884,976
Cumberland day reporting center	222,277	209,245	13,032	208,716
Criminal justice unit	253,921	251,783	2,138	238,910
Community correction - probation	70,463	52,007	18,456	43,236
<b>Total public safety</b>	<b>33,929,632</b>	<b>31,933,578</b>	<b>1,996,054</b>	<b>29,903,718</b>

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2005  
(With Comparative Totals for June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Expenditures (continued)</b>				
<b>Current (continued)</b>				
<b>Economic and physical development</b>				
Planning department	\$ 2,530,848	\$ 2,398,520	\$ 132,328	\$ 2,164,612
Engineering	216,615	204,411	12,204	195,964
NC cooperative extension service	503,667	468,594	35,073	403,186
Soil conservation district	78,073	73,770	4,303	45,627
Soil conservation cost	46,362	42,419	3,943	41,244
Economic physical development - other	435,385	420,625	14,760	446,633
Industrial park	59,490	32,664	26,826	26,828
Public utilities	180,079	162,910	17,169	100,041
<b>Total economic and physical development</b>	<b>4,050,519</b>	<b>3,803,913</b>	<b>246,606</b>	<b>3,424,135</b>
<b>Human services</b>				
<b>Mental Health</b>				
Mental Health - C&Y contracts	618,000	48,770	569,230	122,823
Adolescent sex offender treatment	140,532	53,177	87,355	129,849
Family preservation	490,210	377,077	113,133	380,064
Mental Health - Homeless child	49,065	44,843	4,222	42,382
Smart Start	207,630	201,817	5,813	180,753
Mental Health - CBA in-home	227,005	191,164	35,841	181,689
Periodic outpatient service	1,097,124	731,157	365,967	713,951
Mental Health - Winding creek	133,300	60,003	73,297	51,939
Mental Health - Adolescent group home	741,802	710,514	31,288	667,210
Mental Health - Adult homeless	83,291	38,618	44,673	34,285
Case management and referral - SA	35,336	35,076	260	8,533
High risk primary prevention	124,343	103,789	20,554	114,600
Mental Health - Employee assistance treatment	-	-	-	165,780
Runaway/homeless youth	3,055	1,050	2,005	-
NC Treatment Alternative to street crime	256,440	234,935	21,505	190,096
NC Adolescent Substance Abuse	114,103	100,427	13,676	72,803
Alcohol/Drug - Women	156,484	114,824	41,660	243,894
Mental Health - Substance abuse - periodic	779,135	690,944	88,191	626,380
Mental Health - Workfirst	80,694	60,437	20,257	39,731
Detoxification	782,477	700,283	82,194	687,283
Consultation and education	172,834	163,601	9,233	166,744
Mental Health - DD adult outpatient	319,839	247,080	72,759	220,964
Mental Health - Spainhour	398,565	172,898	225,667	511,241
Mental Health - ABLE	287,217	223,231	63,986	245,379
Mental Health - ICF/MR HUD homes	1,618,563	1,396,316	222,247	1,373,868
Mental Health - Autism	96,474	63,656	32,818	58,007
Mental Health - Smart Start daycare	12,500	12,018	482	140,306
Mental Health - Early intervention	234,670	79,964	154,706	385,181
Mental Health - DD contracts	1,147,196	1,057,258	89,938	1,279,605
Mental Health - Child Outpatient	246,326	153,589	92,737	119,924
Mental Health - Case Management	1,101,368	678,285	423,083	641,773
Partial hospitalization	902,119	766,757	135,362	771,468
Adult CMI group home	260,000	117,437	142,563	257,569
Mental Health - Adult contracts	34,725	34,725	-	34,725
Mental Health - HUD apartments	280,757	208,129	72,628	208,523
Mental Health - Crisis stabilization	870,818	654,798	216,020	566,398
Mental Health - Adult periodic	1,616,764	1,362,158	254,606	1,065,150
Mental Health - Substance abuse contracts	216,135	178,674	37,461	164,275

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2005  
(With Comparative Totals for June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Expenditures (continued)</b>				
<b>Current (continued)</b>				
<b>Human services (continued)</b>				
<b>Mental Health (continued)</b>				
Willie M. - Lakewood	\$ 527,961	\$ 431,010	\$ 96,951	\$ 404,290
Willie M. - Case management	479,356	391,812	87,544	395,807
Willie M. - Crossroads	-	-	-	337,982
Willie M. - Tiffany group home	444,299	429,418	14,881	379,553
Willie M. - Sprucewood	-	-	-	116,816
Willie M. - Alternative family living	2,238,978	2,237,511	1,467	1,400,028
Willie M. - Outpatient treatment	169,725	86,392	83,333	142,521
Willie M. - Administration	1,060,640	193,829	866,811	242,898
Mental Health Department	743,630	553,496	190,134	838,211
Medical services	2,255,342	1,930,183	325,159	2,080,748
Mental Health - general support	728,107	552,749	175,358	555,051
Mental Health - Medical records	419,394	375,063	44,331	419,299
Mental Health - MIS	907,369	572,259	335,110	512,161
Mental Health - Personnel	151,047	123,324	27,723	236,998
Mental Health - Medicaid contracts	2,333,500	2,326,770	6,730	1,117,500
Thomas S. - Todd C. specific	1,334,445	1,300,412	34,033	1,319,866
Thomas S. - Administration	22,956	22,308	648	133,420
Thomas S. - Crisis diversion	47,083	30,038	17,045	6,939
Thomas S. - Case management	144,164	79,997	64,167	125,488
Mental Health - Majors Grant	241,165	187,688	53,477	146,412
Mental Health - Managed Care	94,794	86,347	8,447	431,921
Mental Health - RCE - TASC	690,447	611,071	79,376	447,291
Mental Health - Adult Community Services	478,399	287,401	190,998	217,081
Mental Health - Developmental Disabilities	951,406	582,426	368,980	462,537
Mental Health - NC AFDC claims	584,040	506,274	77,766	-
Mental Health - NC Medicaid claims	246,334	134,374	111,960	-
Mental Health - Access Line	882,090	357,708	524,382	-
Mental Health - Service management	766,002	296,840	469,162	-
Mental Health - Consumer affairs and customer service	493,601	140,762	352,839	-
Mental Health - Quality improvement and outcome evaluation	1,009,018	546,668	462,350	-
<b>Subtotal - mental health</b>	<b>36,382,188</b>	<b>27,443,609</b>	<b>8,938,579</b>	<b>25,335,963</b>

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2005  
(With Comparative Totals for June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Expenditures (continued)</b>				
<b>Current (continued)</b>				
<b>Human services (continued)</b>				
<b>Health</b>				
Health - administration	\$ 1,265,686	\$ 1,211,085	\$ 54,601	\$ 1,249,401
Laboratory	394,617	385,104	9,513	355,126
Mosquito control	94,286	82,537	11,749	72,473
Pharmacy	278,506	226,843	51,663	223,402
C. C. Jail Health program	1,550,520	1,162,181	388,339	1,320,719
Management Support	233,198	229,542	3,656	159,093
NC Environmental Health	1,319,867	1,302,832	17,035	1,228,743
Immunization clinic	394,365	361,597	32,768	336,772
School health program	669,503	537,867	131,636	413,231
Child health clinic	696,278	661,215	35,063	633,242
Dental clinic	302,231	262,727	39,504	256,509
Health promotion	291,939	277,025	14,914	237,312
Maternal health clinic	823,290	803,067	20,223	728,679
Medical records	167,473	152,453	15,020	148,971
Childhood lead poison prevention	2,400	2,397	3	4,577
Breast/cervical cancer	93,047	74,935	18,112	92,472
CSC	618,860	535,530	83,330	490,185
Child fatality prevention	4,054	2,568	1,486	143
BCCCP-CVD screening	57,923	51,420	6,503	43,025
Chest TB clinic	156,427	104,854	51,573	146,254
Mobile health van	-	-	-	967
Family planning clinic	793,647	730,536	63,111	622,106
NC Epilepsy program	12,375	6,699	5,676	6,271
NC General Communicable Disease	325,921	264,998	60,923	251,603
CDC tuberculosis project	54,667	41,670	12,997	43,040
NC AIDS	65,175	62,312	2,863	57,642
Adult health clinic	469,569	421,905	47,664	397,343
School health	389,000	301,806	87,194	202,090
WIC - Clinic services	1,549,341	1,474,471	74,870	1,478,357
Health - other	145,516	123,304	22,212	145,456
Regional Bioterrorism response grant	355,724	341,696	14,028	454,929
Bioterrorism preparedness	133,098	133,098	-	12,738
STD Clinic	287,892	283,712	4,180	296,982
Bioterrorism smallpox	20,151	18,459	1,692	-
Bioterrorism competitive project	-	-	-	38,435
<b>Subtotal - health</b>	<b>14,016,546</b>	<b>12,632,445</b>	<b>1,384,101</b>	<b>12,148,288</b>
<b>Welfare</b>				
Social services department	27,257,401	25,763,882	1,493,519	24,825,646
Social services - other	37,080,873	36,987,324	93,549	33,221,446
Grant - FV Care Center	362,482	355,552	6,930	379,434
Welfare - other	314,889	284,411	30,478	290,922
<b>Subtotal - welfare</b>	<b>65,015,645</b>	<b>63,391,169</b>	<b>1,624,476</b>	<b>58,717,448</b>

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2005  
(With Comparative Totals for June 30, 2004)

	2005			2004
	Budget	Actual	Variance Positive (Negative)	
<b>Expenditures (continued)</b>				
<b>Current (continued)</b>				
<b>Human services (continued)</b>				
<b>Other human services</b>				
Veterans' services	\$ 208,640	\$ 157,789	\$ 50,851	\$ 164,948
Senior aides local support	45,412	36,581	8,831	39,990
Spring Lake Resource Center - Admin	37,842	4,174	33,668	3,906
<b>Subtotal - other human services</b>	<b>291,894</b>	<b>198,544</b>	<b>93,350</b>	<b>208,844</b>
<b>Total human services</b>	<b>115,706,273</b>	<b>103,665,767</b>	<b>12,040,506</b>	<b>96,410,543</b>
<b>Cultural and recreational</b>				
Library	7,033,472	6,685,873	347,599	5,986,348
Library foreign language	50,000	49,917	83	54,242
Law library	239,255	223,935	15,320	117,171
Library - Smart Start	266,506	260,298	6,208	275,663
Motherread	64,474	63,865	609	64,400
Stadium maintenance	85,695	81,023	4,672	76,755
Culture recreation other	301,300	301,300	-	351,300
<b>Total cultural and recreational</b>	<b>8,040,702</b>	<b>7,666,211</b>	<b>374,491</b>	<b>6,925,879</b>
<b>Education</b>				
Public schools - current	60,992,358	60,992,358	-	58,775,000
Community colleges - current	6,646,823	6,646,823	-	5,891,481
Community colleges - capital outlay	2,201,493	1,891,004	310,489	5,430
<b>Total education</b>	<b>69,840,674</b>	<b>69,530,185</b>	<b>310,489</b>	<b>64,671,911</b>
<b>Debt service</b>				
Principal payments	11,916,220	11,950,187	(33,967)	11,608,005
Interest and fees	9,463,020	9,417,933	45,087	10,023,860
<b>Total debt service</b>	<b>21,379,240</b>	<b>21,368,120</b>	<b>11,120</b>	<b>21,631,865</b>
<b>Total expenditures</b>	<b>277,531,281</b>	<b>258,509,050</b>	<b>19,022,231</b>	<b>238,387,980</b>
<b>Revenues over (under) expenditures</b>	<b>(17,596,807)</b>	<b>11,420,483</b>	<b>29,017,290</b>	<b>15,234,958</b>

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2005  
(With Comparative Totals for June 30, 2004)

	2005			2004
	Budget	Actual	Variance Positive (Negative)	
<b>Other financing sources (uses)</b>				
Lease purchase proceeds	\$ 4,537,080	\$ 4,787,080	\$ 250,000	\$ -
Transfers in	5,403,867	5,373,841	(30,026)	4,499,913
Transfers out	(12,959,242)	(12,297,787)	661,455	(6,701,700)
Fund balance appropriated	20,615,102	-	(20,615,102)	-
<b>Total other financing sources (uses)</b>	<u>17,596,807</u>	<u>(2,136,866)</u>	<u>(19,733,673)</u>	<u>(2,201,787)</u>
<b>Revenues and other financing sources (uses) over expenditures</b>	<u>\$ -</u>	9,283,617	<u>\$ 9,283,617</u>	13,033,171
<b>Fund balance</b>				
Beginning of year - July 1		<u>81,315,228</u>		<u>68,282,057</u>
End of year - June 30		<u>\$ 90,598,845</u>		<u>\$ 81,315,228</u>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Financial Statements and Schedules**

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**CAPITAL PROJECT FUND**

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - 2004 School Bond Fund

From Inception and for Year Ended June 30, 2005

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
<b>Revenues</b>					
Interest earned on investments	\$ 103,243	\$ -	\$ -	\$ 165,362	\$ 165,362
<b>Total revenues</b>	<u>103,243</u>	<u>-</u>	<u>-</u>	<u>165,362</u>	<u>165,362</u>
<b>Expenditures</b>					
<b>Capital outlay</b>					
School bond project	7,676,216	-	-	5,371,323	5,371,323
<b>Debt service</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,699</u>	<u>268,699</u>
<b>Total expenditures</b>	<u>7,676,216</u>	<u>-</u>	<u>-</u>	<u>5,640,022</u>	<u>5,640,022</u>
<b>Revenues over (under) expenditures</b>	<u>(7,572,973)</u>	<u>-</u>	<u>-</u>	<u>(5,474,660)</u>	<u>(5,474,660)</u>
<b>Other financing sources (uses)</b>					
Debt issuance	5,075,000	-	-	5,075,000	5,075,000
Premium on refunding bonds	2,713,376	-	-	2,713,376	2,713,376
Payment to refund bond escrow agent	(37,659,214)	-	-	(37,659,214)	(37,659,214)
Issuance from refund	35,505,000	-	-	35,505,000	35,505,000
Transfers in	2,194,400	-	-	2,194,400	2,194,400
Transfers out	(255,589)	-	-	(255,589)	(255,589)
<b>Total other financing sources</b>	<u>7,572,973</u>	<u>-</u>	<u>-</u>	<u>7,572,973</u>	<u>7,572,973</u>
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,098,313</u>	<u>\$ 2,098,313</u>
<b>Fund balance</b>					
Beginning of year - July 1				-	
End of year - June 30				<u>\$ 2,098,313</u>	

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2005**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Cemetery Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 22,620,506	\$ -	\$ -	\$ 22,620,506
Investments	537,569	500,988	-	1,038,557
Taxes receivable, net	683,913	-	-	683,913
Sales tax receivable	2,463,415	-	-	2,463,415
Due from other governments	1,079,231	-	-	1,079,231
Other receivables, net	19,857	3,253	-	23,110
Restricted assets:				
Cash and cash equivalents	1,054,249	5,814,650	6,870	6,875,769
Investments	-	2,154,257	30,468	2,184,725
Accounts receivable	-	36	437	473
<b>Total assets</b>	<u>\$ 28,458,740</u>	<u>\$ 8,473,184</u>	<u>\$ 37,775</u>	<u>\$ 36,969,699</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts and vouchers payable	\$ 1,344,340	\$ 13,907	\$ 425	\$ 1,358,672
Due to other governments	51,351	-	-	51,351
Accrued payroll	155,262	-	-	155,262
Other payables	27,853	-	-	27,853
Due to other funds	463,025	35,082	-	498,107
Deferred revenue	685,134	1,082	437	686,653
<b>Total liabilities</b>	<u>2,726,965</u>	<u>50,071</u>	<u>862</u>	<u>2,777,898</u>
<b>Fund balances:</b>				
<b>Reserved:</b>				
Reserved for encumbrances	423,243	4,708	-	427,951
Reserved by State statute	3,561,287	36	-	3,561,323
Reserved for inmates	310,054	-	-	310,054
Reserved for cemetery	-	-	36,913	36,913
<b>Unreserved:</b>				
Designated for subsequent year's expenditures	4,190,146	-	-	4,190,146
Designated for other purposes	200,000	-	-	200,000
Undesignated	17,047,045	8,418,369	-	25,465,414
<b>Total fund balances</b>	<u>25,731,775</u>	<u>8,423,113</u>	<u>36,913</u>	<u>34,191,801</u>
<b>Total liabilities and fund balances</b>	<u>\$ 28,458,740</u>	<u>\$ 8,473,184</u>	<u>\$ 37,775</u>	<u>\$ 36,969,699</u>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2005**

	<b>Special Revenue Funds</b>	<b>Capital Project Funds</b>	<b>Cemetery Permanent Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Ad valorem taxes	\$ 9,801,096	\$ -	\$ -	\$ 9,801,096
Other taxes	14,902,249	-	-	14,902,249
Unrestricted intergovernmental revenue	130,846	-	-	130,846
Restricted intergovernmental revenue	12,939,267	245,208	-	13,184,475
Sales and services	224,922	4,162	-	229,084
Interest earned on investments	513,137	52,744	572	566,453
Miscellaneous	1,006,620	126,420	1,200	1,134,240
<b>Total revenues</b>	<b>39,518,137</b>	<b>428,534</b>	<b>1,772</b>	<b>39,948,443</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	461,702	-	2,710	464,412
Public safety	7,559,329	-	-	7,559,329
Economic and physical development	7,661,537	-	-	7,661,537
Human services	1,449,530	-	-	1,449,530
Cultural and recreational	5,519,048	227,445	-	5,746,493
Education	7,309,236	1,553,096	-	8,862,332
Capital outlay	2,393,788	139,269	-	2,533,057
Principal payments	150,000	-	-	150,000
Interest and fees	59,222	-	-	59,222
<b>Total expenditures</b>	<b>32,563,392</b>	<b>1,919,810</b>	<b>2,710</b>	<b>34,485,912</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>6,954,745</b>	<b>(1,491,276)</b>	<b>(938)</b>	<b>5,462,531</b>
<b>Other financing sources (uses)</b>				
Transfers in	1,421,133	1,406,337	-	2,827,470
Transfers out	(9,715,183)	(2,204,597)	-	(11,919,780)
<b>Total other financing sources (uses)</b>	<b>(8,294,050)</b>	<b>(798,260)</b>	<b>-</b>	<b>(9,092,310)</b>
<b>Net change in fund balances</b>	<b>(1,339,305)</b>	<b>(2,289,536)</b>	<b>(938)</b>	<b>(3,629,779)</b>
<b>Fund balance - beginning</b>	<b>27,071,080</b>	<b>10,712,649</b>	<b>37,851</b>	<b>37,821,580</b>
<b>Fund balance - ending</b>	<b>\$ 25,731,775</b>	<b>\$ 8,423,113</b>	<b>\$ 36,913</b>	<b>\$ 34,191,801</b>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2005

