

COUNTY OF CUMBERLAND
NORTH CAROLINA

Board of County Commissioners

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Comprehensive Annual
Financial Report

For the Year Ended June 30, 2006

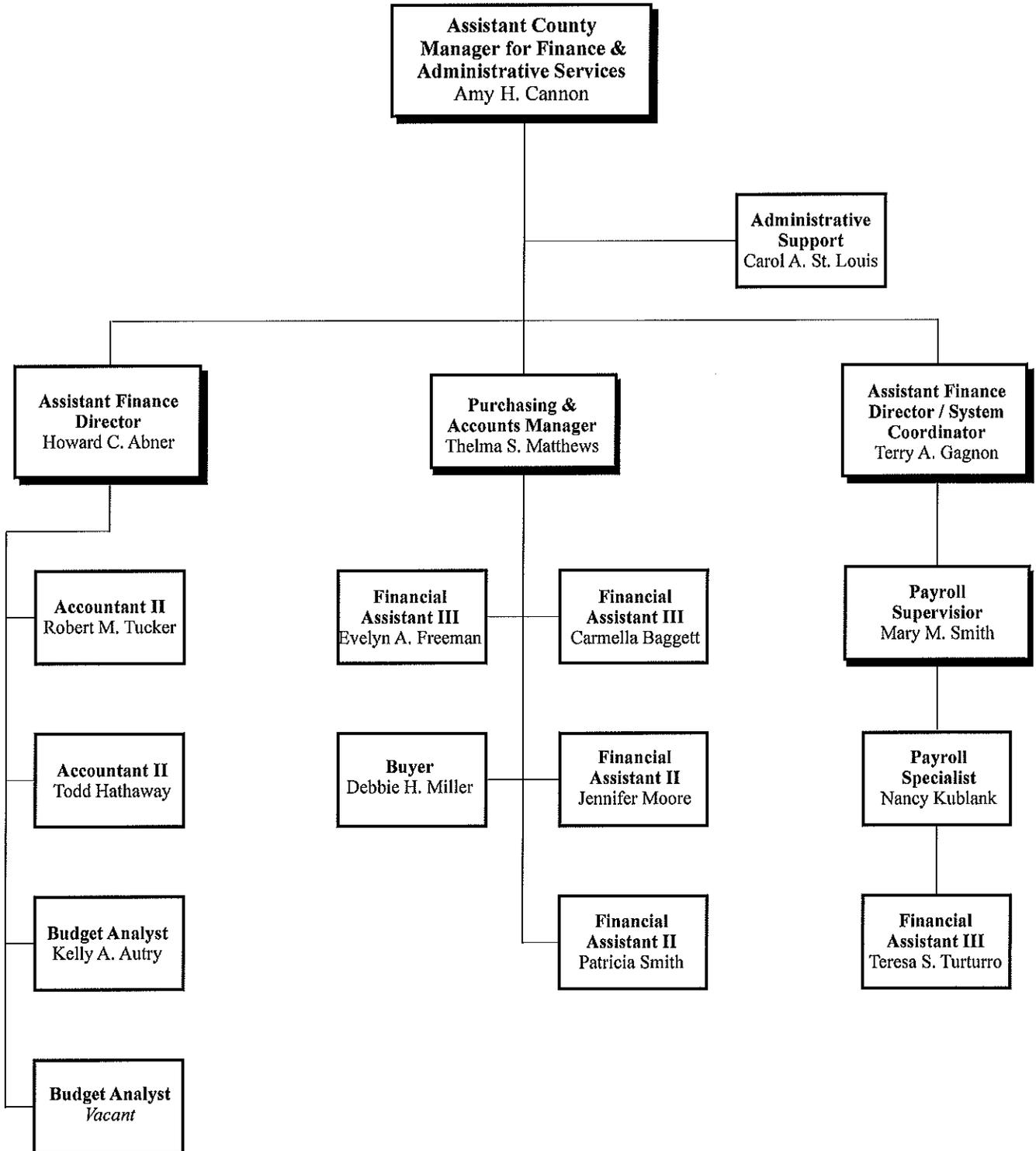
Prepared by:
Cumberland County Finance Department

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, 2006
Prepared by the Finance Department



COUNTY OF CUMBERLAND, NORTH CAROLINA

**Comprehensive Annual Financial Report
Year Ended June 30, 2006**

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COUNTY of CUMBERLAND

Amy H. Cannon
Assistant County Manager

◆

Finance Department

Terry A. Gagnon
Assistant Finance Director

Howard C. Abner
Assistant Finance Director

November 3, 2006

The Honorable Billy R. King, Chairman
The Honorable Kenneth S. Edge, Vice Chairman
The Honorable Talmage S. Baggett, Jr.
The Honorable J. Breeden Blackwell
The Honorable Jeannette M. Council
The Honorable John T. Henley, Jr.
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, 2006. 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. The Statistical Section has been updated in this report per the guidance in the Governmental Accounting Standards Board's (GASB) Statement #44. 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.