(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
Cash and cash equivalents	\$ 2,574,120	\$ 3,408,126	\$ 1,933,602	\$ 1,203,573	\$ -	\$ 3,192,656	\$ 2,187,737	\$ 235,347	\$ 4,794,332	\$ 265,867	\$ 112,358
Investments	-	-	31,976	-	-	500,988	-	-	-	-	4,605
Taxes receivable, net	-	-	-	-	-	-	-	-	231,903	-	-
Sales tax receivable	-	2,373,937	3,196	-	27,016	34,491	-	1,481	5,294	1,017	701
Due from other governments	-	-	90,864	-	582,349	-	2,782	-	-	-	120,012
Other receivables, net	-	2,293	1,478	-	-	3,438	1,245	-	1,190	-	8,014
Restricted assets:	-	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	1,000	-	-	-	-	-	-	-	-	-
Total assets	\$ 2,574,120	\$ 5,785,356	\$ 2,061,116	\$ 1,203,573	\$ 609,365	\$ 3,731,773	\$ 2,191,764	\$ 236,828	\$ 5,032,719	\$ 266,884	\$ 245,690
Liabilities and fund balances											
Liabilities:											
Accounts and vouchers payable	\$ -	\$ 296,764	\$ 3,897	\$ -	\$ 203,241	\$ 29,138	\$ 35,849	\$ 4,649	\$ 96,469	\$ 97,148	\$ 134,347
Due to other governments	-	-	-	-	-	-	-	-	40,948	-	10,405
Accrued payroll	-	-	13,877	-	57,539	-	-	17,957	-	26,688	2,469
Other payables	-	-	-	-	-	-	-	-	-	23,923	1,741
Due to other funds	-	-	-	-	229,564	-	-	-	-	-	68,153
Deferred revenue	-	-	-	-	-	1,216	-	-	231,903	-	-
Total liabilities	-	296,764	17,774	-	490,344	30,354	35,849	22,606	369,318	147,759	217,115
Fund balances:											
Reserved:											
Reserved for encumbrances	-	-	43,974	-	22,596	77,996	104,329	32,930	141,190	228	-
Reserved by State statute	-	2,376,230	96,538	-	609,365	36,713	4,027	1,481	6,484	1,017	128,727
Reserved for inmates	-	-	-	-	-	-	-	-	-	-	-
Unreserved:											
Designated for subsequent year's expenditures	-	-	-	-	-	2,670,658	1,265,000	-	-	20,560	-
Designated for other purposes	-	-	-	-	-	-	-	-	200,000	-	-
Undesignated	2,574,120	3,112,352	1,903,830	1,203,573	(512,940)	916,052	782,559	179,811	4,315,727	97,320	(100,152)
Total fund balances	2,574,120	5,488,592	2,043,342	1,203,573	119,021	3,701,419	2,155,915	214,222	4,663,401	119,125	28,575
Total liabilities and fund balances	\$ 2,574,120	\$ 5,785,356	\$ 2,061,116	\$ 1,203,573	\$ 609,365	\$ 3,731,773	\$ 2,191,764	\$ 236,828	\$ 5,032,719	\$ 266,884	\$ 245,690

COUNTY OF CUMBERLAND, NORTH CAROLINA

Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2005  
 (concluded)

Flea Hill Drainage District Fund	Community Development Fund	Fire Protection Fund	Federal Drug Forfeiture Fund	Federal Forfeiture Treasury Fund	North			Inmate Welfare Fund	Tourism Development Authority Fund	Total Nonmajor Special Revenue Funds
					Carolina Controlled Substance Fund	Injured Animal Stabilization Fund	Downtown Revitalization Fund			
\$ 78,134	\$ 20	\$ 510,522	\$ 1,779,361	\$ 28	\$ 138,512	\$ 4,056	\$ 201,955	\$ -	\$ -	\$ 22,620,506
-	-	452,010	-	-	-	-	-	-	-	537,569
-	15,690	-	-	463	129	-	-	-	-	683,913
-	283,224	-	-	-	-	-	-	-	-	2,463,415
-	1,036	-	-	-	1,163	-	-	-	-	1,079,231
-	-	-	-	-	-	-	-	-	-	19,857
\$ 78,134	\$ 299,970	\$ 962,532	\$ 1,779,361	\$ 491	\$ 139,804	\$ 4,056	\$ 201,955	\$ 335,331	\$ 717,918	\$ 1,064,249
										\$ 28,458,740
\$ -	\$ 92,632	\$ 57,182	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 283,024	\$ 1,344,340
-	32,169	-	-	-	-	-	-	-	-	51,351
-	2,189	-	-	-	-	-	-	-	4,563	155,262
-	144,594	452,015	-	-	-	-	-	20,714	-	27,853
-	-	509,197	-	-	-	-	-	25,277	-	483,025
-	271,584	-	-	-	-	-	-	-	283,024	685,134
										\$ 2,726,965
-	-	-	-	-	-	-	-	-	-	423,243
-	299,950	-	-	463	1,292	-	-	-	-	3,561,287
-	-	-	-	-	-	-	-	-	-	310,054
-	-	-	233,928	-	-	-	-	-	-	4,190,146
-	(271,564)	453,335	1,545,433	28	138,512	4,056	201,955	-	-	200,000
78,134	28,386	453,335	1,779,361	491	139,804	4,056	201,955	310,054	424,894	17,047,045
\$ 78,134	\$ 299,970	\$ 962,532	\$ 1,779,361	\$ 491	\$ 139,804	\$ 4,056	\$ 201,955	\$ 335,331	\$ 717,918	\$ 28,458,740

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  
 Designated for other purposes  
 Undesignated  
 Total fund balances

Total liabilities and fund balances

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**Year Ended June 30, 2005**

(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
<b>Revenues</b>											
Ad valorem taxes	\$ 3,835,597	8,973,402	-	-	-	-	-	-	\$ 3,390,080	\$ -	\$ -
Other taxes	-	130,846	-	-	-	-	-	-	-	-	-
Unrestricted intergovernmental revenue	-	2,400,000	614,343	222,180	3,486,557	470,964	36,714	-	68,882	1,176,726	587,816
Restricted intergovernmental revenue	-	-	85,581	-	13,521	-	103,610	-	-	-	22,210
Sales and services	-	-	23,101	22,349	193	-	52,563	6,143	103,711	3,368	2,709
Interest earned on investments	52,142	122,621	1,957	-	-	-	5,643	-	28,868	-	-
Miscellaneous	22,500	259,421	-	-	-	-	-	-	-	-	-
Total revenues	3,910,239	11,885,290	924,982	244,529	3,480,271	854,046	198,530	6,143	3,591,541	1,180,094	612,737
<b>Expenditures</b>											
Current:											
General government	-	-	-	-	-	-	-	461,702	-	-	-
Public safety	-	-	652,426	18,705	-	-	-	-	-	-	-
Economic and physical development	-	-	-	-	3,517,672	406,941	94,355	-	-	-	616,977
Human services	-	-	-	-	-	-	-	-	-	1,449,530	-
Cultural and recreational	5,338	-	-	-	-	-	-	-	3,441,812	-	-
Education	-	7,309,236	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	1,689,599	568,954	-	102,735	-	-
Principal payments	-	-	-	-	-	-	-	-	-	-	-
Interest and fees	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	5,338	7,309,236	652,426	18,705	3,517,672	2,096,540	663,309	461,702	3,544,547	1,449,530	616,977
Excess (deficiency) of revenues over (under) expenditures	3,904,901	4,577,054	272,556	225,824	(37,401)	(1,242,494)	(464,779)	(455,559)	46,984	(269,436)	(4,240)
<b>Other financing sources (uses)</b>											
Transfers in	-	-	-	-	15,000	556,104	-	500,113	-	289,809	8,147
Transfers out	(3,356,226)	(6,173,820)	-	-	-	-	(185,137)	-	-	-	-
Total other financing sources (uses)	(3,356,226)	(6,173,820)	-	-	15,000	556,104	(185,137)	500,113	-	289,809	8,147
<b>Net change in fund balances</b>	548,675	(1,596,766)	272,556	225,824	(22,401)	(686,390)	(649,916)	44,554	46,994	20,373	3,907
<b>Fund balance - beginning</b>	2,025,445	7,085,958	1,770,776	977,749	141,422	4,387,809	2,805,831	169,668	4,616,407	98,752	24,668
<b>Fund balance - ending</b>	\$ 2,574,120	\$ 5,488,592	\$ 2,043,342	\$ 1,203,573	\$ 119,021	\$ 3,701,419	\$ 2,155,915	\$ 214,222	\$ 4,663,401	\$ 119,125	\$ 28,575

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**Year Ended June 30, 2005**

(concluded)

	Flea Hill Drainage District Fund	Community Development Fund	Fire Protection Fund	North				Injured Animal Stabilization Fund	Downtown Revitalization Fund	Inmate Welfare Fund	Tourism Development Authority Fund	Total Nonmajor Special Revenue Funds
				Federal Drug Forfeiture Fund	Federal Forfeiture Treasury Fund	Carolina Controlled Substance Fund						
<b>Revenues</b>												
Ad valorem taxes	\$ -	\$ -	\$ 6,411,016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,801,096
Other taxes	-	-	-	-	-	-	-	-	-	2,093,250	-	14,902,249
Unrestricted intergovernmental revenue	-	-	-	-	-	-	-	-	-	-	-	130,846
Restricted intergovernmental revenue	-	3,169,682	-	469,312	-	54,714	1,375	-	-	-	-	12,939,267
Sales and services	-	-	-	-	-	-	-	-	-	-	-	224,922
Interest earned on investments	-	-	4,541	30,213	53	2,399	-	4,038	1,402	-	-	513,137
Miscellaneous	-	6,981	-	-	-	-	-	-	379,749	-	-	1,006,620
<b>Total revenues</b>	-	<b>3,176,663</b>	<b>6,415,557</b>	<b>499,525</b>	<b>53</b>	<b>57,113</b>	<b>1,375</b>	<b>4,038</b>	<b>381,151</b>	<b>2,093,250</b>	-	<b>39,618,137</b>
<b>Expenditures</b>												
<b>Current:</b>												
General government	-	-	-	-	-	-	-	-	-	-	-	461,702
Public safety	-	-	6,524,666	-	6,476	1,185	50	-	355,821	-	-	7,559,329
Economic and physical development	-	3,025,592	-	-	-	-	-	-	-	-	-	7,661,537
Human services	-	-	-	-	-	-	-	-	-	-	-	1,448,530
Cultural and recreational	-	-	-	-	-	-	-	-	-	2,071,898	-	5,519,048
Education	-	-	-	-	-	-	-	-	-	-	-	7,309,236
Capital outlay	-	-	-	-	-	32,500	-	-	-	-	-	2,393,788
Principal payments	-	150,000	-	-	-	-	-	-	-	-	-	150,000
Interest and fees	-	59,222	-	-	-	-	-	-	-	-	-	59,222
<b>Total expenditures</b>	-	<b>3,234,814</b>	<b>6,524,666</b>	<b>-</b>	<b>6,476</b>	<b>33,685</b>	<b>50</b>	<b>-</b>	<b>355,821</b>	<b>2,071,898</b>	<b>-</b>	<b>32,563,392</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	<b>(58,151)</b>	<b>(109,109)</b>	<b>499,525</b>	<b>(6,423)</b>	<b>23,428</b>	<b>1,325</b>	<b>4,038</b>	<b>25,330</b>	<b>21,352</b>	<b>-</b>	<b>6,954,745</b>
<b>Other financing sources (uses)</b>												
Transfers in	-	51,960	-	-	-	-	-	-	-	-	-	1,421,133
Transfers out	-	-	-	-	-	-	-	-	-	-	-	(9,715,183)
<b>Total other financing sources (uses)</b>	-	<b>51,960</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,294,050)</b>
<b>Net change in fund balances</b>	-	<b>(6,191)</b>	<b>(109,109)</b>	<b>499,525</b>	<b>(6,423)</b>	<b>23,428</b>	<b>1,325</b>	<b>4,038</b>	<b>25,330</b>	<b>21,352</b>	<b>-</b>	<b>(1,339,305)</b>
<b>Fund balance - beginning</b>	<b>78,134</b>	<b>34,577</b>	<b>562,444</b>	<b>1,279,836</b>	<b>6,914</b>	<b>116,376</b>	<b>2,731</b>	<b>197,917</b>	<b>284,724</b>	<b>403,542</b>	<b>-</b>	<b>27,071,080</b>
<b>Fund balance - ending</b>	<b>\$ 78,134</b>	<b>\$ 28,386</b>	<b>\$ 453,335</b>	<b>\$ 1,779,361</b>	<b>\$ 491</b>	<b>\$ 139,804</b>	<b>\$ 4,056</b>	<b>\$ 201,955</b>	<b>\$ 310,054</b>	<b>\$ 424,894</b>	<b>\$ -</b>	<b>\$ 25,731,775</b>

**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, 2005  
(With Comparative Totals for Year Ended June 30, 2004)**

	2005			2004
	Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>				
Other taxes	\$ 3,311,015	\$ 3,835,597	\$ 524,582	\$ 3,601,246
Interest earned on investments	25,000	52,142	27,142	18,317
Miscellaneous	27,000	22,500	(4,500)	27,150
<b>Total revenues</b>	<u>3,363,015</u>	<u>3,910,239</u>	<u>547,224</u>	<u>3,646,713</u>
<b>Expenditures</b>				
Cultural and recreational	<u>6,651</u>	<u>5,338</u>	<u>1,313</u>	<u>7,530</u>
<b>Total expenditures</b>	<u>6,651</u>	<u>5,338</u>	<u>1,313</u>	<u>7,530</u>
<b>Revenues over expenditures</b>	<u>3,356,364</u>	<u>3,904,901</u>	<u>548,537</u>	<u>3,639,183</u>
<b>Other financing sources (uses)</b>				
Transfers (out)	<u>(3,356,364)</u>	<u>(3,356,226)</u>	<u>138</u>	<u>(3,266,617)</u>
<b>Total other financing sources (uses)</b>	<u>(3,356,364)</u>	<u>(3,356,226)</u>	<u>138</u>	<u>(3,266,617)</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>548,675</u>	<u>\$ 548,675</u>	<u>372,566</u>
<b>Fund balances</b>				
Beginning of year - July 1		<u>2,025,445</u>		<u>1,652,879</u>
End of year - June 30		<u>\$ 2,574,120</u>		<u>\$ 2,025,445</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, 2005  
(With Comparative Totals for Year Ended June 30, 2004)**

	2005			2004
	Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>				
Other taxes	\$ 9,000,000	\$ 8,973,402	\$ (26,598)	\$ 8,665,055
Restricted intergovernmental revenue	2,400,000	2,400,000	-	2,000,000
Interest earned on investments	-	122,621	122,621	60,108
Miscellaneous	-	390,267	390,267	447,436
<b>Total revenues</b>	<u>11,400,000</u>	<u>11,886,290</u>	<u>486,290</u>	<u>11,172,599</u>
<b>Expenditures</b>				
Education				
School capital outlay I	5,262,555	4,454,936	807,619	2,981,251
School capital outlay II	3,303,500	2,667,365	636,135	2,945,460
School capital outlay III	216,000	186,935	29,065	131,019
<b>Total expenditures</b>	<u>8,782,055</u>	<u>7,309,236</u>	<u>1,472,819</u>	<u>6,057,730</u>
<b>Revenues over expenditures</b>	<u>2,617,945</u>	<u>4,577,054</u>	<u>1,959,109</u>	<u>5,114,869</u>
<b>Other financing sources (uses)</b>				
Transfers (out)	(6,409,445)	(6,173,820)	235,625	(4,156,360)
Appropriated fund balance	3,791,500	-	(3,791,500)	-
<b>Total other financing sources (uses)</b>	<u>(2,617,945)</u>	<u>(6,173,820)</u>	<u>(3,555,875)</u>	<u>(4,156,360)</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>(1,596,766)</u>	<u>\$ (1,596,766)</u>	<u>958,509</u>
<b>Fund balances</b>				
Beginning of year - July 1		<u>7,085,358</u>		<u>6,126,849</u>
End of year - June 30		<u>\$ 5,488,592</u>		<u>\$ 7,085,358</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, 2005  
(With Comparative Totals for Year Ended June 30, 2004)**

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Revenues</b>				
Restricted intergovernmental revenue	\$ 638,848	\$ 814,343	\$ 175,495	\$ 752,408
Sales and services	98,915	85,581	(13,334)	88,797
Interest earned on investments	-	23,101	23,101	9,740
Miscellaneous	2,000	1,967	(33)	(7,698)
<b>Total revenues</b>	<u>739,763</u>	<u>924,992</u>	<u>185,229</u>	<u>843,247</u>
<b>Expenditures</b>				
Public safety	<u>742,659</u>	<u>652,426</u>	<u>90,233</u>	<u>726,956</u>
<b>Total expenditures</b>	<u>742,659</u>	<u>652,426</u>	<u>90,233</u>	<u>726,956</u>
<b>Revenues over expenditures</b>	<u>(2,896)</u>	<u>272,566</u>	<u>275,462</u>	<u>116,291</u>
<b>Other financing sources (uses)</b>				
Appropriated fund balance	<u>2,896</u>	<u>-</u>	<u>(2,896)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>2,896</u>	<u>-</u>	<u>(2,896)</u>	<u>-</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>272,566</u>	<u>\$ 272,566</u>	<u>116,291</u>
<b>Fund balances</b>				
Beginning of year - July 1		<u>1,770,776</u>		<u>1,654,485</u>
End of year - June 30		<u>\$ 2,043,342</u>		<u>\$ 1,770,776</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, 2005  
(With Comparative Totals for Year Ended June 30, 2004)**

	2005			2004
	Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>				
Restricted intergovernmental revenue	\$ 201,372	\$ 222,180	\$ 20,808	\$ 227,456
Interest earned on investments	-	22,349	22,349	7,483
Miscellaneous	-	-	-	16,871
<b>Total revenues</b>	<u>201,372</u>	<u>244,529</u>	<u>43,157</u>	<u>251,810</u>
<b>Expenditures</b>				
Public safety	<u>201,372</u>	<u>18,705</u>	<u>182,667</u>	<u>5,500</u>
<b>Total expenditures</b>	<u>201,372</u>	<u>18,705</u>	<u>182,667</u>	<u>5,500</u>
<b>Revenues over expenditures</b>	<u>-</u>	<u>225,824</u>	<u>225,824</u>	<u>246,310</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>225,824</u>	<u>\$ 225,824</u>	<u>246,310</u>
<b>Fund balances</b>				
Beginning of year - July 1		<u>977,749</u>		<u>731,439</u>
End of year - June 30		<u>\$ 1,203,573</u>		<u>\$ 977,749</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, 2005  
(With Comparative Totals for Year Ended June 30, 2004)**

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Revenues</b>				
Restricted intergovernmental revenue	\$ 4,510,842	\$ 3,466,557	\$ (1,044,285)	\$ 2,093,128
Sales and services	15,000	13,521	(1,479)	12,261
Interest earned on investments	-	193	193	490
<b>Total revenues</b>	<b>4,525,842</b>	<b>3,480,271</b>	<b>(1,045,571)</b>	<b>2,105,879</b>
<b>Expenditures</b>				
Economic and physical development	2,665,227	1,895,581	769,646	469,069
JTPA one stop	864,574	805,270	59,304	1,085,777
JTPA T/A grant	293,499	181,835	111,664	191,185
JTPA welfare to work 70%	590,094	485,441	104,653	330,444
JTPA 04 WIA youth 30%	253,638	149,545	104,093	-
<b>Total expenditures</b>	<b>4,667,032</b>	<b>3,517,672</b>	<b>1,149,360</b>	<b>2,076,475</b>
<b>Revenues over expenditures</b>	<b>(141,190)</b>	<b>(37,401)</b>	<b>103,789</b>	<b>29,404</b>
<b>Other financing sources (uses)</b>				
Transfers in	15,000	15,000	-	14,632
Appropriated fund balance	126,190	-	(126,190)	-
<b>Total other financing sources (uses)</b>	<b>141,190</b>	<b>15,000</b>	<b>(126,190)</b>	<b>14,632</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>(22,401)</b>	<b>\$ (22,401)</b>	<b>44,036</b>
<b>Fund balances</b>				
Beginning of year - July 1		141,422		97,386
End of year - June 30		\$ 119,021		\$ 141,422

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual - Industrial Development Fund  
 Year Ended June 30, 2005  
 (With Comparative Totals for Year Ended June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Revenues</b>				
Restricted intergovernmental revenue	\$ 87,612	\$ 470,964	\$ 383,352	\$ 99,504
Interest earned on investments	25,000	81,591	56,591	49,540
Miscellaneous	-	301,491	301,491	15,286
<b>Total revenues</b>	<b>112,612</b>	<b>854,046</b>	<b>741,434</b>	<b>164,330</b>
<b>Expenditures</b>				
Economic and physical development	5,055,645	2,096,540	2,959,105	662,324
<b>Total expenditures</b>	<b>5,055,645</b>	<b>2,096,540</b>	<b>2,959,105</b>	<b>662,324</b>
<b>Revenues over expenditures</b>	<b>(4,943,033)</b>	<b>(1,242,494)</b>	<b>3,700,539</b>	<b>(497,994)</b>
<b>Other financing sources (uses)</b>				
Transfers in	556,104	556,104	-	556,104
Note proceeds	-	-	-	-
Appropriated fund balance	4,386,929	-	(4,386,929)	-
<b>Total other financing sources (uses)</b>	<b>4,943,033</b>	<b>556,104</b>	<b>(4,386,929)</b>	<b>556,104</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>(686,390)</b>	<b>\$ (686,390)</b>	<b>58,110</b>
<b>Fund balances</b>				
Beginning of year - July 1		4,387,809		4,329,699
End of year - June 30		\$ 3,701,419		\$ 4,387,809

**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, 2005  
(With Comparative Totals for Year Ended June 30, 2004)**

	2005			2004
	Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>				
Restricted intergovernmental revenue	\$ 170,737	\$ 36,714	\$ (134,023)	\$ 37,781
Sales and services	45,000	103,610	58,610	55,201
Interest earned on investments	20,000	52,563	32,563	26,656
Miscellaneous	379,859	5,643	(374,216)	(5,259)
<b>Total revenues</b>	<b>615,596</b>	<b>198,530</b>	<b>(417,066)</b>	<b>114,379</b>
<b>Expenditures</b>				
Economic and physical development	1,420,835	663,309	757,526	30,418
<b>Total expenditures</b>	<b>1,420,835</b>	<b>663,309</b>	<b>757,526</b>	<b>30,418</b>
<b>Revenues over expenditures</b>	<b>(805,239)</b>	<b>(464,779)</b>	<b>340,460</b>	<b>83,961</b>
<b>Other financing sources (uses)</b>				
Transfers (out)	(315,137)	(185,137)	130,000	-
Appropriated fund balance	1,120,376	-	(1,120,376)	-
<b>Total other financing sources (uses)</b>	<b>805,239</b>	<b>(185,137)</b>	<b>(990,376)</b>	<b>-</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>(649,916)</b>	<b>\$ (649,916)</b>	<b>83,961</b>
<b>Fund balances</b>				
Beginning of year - July 1		2,805,831		2,721,870
End of year - June 30		\$ 2,155,915		\$ 2,805,831

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Property Revaluation Fund  
Year Ended June 30, 2005  
(With Comparative Totals for Year Ended June 30, 2004)**

	2005			2004
	Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>				
Interest earned on investments	\$ 1,500	\$ 6,143	\$ 4,643	\$ 2,300
<b>Total revenues</b>	<u>1,500</u>	<u>6,143</u>	<u>4,643</u>	<u>2,300</u>
<b>Expenditures</b>				
General government	516,461	461,702	54,759	443,164
<b>Total expenditures</b>	<u>516,461</u>	<u>461,702</u>	<u>54,759</u>	<u>443,164</u>
<b>Revenues over expenditures</b>	<u>(514,961)</u>	<u>(455,559)</u>	<u>59,402</u>	<u>(440,864)</u>
<b>Other financing sources (uses)</b>				
Transfers in	500,113	500,113	-	494,078
Appropriated fund balance	14,848	-	(14,848)	-
<b>Total other financing sources (uses)</b>	<u>514,961</u>	<u>500,113</u>	<u>(14,848)</u>	<u>494,078</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>44,554</u>	<u>\$ 44,554</u>	<u>53,214</u>
<b>Fund balances</b>				
Beginning of year - July 1		<u>169,668</u>		<u>116,454</u>
End of year - June 30		<u>\$ 214,222</u>		<u>\$ 169,668</u>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Recreation Fund  
Year Ended June 30, 2005  
(With Comparative Totals for Year Ended June 30, 2004)**

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Revenues</b>				
Ad valorem taxes	\$ 2,977,566	\$ 3,390,080	\$ 412,514	\$ 3,287,804
Restricted intergovernmental revenue	-	68,882	68,882	80,749
Sales and services	200,000	-	(200,000)	282,494
Interest earned on investments	40,027	103,711	63,684	52,350
Miscellaneous	43,000	28,868	(14,132)	16,713
<b>Total revenues</b>	<b>3,260,593</b>	<b>3,591,541</b>	<b>330,948</b>	<b>3,720,110</b>
<b>Expenditures</b>				
Cultural and recreational Recreational cost	6,042,350	3,544,547	2,497,803	3,668,826
<b>Total expenditures</b>	<b>6,042,350</b>	<b>3,544,547</b>	<b>2,497,803</b>	<b>3,668,826</b>
<b>Revenues over expenditures</b>	<b>(2,781,757)</b>	<b>46,994</b>	<b>2,828,751</b>	<b>51,284</b>
<b>Other financing sources (uses)</b>				
Appropriated fund balance	2,781,757	-	(2,781,757)	-
<b>Total other financing sources (uses)</b>	<b>2,781,757</b>	<b>-</b>	<b>(2,781,757)</b>	<b>-</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>46,994</b>	<b>\$ 46,994</b>	<b>51,284</b>
<b>Fund balances</b>				
Beginning of year - July 1		4,616,407		4,565,123
End of year - June 30		\$ 4,663,401		\$ 4,616,407

**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, 2005  
(With Comparative Totals for Year Ended June 30, 2004)**

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Revenues</b>				
Restricted intergovernmental revenue	\$ 1,261,023	\$ 1,176,726	\$ (84,297)	\$ 1,128,090
Sales and services	-	-	-	162,888
Interest earned on investments	-	3,368	3,368	1,934
<b>Total revenues</b>	<b>1,261,023</b>	<b>1,180,094</b>	<b>(80,929)</b>	<b>1,292,912</b>
<b>Expenditures</b>				
Human services				
Juvenile court outreach	969,220	826,579	142,641	904,324
Residential group home	637,113	622,951	14,162	629,800
<b>Total expenditures</b>	<b>1,606,333</b>	<b>1,449,530</b>	<b>156,803</b>	<b>1,534,124</b>
<b>Revenues over expenditures</b>	<b>(345,310)</b>	<b>(269,436)</b>	<b>75,874</b>	<b>(241,212)</b>
<b>Other financing sources (uses)</b>				
Transfers in	302,080	289,809	(12,271)	152,867
Appropriated fund balance	43,230	-	(43,230)	-
<b>Total other financing sources (uses)</b>	<b>345,310</b>	<b>289,809</b>	<b>(55,501)</b>	<b>152,867</b>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>20,373</b>	<b>\$ 20,373</b>	<b>(88,345)</b>
<b>Fund balances</b>				
Beginning of year - July 1		98,752		187,097
End of year - June 30		\$ 119,125		\$ 98,752

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Transportation Fund  
Year Ended June 30, 2005  
(With Comparative Totals for Year Ended June 30, 2004)**

	2005			2004
	Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>				
Restricted intergovernmental revenue	\$ 660,072	\$ 587,818	\$ (72,254)	\$ 514,933
Sales and services	27,047	22,210	(4,837)	16,139
Interest earned on investments	-	2,709	2,709	1,458
Miscellaneous	-	-	-	2,957
<b>Total revenues</b>	<u>687,119</u>	<u>612,737</u>	<u>(74,382)</u>	<u>535,487</u>
<b>Expenditures</b>				
Economic and physical development	<u>697,356</u>	<u>616,977</u>	<u>80,379</u>	<u>537,897</u>
<b>Total expenditures</b>	<u>697,356</u>	<u>616,977</u>	<u>80,379</u>	<u>537,897</u>
<b>Revenues over expenditures</b>	<u>(10,237)</u>	<u>(4,240)</u>	<u>5,997</u>	<u>(2,410)</u>
<b>Other financing sources (uses)</b>				
Transfers in	<u>10,237</u>	<u>8,147</u>	<u>(2,090)</u>	<u>8,516</u>
<b>Total other financing sources (uses)</b>	<u>10,237</u>	<u>8,147</u>	<u>(2,090)</u>	<u>8,516</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>3,907</u>	<u>\$ 3,907</u>	<u>6,106</u>
<b>Fund balances</b>				
Beginning of year - July 1		<u>24,668</u>		<u>18,562</u>
End of year - June 30		<u>\$ 28,575</u>		<u>\$ 24,668</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, 2005  
 (With Comparative Totals for Year Ended June 30, 2004)

	2005			2004
	Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>				
Revenues	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	-	-	-	-
<b>Expenditures</b>				
Current Expenditures	-	-	-	-
<b>Total expenditures</b>	-	-	-	-
<b>Other financing sources (uses)</b>	-	-	-	-
<b>Revenues and other financing sources</b>	\$ -	-	\$ -	-
<b>Fund balances</b>				
Beginning of year - July 1		78,134		78,134
End of year - June 30		\$ 78,134		\$ 78,134

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual - Community Development Fund  
 Year Ended June 30, 2005  
 (With Comparative Totals for Year Ended June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Revenues</b>				
Restricted intergovernmental revenue	\$ 6,110,916	\$ 3,169,682	\$ (2,941,234)	\$ 3,604,485
Miscellaneous	-	6,981	6,981	5,704
<b>Total revenues</b>	<u>6,110,916</u>	<u>3,176,663</u>	<u>(2,934,253)</u>	<u>3,610,189</u>
<b>Expenditures</b>				
Economic and physical development				
Administration	580,839	424,654	156,185	589,463
Economic Development	234,829	-	234,829	61,977
Housing activities	3,280,857	1,189,444	2,091,413	1,752,571
Public facilities	1,186,435	964,528	221,907	551,928
Public services	250,350	207,654	42,696	241,502
Emergency shelter	-	-	-	10,276
Program grants	677,990	239,312	438,678	525,036
Debt service				
Principal	150,000	150,000	-	150,000
Interest	59,222	59,222	-	69,929
<b>Total expenditures</b>	<u>6,420,522</u>	<u>3,234,814</u>	<u>3,185,708</u>	<u>3,952,682</u>
<b>Revenues over (under) expenditures</b>	<u>(309,606)</u>	<u>(58,151)</u>	<u>251,455</u>	<u>(342,493)</u>
<b>Other financing sources (uses)</b>				
Transfers in	295,926	51,960	(243,966)	89,676
Appropriated fund balance	13,680	-	(13,680)	-
<b>Total other financing sources (uses)</b>	<u>309,606</u>	<u>51,960</u>	<u>(257,646)</u>	<u>89,676</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>(6,191)</u>	<u>\$ (6,191)</u>	<u>(252,817)</u>
<b>Fund balances</b>				
Beginning of year - July 1		<u>34,577</u>		<u>287,394</u>
End of year - June 30		<u>\$ 28,386</u>		<u>\$ 34,577</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, 2005  
 (With Comparative Totals for Year Ended June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Revenues</b>				
Ad valorem taxes	\$ 6,232,147	\$ 6,411,016	\$ 178,869	\$ 6,243,187
Interest earned on investments	-	4,541	4,541	1,672
<b>Total revenues</b>	<u>6,232,147</u>	<u>6,415,557</u>	<u>183,410</u>	<u>6,244,859</u>
<b>Expenditures</b>				
Public safety	<u>6,851,974</u>	<u>6,524,666</u>	<u>327,308</u>	<u>5,733,548</u>
<b>Total expenditures</b>	<u>6,851,974</u>	<u>6,524,666</u>	<u>327,308</u>	<u>5,733,548</u>
<b>Revenues over expenditures</b>	<u>(619,827)</u>	<u>(109,109)</u>	<u>510,718</u>	<u>511,311</u>
<b>Other financing sources (uses)</b>				
Appropriated fund balance	<u>619,827</u>	<u>-</u>	<u>(619,827)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>619,827</u>	<u>-</u>	<u>(619,827)</u>	<u>-</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>(109,109)</u>	<u>\$ (109,109)</u>	<u>511,311</u>
<b>Fund balances</b>				
Beginning of year - July 1		<u>562,444</u>		<u>51,133</u>
End of year - June 30		<u>\$ 453,335</u>		<u>\$ 562,444</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, 2005  
 (With Comparative Totals for Year Ended June 30, 2004)

	2005			2004
	Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>				
Restricted intergovernmental revenue	\$ -	\$ 469,312	\$ 469,312	\$ 1,147,394
Interest earned on investments	-	30,213	30,213	25,096
Miscellaneous	-	-	-	(1,124)
<b>Total revenues</b>	<u>-</u>	<u>499,525</u>	<u>499,525</u>	<u>1,171,366</u>
<b>Expenditures</b>				
Public safety	218,892	-	218,892	-
<b>Total expenditures</b>	<u>218,892</u>	<u>-</u>	<u>218,892</u>	<u>-</u>
<b>Revenues over expenditures</b>	<u>(218,892)</u>	<u>499,525</u>	<u>718,417</u>	<u>1,171,366</u>
<b>Other financing sources (uses)</b>				
Transfers (out)	-	-	-	(2,182,710)
Appropriated fund balance	218,892	-	(218,892)	-
<b>Total other financing sources (uses)</b>	<u>218,892</u>	<u>-</u>	<u>(218,892)</u>	<u>(2,182,710)</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>499,525</u>	<u>\$ 499,525</u>	<u>(1,011,344)</u>
<b>Fund balances</b>				
Beginning of year - July 1		1,279,836		2,291,180
End of year - June 30		<u>\$ 1,779,361</u>		<u>\$ 1,279,836</u>

**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, 2005  
(With Comparative Totals for Year Ended June 30, 2004)**

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Revenues</b>				
Interest earned on investments	\$ -	\$ 53	\$ 53	\$ 151
<b>Total revenues</b>	<u>-</u>	<u>53</u>	<u>53</u>	<u>151</u>
<b>Expenditures</b>				
Public safety	6,517	6,476	41	18,699
<b>Total expenditures</b>	<u>6,517</u>	<u>6,476</u>	<u>41</u>	<u>18,699</u>
<b>Revenues over expenditures</b>	<u>(6,517)</u>	<u>(6,423)</u>	<u>94</u>	<u>(18,548)</u>
<b>Other financing sources (uses)</b>				
Appropriated fund balance	6,517	-	(6,517)	-
<b>Total other financing sources (uses)</b>	<u>6,517</u>	<u>-</u>	<u>(6,517)</u>	<u>-</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>(6,423)</u>	<u>\$ (6,423)</u>	<u>(18,548)</u>
<b>Fund balances</b>				
Beginning of year - July 1		6,914		25,462
End of year - June 30		<u>\$ 491</u>		<u>\$ 6,914</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, 2005  
(With Comparative Totals for Year Ended June 30, 2004)**

	2005			2004
	Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>				
Restricted intergovernmental revenue	\$ -	\$ 54,714	\$ 54,714	\$ 55,857
Interest earned on investments	-	2,399	2,399	1,168
<b>Total revenues</b>	<u>-</u>	<u>57,113</u>	<u>57,113</u>	<u>57,025</u>
<b>Expenditures</b>				
Public safety	33,685	33,685	-	83,483
<b>Total expenditures</b>	<u>33,685</u>	<u>33,685</u>	<u>-</u>	<u>83,483</u>
<b>Revenues over expenditures</b>	<u>(33,685)</u>	<u>23,428</u>	<u>57,113</u>	<u>(26,458)</u>
<b>Other financing sources (uses)</b>				
Appropriated fund balance	33,685	-	(33,685)	-
<b>Total other financing sources (uses)</b>	<u>33,685</u>	<u>-</u>	<u>(33,685)</u>	<u>-</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>23,428</u>	<u>\$ 23,428</u>	<u>(26,458)</u>
<b>Fund balances</b>				
Beginning of year - July 1		116,376		142,834
End of year - June 30		<u>\$ 139,804</u>		<u>\$ 116,376</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, 2005  
 (With Comparative Totals for Year Ended June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Revenues</b>				
Restricted intergovernmental revenue	\$ 1,000	\$ 1,375	\$ 375	\$ 1,113
<b>Total revenues</b>	<u>1,000</u>	<u>1,375</u>	<u>375</u>	<u>1,113</u>
<b>Expenditures</b>				
Public safety	1,000	50	950	997
<b>Total expenditures</b>	<u>1,000</u>	<u>50</u>	<u>950</u>	<u>997</u>
<b>Revenues over expenditures</b>	<u>-</u>	<u>1,325</u>	<u>1,325</u>	<u>116</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>1,325</u>	<u>\$ 1,325</u>	<u>116</u>
<b>Fund balances</b>				
Beginning of year - July 1		<u>2,731</u>		<u>2,615</u>
End of year - June 30		<u>\$ 4,056</u>		<u>\$ 2,731</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, 2005  
(With Comparative Totals for Year Ended June 30, 2004)**

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Revenues</b>				
Interest earned on investments	\$ -	\$ 4,038	\$ 4,038	\$ 1,750
<b>Total revenues</b>	-	4,038	4,038	1,750
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	\$ -	4,038	\$ 4,038	1,750
<b>Fund balances</b>				
Beginning of year - July 1		197,917		196,167
End of year - June 30		\$ 201,955		\$ 197,917

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual - Inmate Welfare Fund  
 Year Ended June 30, 2005  
 (With Comparative Totals for Year Ended June 30, 2004)

	2005			2004
	Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>				
Interest earned on investments	\$ -	\$ 1,402	\$ 1,402	\$ 381
Miscellaneous	400,000	379,749	(20,251)	359,987
<b>Total revenues</b>	<u>400,000</u>	<u>381,151</u>	<u>(18,849)</u>	<u>360,368</u>
<b>Expenditures</b>				
Public safety	400,000	355,821	44,179	256,475
<b>Total expenditures</b>	<u>400,000</u>	<u>355,821</u>	<u>44,179</u>	<u>256,475</u>
<b>Revenues over expenditures</b>	<u>-</u>	<u>25,330</u>	<u>25,330</u>	<u>103,893</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>25,330</u>	<u>\$ 25,330</u>	<u>103,893</u>
<b>Fund balances</b>				
Beginning of year - July 1		<u>284,724</u>		<u>180,831</u>
End of year - June 30		<u>\$ 310,054</u>		<u>\$ 284,724</u>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Tourism Development Authority Fund  
Year Ended June 30, 2005  
(With Comparative Totals for Year Ended June 30, 2004)**