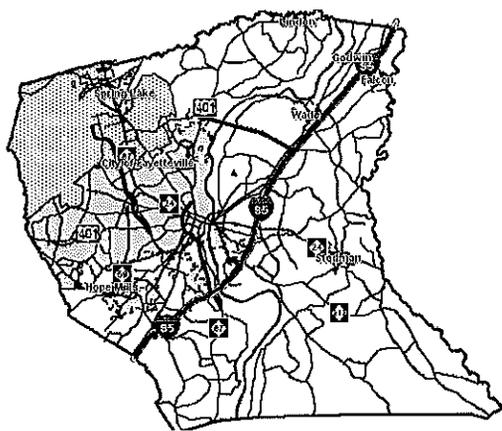
The financial reporting entity includes all funds of the County of Cumberland, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the primary government. The Cumberland County Hospital System, Inc. (Cape Fear Valley Hospital), 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.

In August 2005, the County Board of Commissioners voted to convert the Cape Fear Valley Hospital from a county owned not for profit hospital to a private not for profit hospital. The conversion took place in the spring of 2006. All seven of the County commissioners will sit on the new health system board and they will appoint eight more people to the twenty voting member board. As a private hospital, Cape Fear Valley Hospital has more flexibility in the areas of: investments; expanding services in other counties; and entering partnerships with other companies.

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 305,829 is the fifth largest in the state. The City of Fayetteville, with a population of 174,422 is the largest municipality in the County, the sixth largest in the state, and serves as the County seat. More than 50 percent of the nation's population lies within a 400-mile radius of the County, including the major population centers of Washington, D.C., and Atlanta.

The County of Cumberland functions under a Board of Commissioners-County Manager form of government. The Board of County Commissioners consists of seven members, two elected from District 1, three elected from District 2, and two at-large members. Each member of the Board is elected for a four-year term. The terms are staggered, with the District 1 and at-large members elected in a biennial general election and the District 2 members elected two years later. The Board members elect their own Chairman and Vice Chairman on an annual basis. The Board is the policy-making and legislative authority for

the County, responsible for adopting the annual budget, establishing the tax rate, approving zoning and planning issues and other matters related to health, welfare and safety of citizens.

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

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

Fort Bragg

The post came into existence in 1918, when 127,000 acres of desolate sand hills and pine trees were designated as a U.S. Army installation. 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 5th Special Forces Group was activated at Fort Bragg and was given the mission of training personnel in counterinsurgency for deployment to Southeast Asia. Thus, Fort Bragg was in the forefront of US involvement in the war in Vietnam. More than 200,000 young men underwent basic combat training here between 1966 and 1970. At the peak of the Vietnam War in 1968, Fort Bragg's military population rose to 57,840.

Pope Air Force Base

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.

ECONOMIC CONDITIONS AND OUTLOOK

Military

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

Military Payroll and Economic Impact		
Year	Payroll	Economic Impact
2005	\$2,193,926,290	\$7,045,887,986
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

Military Personnel at Fort Bragg and Pope Air Force Base			
Year	Fort Bragg	Pope Air Force Base	Total
2005	42,539	5,969	48,508
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

Civilian Employment at Fort Bragg and Pope Air Force Base		
Year	Number of Employees	Payroll
2005	8,791	\$354,266,956
2004	9,531	\$349,605,427
2003	9,412	\$271,937,838
2002	9,382	\$261,728,596
2001	8,951	\$254,322,867

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 2005, Fort Bragg and Pope Air Force Base received more than \$183 million. Major projects include: \$48 million for the second phase of a

barracks complex for the 325th Airborne Infantry Regiment; \$49 million for the first phase of the renewal of a barracks complex for the 1st 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. For federal fiscal year 2006, Fort Bragg is scheduled to receive \$210 million. Major projects include: \$32 million for the third phase of a barracks complex for the 325th Airborne Infantry Regiment; \$30.6 million for the second phase of a barracks complex for the 1st Corps Support Command area; \$50 million for the first phase of a barracks complex for the 505th Parachute Infantry Regiment; \$35.6 million for the first phase of a barracks complex for the 82nd Airborne Division Artillery; \$11.4 million for additions to a barracks complex for the 3rd Brigade Combat Team; \$7.3 million for a company operations complex for the 3rd Battalion 7th Special Forces Group; \$8.5 million for a special operations training facility; \$3.7 for a special operations headquarters building; \$18 million for an elementary school and junior high school addition; and \$4.45 million for a courthouse.