	2005			2004
	Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>				
Other taxes	\$ -	\$ 2,093,250	\$ 2,093,250	\$ 1,538,658
<b>Total revenues</b>	<u>-</u>	<u>2,093,250</u>	<u>2,093,250</u>	<u>1,538,658</u>
<b>Expenditures</b>				
Cultural and recreational	-	2,071,898	(2,071,898)	1,339,196
<b>Total expenditures</b>	<u>-</u>	<u>2,071,898</u>	<u>(2,071,898)</u>	<u>1,339,196</u>
<b>Revenues over expenditures</b>	<u>-</u>	<u>21,352</u>	<u>21,352</u>	<u>199,462</u>
<b>Revenues and other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>21,352</u>	<u>\$ 21,352</u>	<u>199,462</u>
<b>Fund balances</b>				
Beginning of year - July 1		<u>403,542</u>		<u>204,080</u>
End of year - June 30		<u>\$ 424,894</u>		<u>\$ 403,542</u>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Financial Statements and Schedules**

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COUNTY OF CUMBERLAND, NORTH CAROLINA

Combining Balance Sheet  
Nonmajor Capital Project Funds  
June 30, 2005

	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	Averasboro Battlefield Fund	Total Nonmajor Capital Project Funds
<b>Assets</b>										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-	-	500,988	-	500,988
Other receivables, net	61	-	-	-	-	-	-	3,192	-	3,253
Cash and cash equivalents	-	-	-	-	-	-	4,180,551	1,609,658	24,441	5,814,650
Investments	-	-	-	-	-	2,154,257	-	-	-	2,154,257
Accounts receivable	-	-	-	-	-	-	36	-	-	36
<b>Total assets</b>	<b>\$ 61</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,154,257</b>	<b>\$ 4,180,587</b>	<b>\$ 2,113,838</b>	<b>\$ 24,441</b>	<b>\$ 8,473,184</b>
<b>Liabilities and fund balances</b>										
<b>Liabilities:</b>										
Accounts and vouchers payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,860	\$ -	\$ -	\$ 47	\$ 13,907
Due to other funds	-	-	-	-	-	35,082	-	-	-	35,082
Deferred revenue	-	-	-	-	-	-	-	1,082	-	1,082
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,942</b>	<b>-</b>	<b>1,082</b>	<b>47</b>	<b>50,071</b>
<b>Fund balances:</b>										
Reserved for encumbrances	3,270	-	-	-	-	-	-	1,438	-	4,708
Reserved by State statute	-	-	-	-	-	-	36	-	-	36
Undesignated	(3,209)	-	-	-	-	2,105,315	4,180,551	2,111,318	24,394	8,418,369
<b>Total fund balances</b>	<b>61</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,105,315</b>	<b>4,180,587</b>	<b>2,112,756</b>	<b>24,394</b>	<b>8,423,113</b>
<b>Total liabilities and fund balances</b>	<b>\$ 61</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,154,257</b>	<b>\$ 4,180,587</b>	<b>\$ 2,113,838</b>	<b>\$ 24,441</b>	<b>\$ 8,473,184</b>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Capital Project Funds  
 Year Ended June 30, 2005

	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	Averasboro Battlefield Fund	Total Nonmajor Capital Project Funds
<b>Revenues</b>										
Restricted intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 245,208	\$ 245,208
Sales and services	-	-	-	-	-	49,307	4,162	-	-	4,162
Interest earned on investments	-	-	-	2,448	-	126,420	-	989	-	52,744
Miscellaneous	-	-	-	-	-	-	-	-	-	126,420
<b>Total revenues</b>	-	-	-	2,448	-	175,727	4,162	989	245,208	428,534
<b>Expenditures</b>										
<b>Capital outlay</b>										
Law-sheriff	-	17,234	-	-	-	-	-	-	-	17,234
School bond project	-	-	-	-	-	1,553,096	-	-	-	1,553,096
Animal control building	-	-	-	-	-	-	49,620	-	-	49,620
Sheriff training facility	-	-	-	-	-	-	-	72,415	-	72,415
Averasboro battlefield	-	-	-	-	-	-	-	-	227,445	227,445
<b>Total expenditures</b>	-	17,234	-	-	-	1,553,096	49,620	72,415	227,445	1,919,810
<b>Revenues over (under) expenditures</b>	-	(17,234)	-	2,448	-	(1,377,369)	(45,458)	(71,426)	17,763	(1,491,276)
<b>Other financing sources (uses)</b>										
Transfers in	-	-	-	-	-	-	1,399,706	-	6,631	1,406,337
Transfers out	(21,444)	(1,378,943)	-	(804,207)	(3)	-	-	-	-	(2,204,597)
<b>Total other financing sources</b>	(21,444)	(1,378,943)	-	(804,207)	(3)	-	1,399,706	-	6,631	(796,260)
<b>Revenues and other financing sources over (under) expenditures</b>	(21,444)	(1,396,177)	-	(801,759)	(3)	(1,377,369)	1,354,248	(71,426)	24,394	(2,289,536)
<b>Fund balance</b>										
Beginning of year - July 1	21,505	1,396,177	-	801,759	3	3,482,684	2,826,339	2,184,182	-	10,712,649
End of year - June 30	61	-	-	-	-	2,105,315	4,180,587	2,112,756	24,394	8,423,113

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, 2005

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>					
Interest earned on investments	\$ -	\$ 13,210	\$ -	\$ -	\$ 13,210
<b>Total revenues</b>	-	13,210	-	-	13,210
<b>Expenditures</b>					
<b>Capital outlay</b>					
Headquarters library	-	1,315,917	-	-	1,315,917
<b>Total expenditures</b>	-	1,315,917	-	-	1,315,917
<b>Revenues over (under) expenditures</b>	-	(1,302,707)	-	-	(1,302,707)
<b>Other financing sources (uses)</b>					
Proceeds of refunding bonds	-	1,324,212	-	-	1,324,212
Transfers out	(21,445)	-	-	(21,444)	(21,444)
Appropriated fund balance	21,445	-	-	-	-
<b>Total other financing sources</b>	-	1,324,212	-	(21,444)	1,302,768
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 21,505</u>	<u>\$ -</u>	(21,444)	<u>\$ 61</u>
<b>Fund balance</b>					
Beginning of year - July 1				21,505	
End of year - June 30				<u>\$ 61</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, 2005

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
<b>Revenues</b>					
Interest earned on investments	\$ 3,909,900	\$ 3,930,197	\$ -	\$ -	\$ 3,930,197
Miscellaneous	1,128,056	1,128,079	-	-	1,128,079
<b>Total revenues</b>	<b>5,037,956</b>	<b>5,058,276</b>	<b>-</b>	<b>-</b>	<b>5,058,276</b>
<b>Expenditures</b>					
Capital outlay					
Law-sheriff	54,679,978	48,755,616	-	17,234	48,772,850
<b>Total expenditures</b>	<b>54,679,978</b>	<b>48,755,616</b>	<b>-</b>	<b>17,234</b>	<b>48,772,850</b>
<b>Revenues over (under) expenditures</b>	<b>(49,642,022)</b>	<b>(43,697,340)</b>	<b>-</b>	<b>(17,234)</b>	<b>(43,714,574)</b>
<b>Other financing sources (uses)</b>					
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	(10,395,594)	(9,005,124)	-	(1,378,943)	(10,384,067)
Appropriated fund balance	5,938,723	-	-	-	-
<b>Total other financing sources</b>	<b>49,642,022</b>	<b>45,093,517</b>	<b>-</b>	<b>(1,378,943)</b>	<b>43,714,574</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 1,396,177</b>	<b>\$ -</b>	<b>(1,396,177)</b>	<b>\$ -</b>
<b>Fund balance</b>					
Beginning of year - July 1				1,396,177	
End of year - June 30				\$ -	

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, 2005

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
<b>Revenues</b>					
Restricted intergovernmental revenue	\$ 73,306,839	\$ 73,306,839	\$ -	\$ -	\$ 73,306,839
<b>Total revenues</b>	<u>73,306,839</u>	<u>73,306,839</u>	<u>-</u>	<u>-</u>	<u>73,306,839</u>
<b>Expenditures</b>					
Capital outlay					
NC school bond project	73,306,839	64,247,176	-	-	64,247,176
School bond project	-	9,059,663	-	-	9,059,663
<b>Total expenditures</b>	<u>73,306,839</u>	<u>73,306,839</u>	<u>-</u>	<u>-</u>	<u>73,306,839</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<b>Fund balance</b>					
Beginning of year - July 1				-	
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, 2005**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>					
Restricted intergovernmental revenue	\$ -	\$ 244,999	\$ -	\$ -	\$ 244,999
Interest earned on investments	-	3,402,889	-	2,448	3,405,337
Miscellaneous	-	668,220	-	-	668,220
<b>Total revenues</b>	<b>-</b>	<b>4,316,108</b>	<b>-</b>	<b>2,448</b>	<b>4,318,556</b>
<b>Expenditures</b>					
<b>Capital outlay</b>					
Community correction center	-	2,627,842	-	-	2,627,842
Social services building	-	31,853,730	-	-	31,853,730
<b>Total expenditures</b>	<b>-</b>	<b>34,481,572</b>	<b>-</b>	<b>-</b>	<b>34,481,572</b>
<b>Revenues over (under) expenditures</b>	<b>-</b>	<b>(30,165,464)</b>	<b>-</b>	<b>2,448</b>	<b>(30,163,016)</b>
<b>Other financing sources (uses)</b>					
Proceeds of refunding bonds	-	34,950,000	-	-	34,950,000
Transfers in	-	2,063,848	-	-	2,063,848
Transfers out	(804,208)	(6,046,625)	-	(804,207)	(6,850,832)
Appropriated fund balance	804,208	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>30,967,223</b>	<b>-</b>	<b>(804,207)</b>	<b>30,163,016</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 801,759</b>	<b>\$ -</b>	<b>(801,759)</b>	<b>\$ -</b>
<b>Fund balance</b>					
Beginning of year - July 1				801,759	
End of year - June 30				<u>\$ -</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, 2005

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
<b>Revenues</b>					
Interest earned on investments	\$ -	\$ 103,652	\$ -	\$ -	\$ 103,652
Miscellaneous	-	20,535	-	-	20,535
<b>Total revenues</b>	<b>-</b>	<b>124,187</b>	<b>-</b>	<b>-</b>	<b>124,187</b>
<b>Expenditures</b>					
<b>Capital outlay</b>					
Winding creek	-	2,288,699	-	-	2,288,699
<b>Debt service</b>	<b>-</b>	<b>791,749</b>	<b>-</b>	<b>-</b>	<b>791,749</b>
<b>Total expenditures</b>	<b>-</b>	<b>3,080,448</b>	<b>-</b>	<b>-</b>	<b>3,080,448</b>
<b>Revenues over (under) expenditures</b>	<b>-</b>	<b>(2,956,261)</b>	<b>-</b>	<b>-</b>	<b>(2,956,261)</b>
<b>Other financing sources (uses)</b>					
Proceeds of refunding bonds	-	3,092,400	-	-	3,092,400
Transfers out	(3)	(136,136)	-	(3)	(136,139)
Appropriated fund balance	3	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>2,956,264</b>	<b>-</b>	<b>(3)</b>	<b>2,956,261</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 3</b>	<b>\$ -</b>	<b>(3)</b>	<b>\$ -</b>
<b>Fund balance</b>					
Beginning of year - July 1				3	
End of year - June 30				\$ -	

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, 2005

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>					
Interest earned on investments	\$ 6,500,983	\$ 6,500,637	\$ -	\$ 49,307	\$ 6,549,944
Miscellaneous	1,968,052	2,068,956	-	126,420	2,195,376
<b>Total revenues</b>	<u>8,469,035</u>	<u>8,569,593</u>	<u>-</u>	<u>175,727</u>	<u>8,745,320</u>
<b>Expenditures</b>					
<b>Capital outlay</b>					
School bond project	108,047,215	104,729,584	-	1,553,096	106,282,680
<b>Total expenditures</b>	<u>108,047,215</u>	<u>104,729,584</u>	<u>-</u>	<u>1,553,096</u>	<u>106,282,680</u>
<b>Revenues over (under) expenditures</b>	<u>(99,578,180)</u>	<u>(96,159,991)</u>	<u>-</u>	<u>(1,377,369)</u>	<u>(97,537,360)</u>
<b>Other financing sources (uses)</b>					
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
<b>Total other financing sources</b>	<u>99,578,180</u>	<u>99,642,675</u>	<u>-</u>	<u>-</u>	<u>99,642,675</u>
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 3,482,684</u>	<u>\$ -</u>	<u>(1,377,369)</u>	<u>\$ 2,105,315</u>
<b>Fund balance</b>					
Beginning of year - July 1				<u>3,482,684</u>	
End of year - June 30				<u>\$ 2,105,315</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, 2005

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>					
Sales and Services	\$ -	\$ 25,429	\$ -	\$ 4,162	\$ 29,591
Interest earned on investments	-	10,475	-	-	10,475
Miscellaneous	-	5,435	-	-	5,435
<b>Total revenues</b>	<u>-</u>	<u>41,339</u>	<u>-</u>	<u>4,162</u>	<u>45,501</u>
<b>Expenditures</b>					
<b>Capital outlay</b>					
Animal control building	4,199,708	15,000	-	49,620	64,620
<b>Total expenditures</b>	<u>4,199,708</u>	<u>15,000</u>	<u>-</u>	<u>49,620</u>	<u>64,620</u>
<b>Revenues over (under) expenditures</b>	<u>(4,199,708)</u>	<u>26,339</u>	<u>-</u>	<u>(45,458)</u>	<u>(19,119)</u>
<b>Other financing sources (uses)</b>					
Transfers in	4,399,708	3,000,000	-	1,399,706	4,399,706
Transfers out	(200,000)	(200,000)	-	-	(200,000)
<b>Total other financing sources</b>	<u>4,199,708</u>	<u>2,800,000</u>	<u>-</u>	<u>1,399,706</u>	<u>4,199,706</u>
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 2,826,339</u>	<u>\$ -</u>	<u>1,354,248</u>	<u>\$ 4,180,587</u>
<b>Fund balance</b>					
Beginning of year - July 1				<u>2,826,339</u>	
End of year - June 30				<u>\$ 4,180,587</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, 2005

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>					
Interest earned on investments	\$ -	\$ 4,182	\$ -	\$ 989	\$ 5,171
<b>Total revenues</b>	<u>-</u>	<u>4,182</u>	<u>-</u>	<u>989</u>	<u>5,171</u>
<b>Expenditures</b>					
<b>Capital outlay</b>					
Sheriff training facility	2,180,000	-	-	72,415	72,415
<b>Total expenditures</b>	<u>2,180,000</u>	<u>-</u>	<u>-</u>	<u>72,415</u>	<u>72,415</u>
<b>Revenues over (under) expenditures</b>	<u>(2,180,000)</u>	<u>4,182</u>	<u>-</u>	<u>(71,426)</u>	<u>(67,244)</u>
<b>Other financing sources (uses)</b>					
Transfers in	2,180,000	2,180,000	-	-	2,180,000
<b>Total other financing sources</b>	<u>2,180,000</u>	<u>2,180,000</u>	<u>-</u>	<u>-</u>	<u>2,180,000</u>
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 2,184,182</u>	<u>\$ -</u>	<u>(71,426)</u>	<u>\$ 2,112,756</u>
<b>Fund balance</b>					
Beginning of year - July 1				<u>2,184,182</u>	
End of year - June 30				<u>\$ 2,112,756</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - Averagesboro Battlefield Fund

From Inception and for Year Ended June 30, 2005

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
<b>Revenues</b>					
Restricted intergovernmental revenue	\$ 570,986	\$ -	\$ -	\$ 245,208	\$ 245,208
<b>Total revenues</b>	<u>570,986</u>	<u>-</u>	<u>-</u>	<u>245,208</u>	<u>245,208</u>
<b>Expenditures</b>					
<b>Capital outlay</b>					
Averagesboro Battlefield	577,617	-	-	227,445	227,445
<b>Total expenditures</b>	<u>577,617</u>	<u>-</u>	<u>-</u>	<u>227,445</u>	<u>227,445</u>
<b>Revenues over (under) expenditures</b>	<u>(6,631)</u>	<u>-</u>	<u>-</u>	<u>17,763</u>	<u>17,763</u>
<b>Other financing sources (uses)</b>					
Transfers in	6,631	-	-	6,631	6,631
<b>Total other financing sources</b>	<u>6,631</u>	<u>-</u>	<u>-</u>	<u>6,631</u>	<u>6,631</u>
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>24,394</u>	<u>\$ 24,394</u>
<b>Fund balance</b>					
Beginning of year - July 1				-	
End of year - June 30				<u>\$ 24,394</u>	

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Financial Statements and Schedules**

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**COUNTY OF CUMBERLAND, NORTH CAROLINA**

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

**Year Ended June 30, 2005  
(With Comparative Totals for June 30, 2004)**

	2005			2004
	Budget	Actual	Variance Positive (Negative)	
<b>Revenues</b>				
Interest earned on investments	\$ -	\$ 572	\$ 572	\$ 924
Burial Fees	6,900	1,200	(5,700)	4,770
<b>Total revenues</b>	<u>6,900</u>	<u>1,772</u>	<u>(5,128)</u>	<u>5,694</u>
<b>Expenditures</b>				
<b>Capital outlay</b>				
Maintenance	6,900	2,710	4,190	2,525
<b>Total expenditures</b>	<u>6,900</u>	<u>2,710</u>	<u>4,190</u>	<u>2,525</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>(938)</u>	<u>(938)</u>	<u>3,169</u>
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>(938)</u>	<u>\$ (938)</u>	<u>3,169</u>
<b>Fund balance</b>				
Beginning of year - July 1		<u>37,851</u>		<u>34,682</u>
End of year - June 30		<u>\$ 36,913</u>		<u>\$ 37,851</u>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Financial Statements and Schedules**

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**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**Cumberland County Solid Waste Fund**  
**Year Ended June 30, 2005**  
**(With Comparative Totals for June 30, 2004)**

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Operating revenues</b>				
Charges for services	\$ 1,299,795	\$ 3,322,283	\$ 2,022,488	\$ 2,010,085
Contributions	-	161	161	-
Other operating revenue	258,388	430,367	171,979	305,585
<b>Total operating revenues</b>	<u>1,558,183</u>	<u>3,752,811</u>	<u>2,194,628</u>	<u>2,315,670</u>
<b>Nonoperating revenues and other financing sources</b>				
Interest earned on investments	90,663	551,903	461,240	280,565
Gain (loss) on disposal of capital assets	-	5,750	5,750	-
Miscellaneous	4,957	10,398	5,441	112,552
Taxes	4,371,545	4,519,194	147,649	4,457,061
<b>Total Nonoperating revenues and other financing sources</b>	<u>4,467,165</u>	<u>5,087,245</u>	<u>620,080</u>	<u>4,850,178</u>
Appropriated fund balance	1,014,539	-	(1,014,539)	-
<b>Total revenues, other financing sources and fund balance appropriations</b>	<u>\$ 7,039,887</u>	<u>\$ 8,840,056</u>	<u>\$ 1,800,169</u>	<u>\$ 7,165,848</u>
<b>Operating expenditures</b>				
Salaries and employee benefits	\$ 1,777,535	\$ 1,666,458	\$ 111,077	\$ 1,659,868
Other supplies	1,665,557	1,141,693	523,864	951,753
Repairs and maintenance	632,583	470,792	161,791	433,385
Utilities	91,800	54,470	37,330	52,741
Administrative costs	1,785,735	395,989	1,389,746	374,361
Landfill closure and postclosure care costs	219,221	732,330	(513,109)	166,444
<b>Total operating expenditures</b>	<u>6,172,431</u>	<u>4,461,732</u>	<u>1,710,699</u>	<u>3,638,552</u>
<b>Nonoperating expenditures</b>				
<b>Other expenditures and financing uses</b>				
Capital outlay	610,000	581,466	28,534	162,457
Transfers out	257,456	257,456	-	249,535
<b>Total other expenditures and financing uses</b>	<u>867,456</u>	<u>838,922</u>	<u>28,534</u>	<u>411,992</u>
<b>Total expenditures and other financing uses</b>	<u>\$ 7,039,887</u>	<u>\$ 5,300,654</u>	<u>\$ 1,739,233</u>	<u>\$ 4,050,544</u>
<b>Reconciliation of modified accrual basis to full accrual basis</b>				
Total revenues and other financing sources		\$ 8,840,056		
Total expenditures and other financing uses		<u>5,300,654</u>		
		3,539,402		
Capital outlay		581,466		
Depreciation		(667,774)		
Net transfers		<u>257,456</u>		
<b>Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Fund Net Assets</b>		<u>\$ 3,710,550</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, 2005**  
**(With Comparative Totals for June 30, 2004)**

	2005			2004
	Budget	Actual	Variance Positive (Negative)	
<b>Operating revenues</b>				
Charges for services	\$ 2,047,195	\$ 2,002,713	\$ (44,482)	\$ 2,079,161
Total operating revenues	<u>2,047,195</u>	<u>2,002,713</u>	<u>(44,482)</u>	<u>2,079,161</u>
<b>Nonoperating revenues and other financing sources</b>				
Interest earned on investments	-	14,944	14,944	4,781
Motel occupancy tax	720,127	802,114	81,987	782,484
Transfers in	10,340,660	9,994,907	(345,753)	6,593,104
Total Nonoperating revenues and other financing sources	<u>11,060,787</u>	<u>10,811,965</u>	<u>(248,822)</u>	<u>7,380,369</u>
Appropriated fund balance	138,968	-	(138,968)	-
<b>Total revenues, other financing sources and fund balance appropriations</b>	<u>\$ 13,246,950</u>	<u>\$ 12,814,678</u>	<u>\$ (432,272)</u>	<u>\$ 9,459,530</u>
<b>Operating expenditures</b>				
Salaries and employee benefits	\$ 1,689,053	\$ 1,632,909	\$ 56,144	\$ 1,585,070
Other supplies	447,163	412,654	34,509	176,445
Repairs and maintenance	2,110,844	1,828,371	282,473	318,644
Utilities	779,655	734,908	44,747	702,066
Administrative costs	1,891,983	1,690,560	201,423	1,510,253
Total operating expenditures	<u>6,918,698</u>	<u>6,299,402</u>	<u>619,296</u>	<u>4,292,478</u>
<b>Nonoperating expenditures</b>				
Interest expense	2,539,143	2,908,127	(368,984)	3,108,110
Tax distribution fee	30,000	24,063	5,937	23,474
Total nonoperating expenditures	<u>2,569,143</u>	<u>2,932,190</u>	<u>(363,047)</u>	<u>3,131,584</u>
<b>Other expenditures and financing uses</b>				
Principal payments	2,125,000	-	2,125,000	1,987,305
Capital outlay	1,634,109	127,826	1,506,283	8,897
Total other expenditures and financing uses	<u>3,759,109</u>	<u>127,826</u>	<u>3,631,283</u>	<u>1,996,202</u>
<b>Total expenditures and other financing uses</b>	<u>\$ 13,246,950</u>	<u>\$ 9,359,418</u>	<u>\$ 3,887,532</u>	<u>\$ 9,420,264</u>
<b>Reconciliation of modified accrual basis to full accrual basis</b>				
Total revenues and other financing sources		\$ 12,814,678		
Total expenditures and other financing uses		<u>9,359,418</u>		
		<u>3,455,260</u>		
Capital outlay		127,826		
Depreciation		(1,941,189)		
Net transfers		<u>(9,994,907)</u>		
<b>Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Fund Net Assets</b>		<u>\$ (8,353,010)</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, 2005

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

**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, 2005**  
**(With Comparative Totals for June 30, 2004)**

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Operating revenues</b>				
<b>Nonoperating revenues and other financing sources</b>				
Sales tax	\$ -	\$ 21,624	\$ 21,624	\$ -
Transfers in	130,000	-	(130,000)	-
Capital contributions	3,453,400	1,782,725	(1,670,675)	84,321
<b>Total Nonoperating revenues and other</b>	<u>3,583,400</u>	<u>1,804,349</u>	<u>(1,779,051)</u>	<u>84,321</u>
<b>Total revenues, other financing sources and fund balance appropriations</b>	<u>\$ 3,583,400</u>	<u>\$ 1,804,349</u>	<u>\$ (1,779,051)</u>	<u>\$ 84,321</u>
<b>Other expenditures and financing uses</b>				
Capital outlay	\$ 3,583,400	\$ 1,853,120	\$ 1,730,280	\$ 84,321
<b>Total other expenditures and financing uses</b>	<u>3,583,400</u>	<u>1,853,120</u>	<u>1,730,280</u>	<u>84,321</u>
<b>Total expenditures and other financing uses</b>	<u>\$ 3,583,400</u>	<u>\$ 1,853,120</u>	<u>\$ 1,730,280</u>	<u>\$ 84,321</u>
<b>Reconciliation of modified accrual basis to full accrual basis</b>				
Total revenues and other financing sources		\$ 1,804,349		
Total expenditures and other financing uses		<u>1,853,120</u>		
		(48,771)		
Capital outlay		1,853,120		
Capital contributions		<u>(1,804,349)</u>		
<b>Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Net Assets</b>		<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, 2005**  
**(With Comparative Totals for June 30, 2004)**

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Operating revenues</b>				
Charges for services	\$ 42,344	\$ 10,224	\$ (32,120)	\$ 14,208
Total operating revenues	<u>42,344</u>	<u>10,224</u>	<u>(32,120)</u>	<u>14,208</u>
<b>Nonoperating revenues and other financing sources</b>				
Proceeds from bond anticipation note	1,250,000	1,250,000	-	-
Interest earned on investments	-	5	5	-
Miscellaneous	825,000	825,000	-	-
Transfers in	185,137	185,137	-	-
Capital contributions	7,332,147	5,269,641	(2,062,506)	263,472
Total Nonoperating revenues and other financing sources	<u>9,592,284</u>	<u>7,529,783</u>	<u>(2,062,501)</u>	<u>263,472</u>
<b>Total revenues, other financing sources and fund balance appropriations</b>	<u>\$ 9,634,628</u>	<u>\$ 7,540,007</u>	<u>\$ (2,094,621)</u>	<u>\$ 277,680</u>
<b>Other expenditures and financing uses</b>				
Capital outlay	\$ 9,634,628	\$ 2,839,710	\$ 6,794,918	\$ 314,854
Total other expenditures and financing uses	<u>9,634,628</u>	<u>2,839,710</u>	<u>6,794,918</u>	<u>314,854</u>
<b>Total expenditures and other financing uses</b>	<u>\$ 9,634,628</u>	<u>\$ 2,839,710</u>	<u>\$ 6,794,918</u>	<u>\$ 314,854</u>
<b>Reconciliation of modified accrual basis to full accrual basis</b>				
Total revenues and other financing sources		\$ 7,540,007		
Total expenditures and other financing uses		<u>2,839,710</u>		
		4,700,297		
Proceeds from bond anticipation note		(1,250,000)		
Capital outlay		2,839,710		
Net transfers		(185,137)		
Capital contributions		<u>(5,269,641)</u>		
<b>Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Net Assets</b>		<u>\$ 835,229</u>		

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Financial Statements and Schedules**

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**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Combining Statement of Net Assets**

**Internal Service Funds**

**June 30, 2005**

	<u>Group Insurance Fund</u>	<u>Employee Flexible Benefit Fund</u>	<u>Workers' Compensation Fund</u>	<u>General Litigation Fund</u>	<u>Total</u>
<b>Assets</b>					
<b>Current assets</b>					
Sales tax receivable	\$ -	\$ -	\$ 149	\$ 58	\$ 207
Due from other governments	349,171	11,827	30,765	-	391,763
Other receivables	-	-	25,021	-	25,021
<b>Total current assets</b>	<u>349,171</u>	<u>11,827</u>	<u>55,935</u>	<u>58</u>	<u>416,991</u>
<b>Restricted assets</b>					
Cash and cash equivalents	3,684,803	151,311	689,034	483,751	5,008,899
<b>Total noncurrent assets</b>	<u>3,684,803</u>	<u>151,311</u>	<u>689,034</u>	<u>483,751</u>	<u>5,008,899</u>
<b>Total assets</b>	<u>4,033,974</u>	<u>163,138</u>	<u>744,969</u>	<u>483,809</u>	<u>5,425,890</u>
<b>Liabilities and net assets</b>					
<b>Current liabilities</b>					
Accounts and vouchers payable	2,994	30,411	-	-	33,405
Accrued payroll	5,923	-	11,598	-	17,521
Incurred but not reported	1,491,000	-	151,533	75,270	1,717,803
<b>Total current liabilities</b>	<u>1,499,917</u>	<u>30,411</u>	<u>163,131</u>	<u>75,270</u>	<u>1,768,729</u>
<b>Total liabilities</b>	<u>1,499,917</u>	<u>30,411</u>	<u>163,131</u>	<u>75,270</u>	<u>1,768,729</u>
<b>Net assets</b>					
Unrestricted	2,534,057	132,727	581,838	408,539	3,657,161
<b>Total net assets</b>	<u>\$ 2,534,057</u>	<u>\$ 132,727</u>	<u>\$ 581,838</u>	<u>\$ 408,539</u>	<u>\$ 3,657,161</u>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Internal Service Funds**  
**Year Ended June 30, 2005**

	Group Insurance Fund	Flexible Benefit Fund	Workers' Compensation Fund	General Litigation Fund	Total
<b>Operating revenues</b>					
Contributions	\$ 9,006,359	\$ 285,522	\$ 935,775	\$ -	\$ 10,227,656
Total operating revenues	<u>9,006,359</u>	<u>285,522</u>	<u>935,775</u>	<u>-</u>	<u>10,227,656</u>
<b>Operating expenses</b>					
Salaries and employee benefits	13,683,957	282,911	1,263,947	-	15,230,815
Administrative costs	12,533	-	7,556	551,870	571,959
Total operating expenses	<u>13,696,490</u>	<u>282,911</u>	<u>1,271,503</u>	<u>551,870</u>	<u>15,802,774</u>
<b>Operating income (loss)</b>	<u>(4,690,131)</u>	<u>2,611</u>	<u>(335,728)</u>	<u>(551,870)</u>	<u>(5,575,118)</u>
<b>Nonoperating revenue (expense)</b>					
Interest earned on investments	30,399	3	14,337	9,283	54,022
Total nonoperating revenue (expense)	<u>30,399</u>	<u>3</u>	<u>14,337</u>	<u>9,283</u>	<u>54,022</u>
<b>Income (loss) before transfers</b>	<u>(4,659,732)</u>	<u>2,614</u>	<u>(321,391)</u>	<u>(542,587)</u>	<u>(5,521,096)</u>
Transfers in	3,862,033	-	-	292,824	4,154,857
<b>Change in net assets</b>	<u>(797,699)</u>	<u>2,614</u>	<u>(321,391)</u>	<u>(249,763)</u>	<u>(1,366,239)</u>
<b>Total net assets - beginning</b>	<u>3,331,756</u>	<u>130,113</u>	<u>903,229</u>	<u>658,302</u>	<u>5,023,400</u>
<b>Total net assets - ending</b>	<u>\$ 2,534,057</u>	<u>\$ 132,727</u>	<u>\$ 581,838</u>	<u>\$ 408,539</u>	<u>\$ 3,657,161</u>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended June 30, 2005**

	Group Insurance Fund	Employee Flexible Benefit Fund	Workers' Compensation Fund	General Litigation Fund	Total Internal Service Funds
<b>Operating activities</b>					
Contributions	\$ 9,006,359	\$ 285,522	\$ 935,736	\$ -	\$ 10,227,617
Cash paid for goods and services	(358,848)	(11,827)	(38,312)	(492,494)	(901,481)
Cash paid for claims	(13,503,810)	(285,321)	(1,177,299)	-	(14,966,430)
<b>Net cash provided by (used in) operating activities</b>	<b>(4,856,299)</b>	<b>(11,626)</b>	<b>(279,875)</b>	<b>(492,494)</b>	<b>(5,640,294)</b>
<b>Noncapital financing activities</b>					
Transfers in	3,862,033	-	-	292,824	4,154,857
<b>Net cash provided (used) by noncapital financing activities</b>	<b>3,862,033</b>	<b>-</b>	<b>-</b>	<b>292,824</b>	<b>4,154,857</b>
<b>Investing activities</b>					
Investment earnings	30,399	3	14,337	9,283	54,022
<b>Net cash provided (used) in investing activities</b>	<b>30,399</b>	<b>3</b>	<b>14,337</b>	<b>9,283</b>	<b>54,022</b>
<b>Net increase in cash and cash equivalents/investments</b>	<b>(963,867)</b>	<b>(11,623)</b>	<b>(265,538)</b>	<b>(190,387)</b>	<b>(1,431,415)</b>
<b>Cash and cash equivalents/investments</b>					
<b>Beginning of year</b>	<b>4,648,670</b>	<b>162,934</b>	<b>954,572</b>	<b>674,138</b>	<b>6,440,314</b>
<b>End of year</b>	<b>\$ 3,684,803</b>	<b>\$ 151,311</b>	<b>\$ 689,034</b>	<b>\$ 483,751</b>	<b>\$ 5,008,899</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ (4,690,131)	\$ 2,611	\$ (335,728)	\$ (551,870)	\$ (5,575,118)
Change in assets and liabilities					
(Increase) decrease in other receivables	2,856	-	(39)	(56)	2,761
(Increase) decrease in inventories	(349,171)	(11,827)	(30,765)	-	(391,763)
Increase (decrease) in accounts payable	180,894	(2,410)	79,627	59,432	317,543
Increase (decrease) in contract retainage	(747)	-	7,030	-	6,283
<b>Total adjustments</b>	<b>(166,168)</b>	<b>(14,237)</b>	<b>55,853</b>	<b>59,376</b>	<b>(65,176)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (4,856,299)</b>	<b>\$ (11,626)</b>	<b>\$ (279,875)</b>	<b>\$ (492,494)</b>	<b>\$ (5,640,294)</b>

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2005  
(With Comparative Totals for June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Revenues</b>				
Operating revenues				
Contributions	\$ 8,555,537	\$ 9,006,359	\$ 450,822	\$ 8,406,071
Non-operating revenues				
Interest earned on investments	31,159	30,399	(760)	30,724
<b>Other financing sources</b>				
Transfers in	3,862,033	3,862,033	-	1,647,792
<b>Appropriated fund balance</b>	3,331,304	-	(3,331,304)	-
<b>Total revenues and other financing sources</b>	<u>\$ 15,780,033</u>	<u>\$ 12,898,791</u>	<u>\$ (2,881,242)</u>	<u>\$ 10,084,587</u>
<b>Operating expenditures</b>				
Administrative costs	\$ 16,758	\$ 12,533	\$ 4,225	\$ 14,074
Salaries and employee benefits	15,763,275	13,683,957	2,079,318	10,641,068
<b>Total expenditures and other financing uses</b>	<u>\$ 15,780,033</u>	<u>\$ 13,696,490</u>	<u>\$ 2,083,543</u>	<u>\$ 10,655,142</u>
<b>Reconciliation of income before transfers</b>				
Total revenues and other financing sources		\$ 12,898,791		
Total expenditures		13,696,490		
<b>Subtotal</b>		(797,699)		
Net transfers		(3,862,033)		
<b>Income (loss) before transfers per the Statement of Revenues, Expenses and Changes in Fund Net Assots</b>		<u>\$ (4,659,732)</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2005  
(With Comparative Totals for June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Revenues</b>				
Operating revenues				
Contributions	\$ 500,000	\$ 285,522	\$ (214,478)	\$ 334,988
Non-operating revenues				
Interest earned on investments	-	3	3	5
<b>Total revenues</b>	<u>\$ 500,000</u>	<u>\$ 285,525</u>	<u>\$ (214,475)</u>	<u>\$ 334,993</u>
<b>Operating expenditures</b>				
Administrative costs	\$ -	\$ -	\$ -	\$ -
Salaries and employee benefits	500,000	282,911	217,089	349,220
<b>Total expenditures</b>	<u>\$ 500,000</u>	<u>\$ 282,911</u>	<u>\$ 217,089</u>	<u>\$ 349,220</u>
<b>Reconciliation of income before transfers</b>				
Total revenues and other financing sources		\$ 285,525		
Total expenditures		<u>282,911</u>		
<b>Subtotal</b>		<u>2,614</u>		
<b>Income (loss) before transfers per the Statement of Revenues, Expenses and Changes in Fund Net Assets</b>		<u>\$ 2,614</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2005  
(With Comparative Totals for June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Revenues</b>				
Operating revenues				
Contributions	\$ 860,628	\$ 935,775	\$ 75,147	\$ 532,401
Non-operating revenues				
Interest earned on investments	10,475	14,337	3,862	11,369
<b>Total revenues</b>	<b>\$ 871,103</b>	<b>\$ 950,112</b>	<b>\$ 79,009</b>	<b>\$ 543,770</b>
<b>Operating expenditures</b>				
Administrative costs	\$ 11,300	\$ 7,556	\$ 3,744	\$ 7,267
Salaries and employee benefits	1,224,386	1,263,947	(39,561)	1,109,579
<b>Total expenditures</b>	<b>1,235,686</b>	<b>1,271,503</b>	<b>(35,817)</b>	<b>1,116,846</b>
<b>Other financing uses</b>				
Transfers in	-	-	-	53,665
Appropriated fund balance	(364,583)	-	364,583	-
<b>Total expenditures and other financing uses</b>	<b>\$ 871,103</b>	<b>\$ 1,271,503</b>	<b>\$ 328,766</b>	<b>\$ 1,170,511</b>
<b>Reconciliation of income before transfers</b>				
Total revenues and other financing sources		\$ 950,112		
Total expenditures		1,271,503		
<b>Subtotal</b>		<b>(321,391)</b>		
<b>Income (loss) before transfers per the Statement of Revenues, Expenses and Changes in Fund Net Assets</b>		<b>\$ (321,391)</b>		

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2005  
(With Comparative Totals for June 30, 2004)

	2005		Variance Positive (Negative)	2004
	Budget	Actual		
<b>Revenues</b>				
Operating revenues				
Litigation settlement	\$ -	\$ -	\$ -	\$ 21,656
Non-operating revenues				
Interest earned on investments	-	9,283	9,283	6,410
<b>Other financing sources</b>				
Transfers in	292,824	292,824	-	373,905
<b>Appropriated fund balance</b>	257,800	-	(257,800)	-
<b>Total revenues and other financing sources</b>	<u>\$ 550,624</u>	<u>\$ 302,107</u>	<u>\$ (248,517)</u>	<u>\$ 401,971</u>
<b>Operating expenditures</b>				
Administrative costs	<u>\$ 550,624</u>	<u>\$ 551,870</u>	<u>\$ (1,246)</u>	<u>\$ 504,471</u>
<b>Reconciliation of income before transfers</b>				
Total revenues and other financing sources		\$ 302,107		
Total expenditures		<u>551,870</u>		
<b>Subtotal</b>		(249,763)		
Net transfers		<u>(292,824)</u>		
<b>Income (loss) before transfers per the Statement of Revenues, Expenses and Changes in Fund Net Assets</b>		<u>\$ (542,587)</u>		