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 7th Special Forces Group to Eglin Air Force Base in Florida, addition of the 4th Brigade Combat Team to the 82nd 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.

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. Taxable sales in the County for the year totaled \$2,504,743,152*. [Note: As a member of the Streamlined Sales Tax agreement the North Carolina Department of Revenue (NCDOR) simplified its sales tax reporting format and gross retail sales are no longer part of the sales tax return. Thus, NCDOR no longer collects information on gross retail sales and only provides data on taxable sales. As a result, taxable sales cannot be compared to the retail sales figures from prior years.] For 2005, gross sales of \$310,312,864 realized by the commissaries and post exchanges located on Fort Bragg decreased 7.6% compared to an 8.3% increase countywide.

Retail Sales						
	Cumberland County	% Change	Fort Bragg Commissaries & Exchanges	% Change	Total	% Change
2006	\$2,504,743,152*	*See Above	Not Available	---	---	---
2005	\$3,683,503,849	9.90	\$310,312,864	-7.6	\$3,993,816,713	8.3
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

Since 1990, Cumberland County's population has grown at a rate below the state average. Based on the most recent state estimates for the period 2006-2010, the County's population is expected to increase by 6.1% compared to the state average of 5.5% and from 2010 to 2015, the County's population is expected to increase by 4.1% compared to the state average of 7.3%. However, as noted below, the County's population has only grown .7% from 2000 through 2006. The major reason for this slow growth amount is the lengthy deployments of military personnel on Fort Bragg and Pope AFB. If a military person is deployed more than six months, then the person is not counted as part of the County's population.

Population										
	1990		2000		2006		2010		2015	
	Population	% Change								
Fayetteville MSA	291,897	--	302,963	3.8%	305,829	.9%	324,385	6.1%	337,724	4.1%
North Carolina	7,657,934	--	8,046,485	5.1%	8,828,041	9.7%	9,315,141	5.5%	9,993,270	7.3%

Over the past 2½ years, the local unemployment rate has been remained level despite significant gains in the number of people employed. Statewide, North Carolina has been rebounding from the manufacturing downturns in the early part of the decade as indicated by the improving unemployment rate over the last 2½ years. Cumberland County's flat unemployment rate despite the growth in number of people employed can be attributed in part to layoffs in the manufacturing, textile, and grocery industries.

Employment					
	Total Civilian Labor Force	Number Employed	Number Unemployed	Cumberland County Unemployment Rate	State Unemployment Rate
2006 (6 mo)	134,622	127,092	7,530	5.6%	4.8 %
2005	129,684	122,345	7,339	5.7%	5.2%
2004	123,223	116,702	6,831	5.5%	5.5%
2003	122,322	114,420	7,902	6.5%	6.4%
2002	120,766	112,333	8,433	7.0%	6.6%

A military business incubator, Defense & Security Technology Accelerator (DSTA), has been awarded a \$2 million grant from the North Carolina General Assembly. DSTA will assist entrepreneurs with the rapid development of dual use defense and security technology solutions to meet the military's technology needs, as well as private commercial demands.

In June 2006, Fayetteville State University proposed plans to redevelop a blighted fifty acre area along Murchison Road into a hotel, an office complex, and \$10 million teaching and research center. The proposed project would cost about \$26 million and be financed by a combination of public and private investment.

The Goodyear Tire & Rubber Co. is currently having discussions with state and local leaders about securing financial incentives to modernize its plant in Fayetteville which makes consumer replacement tires. Goodyear and local officials are interested in drafting a proposal by the end of the year.

In the spring of 2006, ArvinMeritor sold the Fayetteville Purolator plant to the German companies, Bosch and Mann+Hummel. The Fayetteville Purolator plant is the fourth largest private employer in Cumberland County and the worlds largest filter plant.