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Financial Statements and Schedules**

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**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2005**

	City Tax Fund	Payee Account Fund	Inmate Payee Fund	Inter- Governmental Custodial Fund	Stormwater Utility Fund	Totals
<b>Assets</b>						
Taxes receivable	\$ 4,555,697	\$ -	\$ -	\$ -	\$ 116,552	\$ 4,672,249
Restricted cash and cash equivalents	85,108	329,904	12,345	131,467	117,578	676,402
<b>Total assets</b>	<b>\$ 4,640,805</b>	<b>\$ 329,904</b>	<b>\$ 12,345</b>	<b>\$ 131,467</b>	<b>\$ 234,130</b>	<b>\$ 5,348,651</b>
<b>Liabilities</b>						
Accounts and vouchers payable	\$ 4,602,306	\$ 329,904	\$ 12,345	\$ 131,467	\$ 234,130	\$ 5,310,152
Due to other funds	38,499	-	-	-	-	38,499
<b>Total liabilities</b>	<b>\$ 4,640,805</b>	<b>\$ 329,904</b>	<b>\$ 12,345</b>	<b>\$ 131,467</b>	<b>\$ 234,130</b>	<b>\$ 5,348,651</b>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**Year Ended June 30, 2005**

	July 1, 2004	Additions	Deductions	June 30, 2005
<b><u>City Tax Fund</u></b>				
<b>Assets</b>				
Taxes receivable	\$ 4,821,233	\$ 50,580,356	\$ 50,847,152	\$ 4,555,697
Restricted cash and cash equivalents	111,471	45,395,808	45,422,171	85,108
<b>Total assets</b>	<b>\$ 4,932,704</b>	<b>\$ 95,976,164</b>	<b>\$ 96,269,323</b>	<b>\$ 4,640,805</b>
<b>Liabilities</b>				
Accounts and vouchers payable	\$ 4,894,679	\$ 95,937,665	\$ 96,231,298	\$ 4,602,306
Due to other funds	38,025	38,499	38,025	38,499
<b>Total liabilities</b>	<b>\$ 4,932,704</b>	<b>\$ 95,976,164</b>	<b>\$ 96,269,323</b>	<b>\$ 4,640,805</b>
<b><u>Payee Account Fund</u></b>				
<b>Assets</b>				
Restricted cash and cash equivalents	\$ 247,921	\$ 1,006,105	\$ 924,122	\$ 329,904
<b>Total assets</b>	<b>\$ 247,921</b>	<b>\$ 1,006,105</b>	<b>\$ 924,122</b>	<b>\$ 329,904</b>
<b>Liabilities</b>				
Accounts and vouchers payable	\$ 247,921	\$ 1,006,105	\$ 924,122	\$ 329,904
<b>Total liabilities</b>	<b>\$ 247,921</b>	<b>\$ 1,006,105</b>	<b>\$ 924,122</b>	<b>\$ 329,904</b>
<b><u>Inmate Payee Fund</u></b>				
<b>Assets</b>				
Restricted cash and cash equivalents	\$ 11,140	\$ 733,185	\$ 731,980	\$ 12,345
<b>Total assets</b>	<b>\$ 11,140</b>	<b>\$ 733,185</b>	<b>\$ 731,980</b>	<b>\$ 12,345</b>
<b>Liabilities</b>				
Accounts and vouchers payable	\$ 11,140	\$ 733,185	\$ 731,980	\$ 12,345
<b>Total liabilities</b>	<b>\$ 11,140</b>	<b>\$ 733,185</b>	<b>\$ 731,980</b>	<b>\$ 12,345</b>
<b><u>Intergovernmental Custodial Fund</u></b>				
<b>Assets</b>				
Taxes receivable	\$ 90	\$ -	\$ 90	\$ -
Restricted cash and cash equivalents	135,159	1,239,635	1,243,327	131,467
<b>Total assets</b>	<b>\$ 135,249</b>	<b>\$ 1,239,635</b>	<b>\$ 1,243,417</b>	<b>\$ 131,467</b>
<b>Liabilities</b>				
Accounts and vouchers payable	\$ 135,249	\$ 1,239,635	\$ 1,243,417	\$ 131,467
<b>Total liabilities</b>	<b>\$ 135,249</b>	<b>\$ 1,239,635</b>	<b>\$ 1,243,417</b>	<b>\$ 131,467</b>
<b><u>Stormwater Utility Fund</u></b>				
<b>Assets</b>				
Taxes receivable	\$ 128,600	\$ 2,776,781	\$ 2,788,829	\$ 116,552
Restricted cash and cash equivalents	103,538	2,159,305	2,145,265	117,578
<b>Total assets</b>	<b>\$ 232,138</b>	<b>\$ 4,936,086</b>	<b>\$ 4,934,094</b>	<b>\$ 234,130</b>
<b>Liabilities</b>				
Accounts and vouchers payable	\$ 232,138	\$ 4,936,086	\$ 4,934,094	\$ 234,130
<b>Total liabilities</b>	<b>\$ 232,138</b>	<b>\$ 4,936,086</b>	<b>\$ 4,934,094</b>	<b>\$ 234,130</b>
<b><u>TOTAL - ALL AGENCY FUNDS</u></b>				
<b>Assets</b>				
Taxes receivable	\$ 4,949,923	\$ 53,357,137	\$ 53,636,071	\$ 4,672,249
Restricted cash and cash equivalents	609,229	50,534,038	50,466,865	676,402
<b>Total assets</b>	<b>\$ 5,559,152</b>	<b>\$ 103,891,175</b>	<b>\$ 104,102,936</b>	<b>\$ 5,348,651</b>
<b>Liabilities</b>				
Accounts and vouchers payable	\$ 5,521,127	\$ 103,852,676	\$ 104,064,911	\$ 5,310,152
Due to other funds	38,025	38,499	38,025	38,499
<b>Total liabilities</b>	<b>\$ 5,559,152</b>	<b>\$ 103,891,175</b>	<b>\$ 104,102,936</b>	<b>\$ 5,348,651</b>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Fund - City Tax Fund**  
**June 30, 2005**

	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
<b>Assets</b>										
Taxes receivable	\$ 3,962,105	\$ 80,843	\$ 1,524	\$ 1,265	\$ 223,942	\$ 1,960	\$ 266,028	\$ 11,024	\$ 7,006	\$ 4,555,697
Restricted cash and cash equivalents	64,421		1,180	203	7,631	317	8,061	2,431	864	85,108
Total assets	\$ 4,026,526	\$ 80,843	\$ 2,704	\$ 1,468	\$ 231,573	\$ 2,277	\$ 274,089	\$ 13,455	\$ 7,870	\$ 4,640,805
<b>Liabilities</b>										
Accounts and vouchers payable	\$ 4,026,526	\$ 42,830	\$ 2,672	\$ 1,460	\$ 231,442	\$ 2,269	\$ 273,978	\$ 13,323	\$ 7,806	\$ 4,602,306
Due to other funds	-	38,013	32	8	131	8	111	132	64	38,499
Total liabilities	\$ 4,026,526	\$ 80,843	\$ 2,704	\$ 1,468	\$ 231,573	\$ 2,277	\$ 274,089	\$ 13,455	\$ 7,870	\$ 4,640,805

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Financial Statements and Schedules**

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COUNTY OF CUMBERLAND, NORTH CAROLINA

Discretely Presented Component Unit  
Eastover Sanitary District  
Statement of Net Assets  
June 30, 2005

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<b>Assets</b>	
Current assets	
Sales tax receivable	\$ 44
Due from other governments	64,405
Total current assets	<u>64,449</u>
Noncurrent assets	
Restricted:	
Cash and cash equivalents	252,732
Accounts receivable	9,040
Capital assets, net of accumulated depreciation	5,992,174
Total noncurrent assets	<u>6,253,946</u>
<b>Total assets</b>	<u>6,318,395</u>
<b>Liabilities and net assets</b>	
Current liabilities	
Accounts and vouchers payable	23,063
Accrued interest payable	14,419
Other payables	50,000
Current portion of long-term debt	44,000
Total current liabilities	<u>131,482</u>
Noncurrent liabilities	
Long-term debt	<u>3,817,500</u>
Total noncurrent liabilities	<u>3,817,500</u>
<b>Total liabilities</b>	<u>3,948,982</u>
Net assets	
Invested in capital assets, net of related debt	2,174,674
Restricted net assets	261,772
Unrestricted	(67,033)
<b>Total net assets</b>	<u>\$ 2,369,413</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, 2005

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<b>Operating revenues</b>	
Charges for services	\$ 255,003
Total operating revenues	<u>255,003</u>
<b>Operating expenses</b>	
Depreciation	158,499
Miscellaneous	26,524
Total operating expenses	<u>185,023</u>
<b>Operating income (loss)</b>	<u>69,980</u>
<b>Nonoperating revenue (expense)</b>	
Interest earned on investments	7,114
Interest expense	(174,774)
Total nonoperating revenue (expense)	<u>(167,660)</u>
<b>Income (loss) before contributions</b>	(97,680)
Capital contributions	56,560
<b>Change in net assets</b>	<u>(41,120)</u>
<b>Total net assets - beginning</b>	<u>2,410,533</u>
<b>Total net assets - ending</b>	<u>\$ 2,369,413</u>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

**Discretely Presented Component Unit  
Eastover Sanitary District  
Statement of Cash Flows  
Year Ended June 30, 2005**

<b>Operating activities</b>	
Cash received from customers	\$ 292,959
Cash paid for goods and services	<u>3,740</u>
<b>Net cash provided by (used in) operating activities</b>	<u>296,699</u>
<b>Capital and related financing activities</b>	
Acquisition and construction of capital assets	(47,358)
Principal paid on long-term debt	(42,500)
Interest paid on bonds	<u>(174,933)</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(264,791)</u>
<b>Investing activities</b>	
Investment earnings	<u>7,114</u>
<b>Net cash provided (used) in investing activities</b>	<u>7,114</u>
<b>Net increase in cash and cash equivalents</b>	<u>39,022</u>
<b>Cash and cash equivalents</b>	
Beginning of year	<u>213,710</u>
End of year	<u><u>\$ 252,732</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
Operating income (loss)	\$ 69,980
Depreciation	158,499
Change in assets and liabilities	
(Increase) decrease in accounts receivable	37,912
(Increase) decrease in inventories	4,241
Increase (decrease) in accounts payable and accrued liabilities	51,067
Increase (decrease) in due to primary government	<u>(25,000)</u>
Total adjustments	<u>226,719</u>
<b>Net cash provided by (used in) operating activities</b>	<u><u>\$ 296,699</u></u>
<b>Noncash investing, capital, and financing activities:</b>	
Contributed assets	<u><u>\$ 56,560</u></u>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**Eastover Sanitary District Fund**  
**Year Ended June 30, 2005**  
**(With Comparative Totals for June 30, 2004)**

	2005			2004
	Budget	Actual	Variance Positive (Negative)	
<b>Operating revenues</b>				
Charges for services	\$ 250,000	\$ 255,003	\$ 5,003	\$ 258,953
Total operating revenues	<u>250,000</u>	<u>255,003</u>	<u>5,003</u>	<u>258,953</u>
<b>Nonoperating revenues and other financing sources</b>				
Interest earned on investments	-	7,114	7,114	1,581
Total Nonoperating revenues and other financing sources	<u>-</u>	<u>7,114</u>	<u>7,114</u>	<u>1,581</u>
Appropriated fund balance	87,941	-	(87,941)	-
<b>Total revenues, other financing sources and fund balance appropriations</b>	<u>\$ 337,941</u>	<u>\$ 262,117</u>	<u>\$ (75,824)</u>	<u>\$ 260,534</u>
<b>Operating expenditures</b>				
Miscellaneous	\$ 120,508	\$ 26,524	\$ 93,984	\$ 5,234
Total operating expenditures	<u>120,508</u>	<u>26,524</u>	<u>93,984</u>	<u>5,234</u>
<b>Nonoperating expenditures</b>				
Interest expense	217,433	174,774	42,659	179,983
Total nonoperating expenditures	<u>217,433</u>	<u>174,774</u>	<u>42,659</u>	<u>179,983</u>
<b>Total expenditures and other financing uses</b>	<u>\$ 337,941</u>	<u>\$ 201,298</u>	<u>\$ 136,643</u>	<u>\$ 185,217</u>
<b>Reconciliation of modified accrual basis to full accrual basis</b>				
Total revenues and other financing sources		\$ 262,117		
Total expenditures and other financing uses		<u>201,298</u>		
		60,819		
Depreciation		<u>(158,499)</u>		
<b>Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Fund Net Assets</b>		<u>\$ (97,680)</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, 2005**

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
<b>Revenues</b>					
Restricted intergovernmental revenue	\$ 663,053	\$ 663,054	\$ -	\$ -	\$ 663,054
Interest earned on investments	47,183	53,232	-	176	53,408
Miscellaneous	100,959	101,538	-	-	101,538
<b>Total revenues</b>	<u>811,195</u>	<u>817,824</u>	<u>-</u>	<u>176</u>	<u>818,000</u>
<b>Expenditures</b>					
<b>Capital outlay</b>					
Water and sewer	6,699,398	6,469,195	-	-	6,469,195
<b>Total expenditures</b>	<u>6,699,398</u>	<u>6,469,195</u>	<u>-</u>	<u>-</u>	<u>6,469,195</u>
<b>Revenues over (under) expenditures</b>	<u>(5,888,203)</u>	<u>(5,651,371)</u>	<u>-</u>	<u>176</u>	<u>(5,651,195)</u>
<b>Other financing sources (uses)</b>					
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	-	-	-	-
<b>Total other financing sources</b>	<u>5,888,203</u>	<u>1,835,138</u>	<u>-</u>	<u>-</u>	<u>1,835,138</u>
<b>Revenues and other financing sources over (under) expenditures</b>	<u>\$ -</u>	<u>\$ (3,816,233)</u>	<u>\$ -</u>	<u>176</u>	<u>\$ (3,816,057)</u>
<b>Fund balance</b>					
Beginning of year - July 1				<u>(3,816,233)</u>	
End of year - June 30				<u>\$ (3,816,057)</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, 2005

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
<b>Revenues</b>					
Restricted intergovernmental revenue	\$ 500,000	\$ -	\$ -	\$ -	\$ -
Sales and services	34,500	-	-	-	-
<b>Total revenues</b>	<b>534,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>					
<b>Capital outlay</b>					
Water and sewer	2,859,786	46,996	-	56,560	103,556
<b>Total expenditures</b>	<b>2,859,786</b>	<b>46,996</b>	<b>-</b>	<b>56,560</b>	<b>103,556</b>
<b>Revenues over (under) expenditures</b>	<b>(2,325,286)</b>	<b>(46,996)</b>	<b>-</b>	<b>(56,560)</b>	<b>(103,556)</b>
<b>Other financing sources (uses)</b>					
Capital contributions (USDA)	2,325,286	46,996	-	56,560	103,556
<b>Total other financing sources</b>	<b>2,325,286</b>	<b>46,996</b>	<b>-</b>	<b>56,560</b>	<b>103,556</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
<b>Fund balance</b>					
Beginning of year - July 1				-	
End of year - June 30				\$ -	

COUNTY OF CUMBERLAND, NORTH CAROLINA  
Schedule of Current Tax Levy  
Year Ended June 30, 2005

	County-wide			Total Levy		
	Total Property Valuation	Rate	Amount of Levy		Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy						
County wide	\$ 14,601,153,577	0.00880	\$ 128,490,151			
Late listing penalties		0.10000	<u>97,276</u>	\$ 128,587,427	\$ 112,471,516	\$ 16,115,911
Discoveries						
County wide	112,348,433	0.00880	988,666			
Late listing penalties		0.10000	<u>141,019</u>	1,129,685	1,083,467	46,218
Abatements						
County wide	(224,884,064)	0.00880	(1,978,980)			
Late listing penalties		0.10000	<u>(38,656)</u>	<u>(2,017,636)</u>	<u>(413,374)</u>	<u>(1,604,262)</u>
Adjusted tax levy				127,699,476	113,141,609	14,557,867
Uncollected taxes at June 30, 2005				<u>(5,053,805)</u>	<u>(2,425,758)</u>	<u>(2,628,047)</u>
Current year's taxes collected				<u>\$ 122,645,671</u>	<u>\$ 110,715,851</u>	<u>\$ 11,929,820</u>
Percent of current year's taxes collected				<u>96.04%</u>	<u>97.86%</u>	<u>81.95%</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable

June 30, 2005

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2004</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2005</u>
2004-2005	\$ -	\$ 127,699,476	\$ 122,645,671	\$ 5,053,805
Prior years	14,099,733	-	5,552,494	8,547,239
	<u>\$ 14,099,733</u>	<u>\$ 127,699,476</u>	<u>\$ 128,198,165</u>	13,601,044
Less allowance for uncollectible ad valorem taxes receivable				<u>(7,945,180)</u>
				<u>\$ 5,655,864</u>

RECONCILIATION OF COLLECTIONS AND CREDITS WITH REVENUES

Collections and credits per above	\$ 128,198,165
Interest	1,176,402
Processing fees	178,613
Other	397,011
Releases from prior years	<u>(454,578)</u>
Ad Valorem Taxes - General Fund (per report)	<u>\$ 129,495,613</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Transfers

Year Ended June 30, 2005

Transfers From/To Other Funds	Transfers	
	In	Out
<u>Nonmajor governmental funds</u>		
Special Revenue Funds		
County School Fund	\$ 3,979,420	\$ -
Prepared Food and Beverage Fund	38,789	-
Workforce Development Administration	-	15,000
Industrial Development Fund	-	556,104
Juvenile Crime Prevention	-	289,809
Property Revaluation Fund	-	500,113
Community Development Home	-	33,414
Community Development Support Housing	-	1,546
County Community Development	-	17,000
Transportation Funds		
Elderly and Handicapped Transportation	-	8,147
Capital Project Funds		
Detention Facility	1,039,033	-
Winding Creek Renovation	3	-
Library Bond Fund	21,444	-
Averasboro Battlefield	-	6,631
	<u>5,078,689</u>	<u>1,427,764</u>
<u>Internal Service Funds</u>		
Group Insurance	-	3,862,033
General Litigation Fund	-	292,824
	-	<u>4,154,857</u>
<u>Major Enterprise Funds</u>		
Cumberland County Memorial Auditorium Fund	-	6,677,470
Solid Waste Fund	257,456	-
	<u>257,456</u>	<u>6,677,470</u>
<u>Nonmajor governmental funds</u>		
Special Revenue Funds		
Prepared Food and Beverage Fund		
General Fund	-	38,789
Enterprise Fund		
Cumberland County Mem. Aud. Fund	-	3,317,437
County Community Development Fund		
General Fund	17,000	-
Water and Sewer		
Enterprise Fund		
Norcross Water and Sewer	-	185,137
County School Fund		
General Fund	-	3,979,420
Capital Project Fund		
2004 School General Obligation Bond	-	2,194,400

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Transfers (concluded)

Year Ended June 30, 2005

	Transfers	
	In	Out
Nonmajor governmental funds (continued)		
Special Revenue Funds (continued)		
Workforce Development Administration		
General Fund	\$ 15,000	\$ -
Industrial Development Fund		
General Fund	556,104	-
Property Revaluation Fund		
General Fund	500,113	-
Juvenile Crime Prevention		
General Fund	289,809	-
Community Development Home		
General Fund	33,414	-
Community Development Support Housing		
General Fund	1,546	-
Handicapped and Elderly Transportation		
General Fund	8,147	-
	<u>1,421,133</u>	<u>9,715,183</u>
Capital Project Funds		
Library Bond Fund		
General Fund	-	21,444
Winding Creek Renovation		
General Fund	-	3
Community Corrections Building		
Capital Project Fund		
Animal Control Building	-	804,207
2004 School General Obligation Bond		
Special Revenue Fund		
County School Fund	2,194,400	-
Capital Project Fund		
Animal Control Building	-	255,589
Averasboro Battlefield		
General Fund	6,631	-
Animal Control Building		
Capital Project Funds		
Community Corrections	804,207	-
Detention Facility	339,910	-
2004 School General Obligation Bond	255,589	-
Detention Facility		
General Fund	-	1,039,033
Capital Project Fund		
Animal Control Building	-	339,910
	<u>3,600,737</u>	<u>2,460,186</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Transfers (concluded)

Year Ended June 30, 2005

	Transfers	
	In	Out
<b>Major Enterprise Funds</b>		
Cumberland County Memorial Auditorium Fund		
General Fund	\$ 6,677,470	\$ -
Special Revenue Fund		
Prepared Food and Beverage Fund	3,317,437	-
Norcross Water and Sewer		
Special Revenue Fund		
Water and Sewer	185,137	-
Solid Waste Fund		
General Fund	-	257,456
	<u>10,180,044</u>	<u>257,456</u>
<b>Internal Service Funds</b>		
General Litigation Fund		
General Fund	292,824	-
Group Insurance Fund		
General Fund	3,862,033	-
	<u>4,154,857</u>	<u>-</u>
<b>Total transfers - other funds</b>	<u>\$ 24,692,916</u>	<u>\$ 24,692,916</u>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Financial Statements and Schedules**

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**Table 1****COUNTY OF CUMBERLAND, NORTH CAROLINA**

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

<b>June 30,</b>	<b>General Government</b>	<b>Public Safety</b>	<b>Economic and Physical Development</b>	<b>Human Service</b>	<b>Cultural and Recreation</b>	<b>Education</b>	<b>Capital Outlay</b>	<b>Debt Service</b>	<b>Total</b>
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
2005	20,448	38,385	11,443	105,115	13,397	83,764	4,237	21,846	298,635

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		Total
							from Capital Leases	Miscellaneous	
1996	\$ 119,604	\$ 4,521	\$ 46,839	\$ 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
2005	200,555	4,592	68,929	5,231	20,939	2,995		6,802	310,043

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
1997	87,054	34,796	1,968	606	568	163	2,449	127,634
1998	92,142	35,162	1,955		600	166	2,851	132,876
1999	105,386	37,002	1,960		637	155	2,972	148,123
2000	110,634	38,235	1,986		573	153	3,094	154,675
2001	120,080	38,585	1,977		588	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
2005	139,297	53,106	687	2,092	1,131	406	3,836	200,555

**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
1996	\$ 79,735	\$ 76,698	96.18%	\$ 2,425	\$ 79,113	99.22%	\$ 7,165	8.97%
1997	89,615	86,397	95.29%	2,032	87,429	97.56%	8,451	9.43%
1998	93,460	89,637	95.91%	3,081	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%	12,962	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%
2005	127,669	122,646	96.04%	5,552	128,198	100.39%	13,601	10.65%

Note (1) Includes only the General Fund.

**Table 4**

**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	Estimated	Assessed Value	Estimated	Assessed Value	Estimated	Assessed Value	Estimated	Assessed Value	Estimated	Assessed Value to Total Estimated Actual Value
		Actual Value		Actual Value		Actual Value		Actual Value		Actual Value	
1996	\$ 7,744,337	\$ 8,553,498	\$ 1,843,594	\$ 2,038,220	\$ 731,847	\$ 808,313	\$ 284,752	\$ 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	11,688,012	11,933,026	97.93
2000	10,520,476	10,884,893	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	326,454	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	339,655	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
2005	13,156,842	13,380,292	2,843,075	2,891,360	1,847,915	1,879,299	336,616	342,333	14,488,618	14,734,687	98.33

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**

June 30,	Taxes Levied By Cumberland County			
	County Wide Rate	County Recreation Rate	Various Fire Protection Districts (1)	Special Fire Service District (2)
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
2005	0.880	0.050	0.10	0.005

June 30,	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
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
2005	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

Principal Taxpayers  
(Amounts Expressed in Thousands)  
Unaudited

June 30, 2005

Sprint	Telephone	\$	117,547	0.81%
Kelly Springfield	Tire Manufacturer		109,359	0.75%
Wal-Mart	Retail/Distribution		91,941	0.63%
Cumberland Associates	Retail Mall		85,301	0.59%
Progress Energy	Electrical Utility		69,678	0.48%
Black & Decker	Power Tool Manufacturer		63,203	0.44%
DAK Resins	Textiles		59,073	0.41%
Purolator Products	Auto Filter Manufacturer		58,730	0.41%
N.C. Natural Gas	Gas Utility		56,981	0.39%
UDRT of NC, LLC	Apartment Leasing		40,752	0.28%
	<b>Totals</b>	\$	<b>752,565</b>	<b>5.19%</b>

**Table 7**

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

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

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<b>June 30,</b>	<b>Special Assessment Billings</b>	<b>Special Assessments Collected</b>	<b>Ratio of Annual Collections to Assessments</b>
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%
2005	45	12	26.67%

**COUNTY OF CUMBERLAND, NORTH CAROLINA**

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

**June 30, 2005**

<hr/>	
<b>Assessed valuations</b>	
Assessed value	\$ 14,488,618
Plus: exempt real property	<u>1,847,915</u>
<b>Total assessed value</b>	<u><u>\$ 16,336,533</u></u>
Debt limitation - 8% of total assessed value	<u>\$ 1,306,923</u>
Debt applicable to limitation:	
Gross debt:	
Total bonded debt	242,958
Authorized and unissued debt	<u>14,101</u>
	257,059
Less: Statutory deductions:	
Authorized and unissued debt	14,101
Revenue bonds	<u>128,818</u>
	142,919
<b>Total debt applicable to limitation</b>	<u>114,140</u>
<b>Legal debt margin</b>	<u><u>\$ 1,192,783</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)
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
2005	311	14,488,618	1,306,923	114,140	1,192,783	0.79%	412.35

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) FY 2002 and FY 2001 include amounts authorized but unissued of \$21,480,000. FY2003 and FY2004 include amounts authorized but unissued of \$6,605,000. FY2005 includes amount authorized but unissued of \$14,101,000.

## 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
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%
2005	7,680	5,781	13,461	298,635	4.5%

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, 2005**

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<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	\$ 78,100	0.02%	\$ 16
Fayetteville	44,450,000	28.38%	12,614,910
Spring Lake	0	1.77%	0
Wade	78,000	0.11%	86
Stedman	903,800	0.14%	1,265
Linden	202,500	0.03%	61
<b>Subtotal</b>	<u>45,712,400</u>		<u>12,616,338</u>
Cumberland County	114,140,000	100.00%	114,140,000
<b>Total</b>	<u>\$ 159,852,400</u>		<u>\$ 126,756,338</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>
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%
2005	311	N/A	N/A	53,399	6.40%

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*	
1996	\$ 1,726,190	\$ 7,394,646	\$ 731,847	\$ 8,368,989	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	746	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
2005	5,643,998	10,692,535	1,847,915	14,488,618	85	23,024	1585	232,669	2,319,000

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, 2005**

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<b>Date of Incorporation</b>	1754
<b>Form of Government</b>	Commission/Manager
<b>Population</b>	310,850
<b>Area in Square Miles</b>	664
<b>Parks and Recreation (Municipalities Excluded)</b>	
Parks	3
Park acreage	189
School parks	24
School program sites	9
School park acreage	379
Recreation centers	5
Baseball stadiums	1
Youth baseball/softball fields (includes school fields)	59
Tennis courts (includes school courts)	40
Regulation Baseball fields	8
Sand volleyball courts	4
Multipurpose fields (includes football/soccer fields at schools)	23
Picnic shelters	10
Concession stands w/ restrooms	16
Contracted community parks	3
Disc golf course	1
<b>Fire protection (Municipalities Excluded)</b>	
Number of stations	17
Number of fire personnel	610
Number of calls answered	9,904
Number of inspections conducted	1,851
Permits issued	820
Complaints investigated	17
<b>Hospitals</b>	
Number of County hospitals	1
Number of beds	447

**Table 14****COUNTY OF CUMBERLAND, NORTH CAROLINA****Miscellaneous Statistics (concluded)  
Unaudited****June 30, 2005****Civic Center**

Number of event days	326
Attendance	513,658

**Library**

Main Library	1
Branches	6
Bookmobiles	1
Law Library	1
Number of books	513,922

**Sherriff Protection (Municipalities Excluded)**

Number of stations	6
Number of personnel and deputies	626
Area in square miles patrolled by deputies	513
Miles driven	5,107,461
Number of calls answered	94,698
Number of persons brought to Detention Center	33,856
Number of inmates processed in & out of Detention Center	19,156
Number of detective cases worked	9,219
Number of civil court papers handled	40,542
Number of weapons confiscated at the Courthouse	12,887
Number of K-9 team actions	2,646
Number of search and rescue team actions	7
Number of bomb team actions	79
Number of school resource officers	33
Number of school crossing guard sites	70
Number of Latent Print Comparisons	12,662
Number of Ballistics Comparisons	855
Number of Crime Scene Investigation calls	2,884
Number of Polygraph Exams	200

**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 (6-12)	1
Number of community colleges	1

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Financial Statements and Schedules**

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## 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

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Financial Statements and Schedules**

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**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, the Fayetteville Area Convention and Visitors Bureau 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, 2005, which collectively comprises the County's basic financial statements, and have issued our report thereon dated November 9, 2005. 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 and the Fayetteville Area Convention and Visitors Bureau 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*. We noted certain matters that we reported to management of the County, in a separate letter dated November 9, 2005.

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 9, 2005



**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, 2005. 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, 2005.

**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.

*Cherry, Bekart & Holland, LLP*

Fayetteville, North Carolina  
November 9, 2005



**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, 2005. 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, 2005.

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, Bekavet + Holland LLP*

Fayetteville, North Carolina  
November 9, 2005

**COUNTY OF CUMBERLAND, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2005**

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**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
93.767	State Children's Insurance Program (Health Choice)
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
97.067	Homeland Security Grants
10.760	Water and Waste Disposal Systems for Rural Communities
93.568	Low-Income Home Energy Assistance Grant
 Workforce Investment Act Cluster	
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated Workers
17.260	WIA National Emergency Grant



**COUNTY OF CUMBERLAND, NORTH CAROLINA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (concluded)  
Year Ended June 30, 2005**

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**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, 2005

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**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, 2005**

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There were no audit findings in the prior period.

COUNTY OF CUMBERLAND, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2005

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
<b>Federal Awards:</b>					
<u>U.S. Dept. of Agriculture</u>					
<u>Food and Consumer Service</u>					
Passed-through N.C. Dept. of Agriculture:					
Food Distribution	10.550		\$ 3,504	\$	\$
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		36,484,356		
State Administrative Matching Grants for the Food Stamp Program	10.561		1,649,763		1,649,763
Total Food Stamp Cluster			38,134,119		1,649,763
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		1,474,470		
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		8,190,658		
AGRI-SFP Food Program Meal	10.559		576		
Water and Waste Disposal Systems for Rural Communities	10.760		3,933,200		
Total U.S. Dept. of Agriculture			51,736,527	-	1,649,763
<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		6,581		6,581
Direct Program:					
Community Development Block Grants/Entitlement Grants	14.218		2,226,496		
Supportive Housing Program	14.235		243,388		
HOME Investment Partnerships Program	14.239		389,483		
Total U.S. Dept. of Housing and Urban Development			2,865,948		6,581
<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		56,257		
Gang Resistance Education and Training	16.737		43,949		
Total U.S. Dept. of Justice			100,206		

COUNTY OF CUMBERLAND, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2005

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>					
Passed-through Senior Service America, Inc.: Senior Community Service Employment Program	17.235		\$ 255,829	\$ -	\$ 36,581
<u>Workforce Investment Act Cluster</u>					
Direct Program:					
National Emergency Grant	17.260		1,417,773		
Passed-through the N.C. Department of Commerce: Division of Employment and Training:					
WIA Adult Program	17.258		765,245		
WIA Youth Activities	17.259		519,584		
WIA Dislocated Workers	17.260		485,444		
Total Workforce Investment Act Cluster			<u>3,188,046</u>	<u>-</u>	<u>-</u>
Total U.S. Dept. of Labor			<u>3,443,875</u>	<u>-</u>	<u>36,581</u>
<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		349,985		44,944
<u>Federal Transit Administration</u>					
Passed-through the N.C. Department of Transportation: Federal Transit - Metropolitan Planning Grants	20.505		49,664	6,208	6,208
Total U.S. Dept. of Transportation			<u>399,649</u>	<u>6,208</u>	<u>51,152</u>
<u>Office of Library Services</u>					
Passed-through the N.C. Department of Cultural Resources: State Library Program	45.310		60,477		14,666
<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		65,554		844,109
<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> Governors Substance Abuse and Violence Prevention Program	84.186		27,146		
<u>U.S. Dept. of Health &amp; Human Services</u>					
<u>Administration on Aging</u>					
<u>Division of Social Services:</u>					
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		179,514		

COUNTY OF CUMBERLAND, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2005

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		\$ 6,166,419	\$ (3,999)	\$ 5,179,513
WorkFirst/TANF - Direct					
Benefit Payments	93.558		6,694,904	(1,697)	3,773
N.C. Child Support Enforcement Section	93.563		42,029		21,651
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568		58,963		
Crisis Intervention Program	93.568		240,104		
Energy Assistance Payments-Direct Benefit Payments	93.568		453,768		111
Permanency Planning - Families for Kids	93.645		96,501	25,106	116,594
Family To Family	93.645		38,647		12,882
SSBG - Other Services and Training	93.667		1,389,626	141,853	800,407
LINKS (formerly Independent Living Grant)	93.674		91,262	22,815	
<u>Foster Care and Adoption Cluster:</u>					
Title IV-E Foster Care	93.658		2,032,608	966,858	857,584
Adoption Assistance - Direct Benefit Payments	93.659		921,003	258,888	272,133
Title IV-E Foster Care HIV	93.658		503	297	
Total Foster Care and Adoption Cluster			<u>2,954,114</u>	<u>1,226,043</u>	<u>1,129,717</u>
Division of Aging:					
Division of Social Services:					
SSBG-Adult Day Care	93.687		68,266	35,880	14,878
Division of Child Development:					
Subsidized Child Care (Note 4)					
<u>Child Care Development Fund Cluster:</u>					
Division of Social Services:					
Child Care and Development Fund-Administration	93.596		685,009		65,448
Division of Child Development:					
Child Care Development Fund - Discretionary	93.575		5,955,928		
Child Care Development Fund - Mandatory	93.596		3,180,053		
Child Care Development Fund - Match	93.596		2,174,378	1,248,688	
Social Services Block Grant	93.667		3,180,053		
TANF	93.558		1,676,440		
Total Child Care Development Fund Cluster			<u>16,851,861</u>	<u>1,248,688</u>	<u>65,448</u>
TANF - MOE				4,110,609	
Smart Start				255,580	
More at Four State Funding				564	
State Appropriations				659,914	
Total Subsidized Child Care Cluster			<u>16,851,861</u>	<u>6,275,355</u>	<u>65,448</u>
<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:					
Homelessness (PATH)	93.150		64,785		
TANF-Work/Substance Abuse Initiative	93.558				
MAJORS Substance Abuse/Juvenile Justice Initiative	93.959		38,750	45,108	
Perinatal and Maternal Substance Abuse Initiative	93.959		135,571		
Substance Abuse Training	93.959		1,250		
Treatment Alternatives to Street Crime	93.959		501,752		
Mental Health Cluster:					
Block Grants for Community Mental Health Services	93.958		206,124		
State Appropriations - Child				182,893	
- Adults				1,977,853	
- Other				53,422	
Total Mental Health Cluster			<u>206,124</u>	<u>2,214,168</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2005

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>					
State Appropriations - DD Waiting List		1390	\$ -	\$ 20,880	\$ -
Total Developmental Disabilities Waiting List Cluster				<u>20,880</u>	
Developmental Disability Services - Adult	93.667		154,862		
Developmental Disability Services - Child	93.667		21,474		
<u>Substance Abuse Cluster:</u>					
Block Grant for Prevention and Treatment of Substance Abuse	93.959		61,036		
State Appropriations - Child - Adults				26,573	
Total Substance Abuse Cluster			<u>61,036</u>	<u>626,634</u>	
<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		43,911		
Direct Benefit Payments:					
Medical Assistance Program	93.778		141,688,802	67,992,493	11,499,555
Division of Social Services:					
Medical Assistance Program Administration	93.778		2,498,431	354,956	1,970,822
Health Choice	93.767		123,918	10,276	32,190
Adolescent Parenting	93.778		43,805	18,972	24,833
<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	35,729		5,631
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	5452, 5465	112,461		13,894
Statewide Health Promotion Program	93.991	5503	52,333		217,373
Harmful Algal Blooms Program	93.283		493,254		
<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	151,651		214,791
Vascular Health Program	93.945	5528	500		
Maternal and Child Health Services Block Grant	93.994		922,974		2,288,605
Temporary Assistance for Needy Families	93.558		47,708		
Total U.S. Dept. of Health and Human Services			<u>182,727,059</u>	<u>79,031,416</u>	<u>23,612,668</u>
<u>Department of Homeland Security</u>					
Passed-through the N.C. Dept. of Crime Control & Public Safety:					
Division of Emergency Management:					
Hazardous Materials Planning	97.021		4,614		
Emergency Operations Center	97.052		1,889		
Homeland Security Grants	97.067		1,095,354		
Total U.S. Department of Homeland Security			<u>1,101,857</u>	-	-
<u>Other Federal Programs</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Medicaid At-Risk			144,955		
Total Federal awards			<u>242,673,253</u>	<u>79,037,624</u>	<u>26,215,520</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended June 30, 2005

Grantor/Pass-through <u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>State Awards:</b>					
<u>N.C. Dept. of Health and Human Services</u>					
Division of Social Services:					
State/County Special Assistance for Adults - Direct Benefit Payments			\$	\$ 2,087,187	\$ 2,087,187
State Foster Care Benefits Program				432,527	432,523
Adoption Subsidy - Direct Benefit				746,588	197,071
Repatriation Program				841	
Energy Assistance - CP&L Energy Program				28,643	
State Aid Payments				191,544	
Temporary Assistance for Needy Families Incentives				17,815	
AFDC Incentives				2,001	
Adult Protective Services				35,393	208
Smart Start Administration				248,664	37,051
Family Violence Prevention Grant				27,611	6,903
Division of Child Development:					
Smart Start Read to Me				257,147	
Smart Start Motherread				61,743	
Smart Start - Mental Health				183,987	
Division of Public Health:					
General		4110		170,180	3,197,025
Epilepsy		5555		6,699	
TB Medical Services		4554		4,969	
Communicable Disease		4510		25,762	523,257
Risk Reduction/Health Promotion		5503		3,591	
Maternal Care Coordinator		5107		6,649	
Immunization-State		5701			
Tuberculosis		4551		82,608	17,275
HIV/STD		4536		25,000	37,312
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:					
Developmental Disability Services - Child				108,137	
Developmental Disability Services - Adult				895,702	
Mental Retardation / Mental Illness Comprehensive Treatment				1,104,465	
Services Program (At Risk Children)				752,313	
Systems Management Services				3,811,298	
Emergency Services				30,584	
Total N. C. Department of Health and Human Services				11,349,648	6,535,812
<u>N.C. Dept. of Environment &amp; Natural Resources</u>					
Division of Environmental Health:					
Environmental Health				6,000	1,263,495
Child Lead				2,397	
Food and Lodging				32,261	
Division of Water and Soil Conservation:					
Agriculture Cost Share Program				20,153	22,266
Soil and Water District Projects				4,000	69,778
Total N.C. Department of Environment & Natural Resources				64,811	1,355,539
<u>N.C. Department of Veteran's Affairs</u>					
Veteran's Services Grant				2,000	155,788

COUNTY OF CUMBERLAND, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2005

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			\$ -	\$ 2,400,000	\$ 1,579,420
<u>Department of Juvenile Justice &amp; Delinquency Prevention</u>					
Juvenile Crime Prevention Program				969,494	477,590
<u>N.C. Rural Economic Development Center</u>					
Unsewered Communities Grant				2,397,632	
<u>N.C. Dept. of Crime Control and Public Safety</u>					
Governor's Crime Commission:					
Community Monitoring Program				9,004	4,104
<u>N.C. Dept. of Cultural Resources</u>					
State Aid to Public Libraries				343,285	6,342,554
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program Cluster:					
Elderly and Disabled Transportation Assistance Program (E&DTAP)				117,424	
Rural General Program				71,540	
Community Transportation Program				45,104	10,359
Work First Transitional/Employment Trans. Assistance				39,557	
Total Rural Operating Assistance Program Cluster				273,625	10,359
Total N.C. Department of Transportation				273,625	10,359
<u>N.C. Dept. of Administration</u>					
Board of Elections Maintenance Grant				41,697	
Domestic Violence Program				50,000	12,500
Total N.C. Department of Administration				91,697	12,500
<u>N.C. Dept. of Corrections</u>					
Criminal Justice Partnership Program				208,771	473
Total State awards				18,109,967	16,474,139
Total Federal and State awards			\$ 242,673,253	\$ 97,147,591	\$ 42,689,659

COUNTY OF CUMBERLAND, NORTH CAROLINA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 For the Year Ended June 30, 2005

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

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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 and the State Single Audit Implementation Act. 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>
Highway Planning and Construction	20.205	\$ 170,208	
Supportive Housing Program	14.235	243,388	

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.

4. The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Subsidized Child Care, Foster Care and Adoption, Mental Health Services, Developmental Disability Waiting list Services, Substance Abuse Services, and Infants and Toddlers with Disabilities.

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Financial Statements and Schedules**

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**CONTINUING DISCLOSURE INFORMATION**  
**(Unaudited)**

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, 2005 have not yet been compiled and are not due until April 30, 2006. Continuing disclosures for the year ended September 30, 2004 are currently on file with the Nationally Recognized Municipal Securities Information Repositories.

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Continuing Disclosure Information (Unaudited)**

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**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Continuing Disclosure Information (Unaudited)**  
**June 30, 2005**

**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, 2005 were approximately \$277 million. General Fund revenues are derived from various sources, including property taxes (which account for approximately 46.7% 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 \$1,395,000 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 2002, 2003, 2004 and 2005 the County transferred \$533,000, \$533,000, \$683,000, and \$683,000 respectively, from the General Fund to pay operating expenses of the Cumberland County Crown Center. In fiscal year 2005, the County transferred \$2,945,623 from the General Fund to pay debt service on the Crown Coliseum. For FY2006, 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, 2005 and the forecasted receipts from the Food and Beverage Tax, net of administrative expenses, for the five fiscal years ending June 30, 2010:

<u>Fiscal Year</u> <u>Ended June 30 (1)</u>	<u>Historical</u> <u>Receipts (2)</u>
2001	\$ 3,140,000
2002	3,162,000
2003	3,341,000
2004	3,564,000
2005	3,797,000
<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Forecasted</u> <u>Receipts (3)</u>
2006	\$ 3,910,000
2007	4,027,000
2008	4,148,000
2009	4,272,000
2010	4,401,000

- (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 \$38,789 per year.
- (3) Forecasted receipts assume 3% annual growth in tax revenue and 5% growth in the cost of collection for FY 2006 and 3% thereafter.

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Continuing Disclosure Information (Unaudited)**  
**June 30, 2005**

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 capped 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, 2005 and the forecasted receipts from the Occupancy Tax, net of administrative expenses, for the five fiscal years ending June 30, 2010:

<u>Fiscal Year Ended June 30</u>	<u>Historical Receipts (1)</u>
2001	\$ 600,000
2002	634,000
2003	684,000
2004	759,000
2005	802,000
<u>Fiscal Year Ended June 30</u>	<u>Forecasted Receipts (2)</u>
2006	\$ 826,000
2007	851,000
2008	876,000
2009	903,000
2010	930,000

- (1) Historical receipts from the Occupancy Tax are audited amounts less 3% collection fee. FY 2002 – FY 2005 receipts increased significantly due to the 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 Occupancy Tax and the Food and Beverage Tax have not been pledged directly or indirectly as security for any

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Continuing Disclosure Information (Unaudited)**  
**June 30, 2005**

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 appealed 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**

**Current Year Defeasance of Debt**

In FY 2005, the County issued General Obligation Refunding Bonds, Series 2004, to advance refund certain general obligation debt issues in whole or in part as follows:

	<u>Amount Refunded</u>	<u>Undefeased Debt Balance</u>	
	<u>November 1, 2004</u>	<u>November 1, 2004</u>	<u>June 30, 2005</u>
<b>General Obligation Bonds</b>			
School Series 1995	\$ 6,750,000	\$ 525,000	\$
School Series 2000	18,645,000	6,900,000	5,800,000
Community College Series 1994	3,260,000		
Library Facilities Series 1997	6,000,000	1,800,000	1,200,000
	<u>\$ 34,655,000</u>	<u>\$ 9,225,000</u>	<u>\$ 7,000,000</u>

**Outstanding General Obligation Debt**

	<u>Principal Outstanding as of</u>			
	<u>June 30, 2002</u>	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>
<b>General Obligation Bonds</b>				
School	\$ 102,815,000	\$ 111,500,000	\$ 104,835,000	\$ 104,115,000
Community College Facilities	3,960,000	3,610,000	3,260,000	2,875,000
Library Facilities	9,000,000	8,400,000	7,800,000	7,150,000
<b>Total G.O. Debt</b>	<u>\$ 115,775,000</u>	<u>\$ 123,510,000</u>	<u>\$ 115,895,000</u>	<u>\$ 114,140,000</u>

Note: The outstanding general obligation debt shown above does not include obligations that are solely the responsibility of the County's various component units including the Cumberland County Hospital System (\$128,818,000), the Eastover Sanitary District (\$3,861,500), and the North Cumberland Regional Sewer System District (\$1,250,000).

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 \$1,192,783,000 as of June 30, 2005.

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Continuing Disclosure Information (Unaudited)**  
**June 30, 2005**

**General Obligation Debt Ratios**

<u>At July 1</u>	<u>Total G.O. Debt</u>	<u>Assessed Valuation</u>	<u>Ratio of G.O. Debt To Assessed Valuation</u>	<u>Population (1)</u>	<u>Total G.O. Debt Per Capita</u>
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
2005	114,140,000	14,488,618,000	0.79%	310,850	367.19

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

**General Obligation Debt Service Requirements and Maturity Schedule**

<u>Cumberland County</u>						
FY Ending June 30	<u>Schools</u>		<u>Libraries</u>		<u>Community College</u>	
	<u>(Including Related 2004 Refunding)</u>					
	<u>Principal</u>	<u>Principal &amp; Interest</u>	<u>Principal</u>	<u>Principal &amp; Interest</u>	<u>Principal</u>	<u>Principal &amp; Interest</u>
2006	6,965,000	11,877,321	615,000	940,200	395,000	506,850
2007	6,965,000	11,558,111	615,000	910,350	355,000	455,000
2008	7,035,000	11,309,221	615,000	880,500	345,000	434,350
2009	6,995,000	10,946,051	610,000	857,050	335,000	414,000
2010	6,955,000	10,584,481	600,000	828,750	330,000	398,950
2011	6,925,000	10,224,981	595,000	799,750	325,000	380,750
2012	6,995,000	9,963,221	595,000	770,000	330,000	369,500
2013	6,820,000	9,450,850	585,000	730,250	460,000	483,000
2014	7,030,000	9,327,850	885,000	1,001,000		
2015	7,015,000	8,969,350	880,000	951,750		
2016	7,335,000	8,944,351	555,000	582,750		
2017	7,810,000	9,058,351				
2018	6,890,000	7,753,600				
2019	6,830,000	7,391,537				
2020	2,500,000	2,756,687				
2021	2,375,000	2,517,688				
2022	500,000	528,437				
2023	175,000	182,437				
Bal @ 6/30/05	<u>\$ 104,115,000</u>	<u>\$ 143,344,525</u>	<u>\$ 7,150,000</u>	<u>\$ 9,252,350</u>	<u>\$ 2,875,000</u>	<u>\$ 3,442,400</u>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Continuing Disclosure Information (Unaudited)**  
**June 30, 2005**

**General Obligation Bonds Authorized and Unissued**

<u>Purpose</u>	<u>Date Approved</u>	<u>Authorized and Unissued</u>
School Refunding	February 16, 1998	\$ 6,605,000 (1)
School Refunding	October 19, 2005	1,000
	October 19, 2005	<u>7,495,000</u>
		<u>\$ 14,101,000</u>

(1) The County does not intend to issue the balance of the above bonds.

**Other Long-Term Commitments**

<u>Purpose</u>	<u>Original Amount/Costs</u>	<u>Principal &amp; Interest Repayment/Requirements</u>	<u>FY2006 Principal And Interest Requirements</u>	<u>Balance June 30, 2005</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	0	1,428,781
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	2,955,085	28,830,000
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.	4,786,050	49,630,000
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.	4,583,990	41,805,000

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Continuing Disclosure Information (Unaudited)**  
**June 30, 2005**

<u>Purpose</u>	<u>Original Amount/Costs</u>	<u>Principal &amp; Interest Repayment/Requirements</u>	<u>FY2006 Principal and Interest Requirements</u>	<u>Balance June 30, 2005</u>
Capital Lease – Sun Trust Leasing – Energy Savings Equipment	4,537,080	Semi-annual payments of \$248,661 including interest of 3.945% beginning June 9, 2006 and ending December 9, 2017; payable from the General Fund	248,661	4,537,080
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	198,504	750,000
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	192,612	1,363,467
Promissory Note – Industrial Park – Healy Land	931,000	\$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	127,503	658,411
Promissory Note-Yarborough (Advance Auto Property)	<u>250,000</u>	Nine semi-annual payments of \$28,232 including interest of \$4.5% beginning June 1, 2005 and a final payment of \$27,743 on November 1, 2009; payable from the General Fund	<u>56,464</u>	<u>227,393</u>
	<b><u>\$ 205,465,199</u></b>		<b><u>\$ 13,148,869</u></b>	<b><u>\$ 129,230,132</u></b>

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Continuing Disclosure Information (Unaudited)**  
**June 30, 2005**

The County's payment obligations under the installment financing arrangements described above at June 30, 2005 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>
2006	4,786,050	2,955,085	4,583,990	823,744	13,148,869
2007	4,911,550	2,954,770	4,469,870	1,058,335	13,394,525
2008	5,039,175	2,955,570	4,358,495	1,377,782	13,731,022
2009	5,168,175	2,956,288	4,232,120	916,176	13,272,759
2010	5,307,550	2,951,660	3,806,420	876,643	12,942,273
2011	5,441,425	2,956,190	3,697,750	689,374	12,784,739
2012	3,546,485	2,954,365	3,596,000	688,834	10,785,684
2013	3,544,898	2,955,760	3,489,000	688,869	10,678,527
2014	3,546,750	2,956,015	3,377,000	688,742	10,568,507
2015	3,542,375	2,951,100	3,265,250	688,105	10,446,830
2016	3,540,000	2,955,006	3,153,750	497,321	10,146,077
2017	3,542,125	2,952,350	3,037,500	497,321	10,029,296
2018	3,548,250	2,953,519	2,923,531	248,661	9,673,961
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
	<b>80,284,682</b>	<b>38,407,678</b>	<b>63,080,345</b>	<b>9,739,907</b>	<b>191,512,612</b>
Amortization					
Refund Gain	<b>(4,010,320)</b>				<b>(4,010,320)</b>
	<b>\$ 76,274,362</b>	<b>\$ 38,407,678</b>	<b>\$ 63,080,345</b>	<b>\$ 9,739,907</b>	<b>\$ 187,502,292</b>

- (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 Cumberland County Mental Health's portion of Series 1993 Bonds. (Principal of \$1,363,467 and interest of \$563,804)

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**

The County School Board has requested that the County issue Certificates of Participation in the amount of \$55,000,000 to finance construction of two new middle schools and various classroom additions. The School Board is proposing to use proceeds designated for school construction from the new NC State Lottery to service the debt. The County is reviewing the proposal, but has made no commitments as of November 15, 2005.

Currently, the County has no plans to issue other debt in FY 2006.

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Continuing Disclosure Information (Unaudited)**  
**June 30, 2005**

**TAX INFORMATION**

**General Information**

	<u>Fiscal Year Ended or Ending June 30,</u>		
	<u>2004</u>	<u>2005</u>	<u>2006<sup>(3)</sup></u>
	(Amounts in thousands)		
Assessment Ratio <sup>(1)</sup>	100%	100%	100%
Real Property	\$ 11,045,775	\$ 11,321,601	\$ 11,767,527
Personal Property	1,026,399	1,063,270	1,103,943
Vehicles	1,774,855	1,767,131	1,861,744
Public Service Companies <sup>(2)</sup>	<u>326,351</u>	<u>336,616</u>	<u>366,205</u>
Total Assessed Valuation	\$ 14,173,380	\$ 14,488,618	\$ 15,099,419
Rate per \$100	<u>.880</u>	<u>.880</u>	<u>.880</u>
County-wide Levy	<u>\$ 124,726</u>	<u>\$ 127,500</u>	<u>\$ 132,875</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 September 30, 2005 for the fiscal year ending June 30, 2006.

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>2004</u>	<u>2005</u>	<u>2006<sup>(1)</sup></u>
County-wide	\$ 124,725,744	\$ 127,499,838	\$ 132,874,887
Recreation District	3,021,271	3,403,042	3,138,563
Special Fire Districts	<u>6,344,668</u>	<u>6,429,377</u>	<u>6,277,127</u>
Total Levy	<u>\$ 134,091,683</u>	<u>\$ 137,332,257</u>	<u>\$ 142,290,577</u>

Levy is a projection based on assessed valuation.

(1) Estimated as of September 30, 2005 for the fiscal year ending June 30, 2006.

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Continuing Disclosure Information (Unaudited)**  
**June 30, 2005**

**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>
2001	\$ 2,325,000	\$ 108,503,000	96.00%
2002	3,808,000	112,530,000	95.28
2003	4,514,000	112,620,000	94.90
2004	5,448,000	119,126,000	95.37
2005	5,552,000	122,646,000	96.04

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 2004-05 (Tax Year 2003-04)**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>TY2004 Assessed Valuation*</u>	<u>% of Total Assessed Valuation</u>
Sprint	Telephone Utility	\$ 117,547	0.81%
Kelly Springfield/Goodyear	Tire Manufacturer	109,359	0.75
Wal-Mart	Retail/Distribution	91,941	0.63
Cross Creek Mall, LLC	Retail Mall	85,301	0.59
Progress Energy	Electric Utility	69,678	0.48
Black & Decker	Power Tool Manufacturer	63,203	0.44
DAK Resins	Textiles	59,073	0.41
Purolator Products	Auto Filter Manufacturer	58,730	0.41
N.C. Natural Gas	Gas Utility	56,981	0.39
UDRT of NC, LLC	Apartment Leasing	<u>40,752</u>	<u>0.28</u>
TOTAL		<u>\$ 752,565</u>	<u>5.19%</u>

\* Amounts expressed in thousands.

**COUNTY OF CUMBERLAND, NORTH CAROLINA**  
**Compiled Budget - Annually Budgeted Funds**  
**For the Fiscal Year Ending June 30, 2006**  
**(Unaudited)**

	General Fund	Special Revenue Funds	Enterprise Funds
Estimated revenues:			
Ad valorem taxes	129,091,374	9,560,537	4,181,812
Other taxes	43,752,283	12,477,704	795,133
Unrestricted intergovernmental	7,194,749	132,840	
Restricted intergovernmental	56,105,010	9,216,308	395,000
Licenses and permits	3,954,848		11,388
Sales and services	19,869,727	332,401	3,998,588
Interest earned on investments	757,362	105,000	200,000
Miscellaneous	4,628,452	381,983	70,068
Total estimated revenues	265,353,805	32,206,773	9,651,989
Appropriations:			
General government	21,241,649	513,252	
Public safety	34,798,370	6,929,343	
Economic and physical development	4,549,606	15,846,724	
Human services	115,899,148	1,613,659	
Cultural and recreation	8,401,771	3,273,505	
Education	71,526,304	4,811,342	
Salaries and employee benefits			4,275,329
Other supplies			1,121,825
Repairs and maintenance			1,093,833
Contracted services			1,537,123
Utilities			923,938
Administrative costs			1,352,358
Landfill closure and postclosure			763,089
Tax Distribution fee			30,000
Other Operating		130,000	132,669
Contingency			271,880
Capital outlay			1,877,585
Debt service:			
Principal retirement	12,258,146	150,000	2,365,000
Interest and fees	8,854,682	48,504	2,421,050
Total appropriations	277,529,676	33,316,329	18,165,679
Estimated revenues over (under) appropriations	(12,175,871)	(1,109,556)	(8,513,690)
Other financing sources (uses):			
Transfers from other funds:			
General Fund		4,750,212	3,628,623
Special Revenue Fund	4,229,678		3,601,124
Enterprise Funds	314,482		
Internal Service Fund			
Transfers to other funds:			
General Fund		(4,229,678)	(314,482)
Special Revenue Fund	(4,750,212)		
Enterprise Fund	(3,628,623)	(3,601,124)	
Internal Service Fund	(1,491,905)		
Proceeds of general long term debt			
Appropriated fund balances	17,502,451	4,190,146	1,598,425
Total other financing sources	12,175,871	1,109,556	8,513,690
Estimated revenues and other sources over appropriations and other uses	0	0	0

Compiled by staff of the Cumberland County finance department from the FY2006 adopted budget ordinance at July 1, 2005.