Black & Decker is in the process of vacating its plant after 39 years of operation. All that remains is a skeleton crew to close down the building. The closure was announced back in April 2005. The plant had 675 employees at the time of the closure announcement in April 2005. The assembly operations moved to Mexico, and some salaried and skilled machinist positions moved to Jackson Tennessee. At its peak in 2000, the plant employed more than 2,300 workers.

Sprint closed its call center in Cumberland County at the end of June. This closing resulted in the loss of 150 jobs.

The Cape Fear region's housing market has set a new sales record every year since 2002. Sales are strong through the first six months of 2006. 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.

Building Permits				
	New Residential		New Non-Residential	
Calendar Year	Number	Value	Number	Value
2006 (6 mo)	1,616	\$ 181,143,953	65	\$ 115,468,378
2005	2,905	\$ 328,672,716	146	\$ 109,281,931
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

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, 2006, the County appropriated \$60,690,705 from General Fund revenues for school current operations. For the fiscal year ending June 30, 2007, the County appropriation is \$65,348,540 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, 2006, the actual sales taxes totaled \$10,499,119. For the fiscal year ending June 30, 2007, budgeted sales tax is \$9,000,000. The State also provides support through the Public School Building Capital Fund. The revenue is distributed by the Office of State Budget and Management based on average daily membership ("ADM") and may be used to pay up to 75% of school construction costs for approved projects. The Public School Building Capital Fund provided \$3,141,493 to the Cumberland County School Administrative Unit for the fiscal year ended June 30, 2006. At June 30, 2006, the County had received \$39,279,189 from the Public School Building Capital Fund since its inception in 1987.

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

County Schools ADM							
Year	K-5		6-8		9-12		Total ADM
	# Schools	ADM	# Schools	ADM	# Schools	ADM	
2005-2006*	53	24,153	15	12,171	13	16,241	52,565
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

* Number of schools excludes special schools and academies.

Private and Parochial Schools

There are eight independent schools and 21 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 third largest community college in the State.

FTCC, a two-year public institution, offers associate degrees, diplomas and certificates in 123 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 spring of 2004, the College celebrated the groundbreaking for the Virtual College Center to be used to house classrooms, in addition to Media Services, the Success Center, and the Information Highway. In September 2005, the building was dedicated as the Harry F. Shaw Virtual College Center. In March 2004, ground was broken for FTCC's Horticulture/Landscape Management Technology center at the Cape Fear Botanical Garden. The Center became the Horticulture Educational Center in January 2006. Classes are scheduled to begin the fall of 2006.

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, 2006 totaled \$7,316,823. The County also appropriated capital outlay funds in the amount of \$6,083,815. This includes a \$4.3 million loan the County obtained as matching funds for FTCC to be able to draw down the remaining \$6.35 million in state bonds from the November 2000 NC Higher Education Bond Referendum. For the fiscal year ending June 30, 2007, the appropriations from the County to FTCC are \$7,690,263 for operating expenses and \$4,204,153 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 43 baccalaureate degrees and master's degrees in 22 programs and one doctoral program in educational leadership. New bachelor programs include: biotechnology, communications, forensic science, management information systems, and generic nursing. New graduate programs include the Master of Arts in teaching. 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 three master's degree programs. New undergraduate majors were added in the past year in: cardiac rehabilitation, and strength and conditioning. Methodist launched its third master's degree program, a Master in Justice Administration, in January 2006. 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. In October 2005, the College started construction on an addition to the Science Building and a new Fitness and Wellness Center.

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

Enrollment		
	Total Enrollment	Full-Time/FTEs
Fayetteville State University		
Undergraduate	5,029	4,119
Graduate	1,043	236
Methodist College	2,147	1,750
Fayetteville Technical Community College		
Curriculum Students	14,499	7,537
Continuing Education Students	24,533	2,540

MAJOR INITIATIVES

For the Coming Years

Construction on the co-located \$5.2 million animal shelter and \$4.1 million Sheriff's Training Facility is due to be completed in the spring of 2007.

During the FY2007 budget process, the County Commissioners: designated \$2.68 million of available General Fund fund balance to be used for Courthouse projects; set aside \$484,000 for maintenance and renovations to County facilities; designated \$1.2 million for tax office software; designated \$2.17 million for Health Department renovations; and \$150,000 for revaluation.

In the spring of 2006 the Cumberland County schools (CCS) requested \$55 million for school construction. These funds would finance 175 new classrooms, including a new middle school and a pre-kindergarten facility. To date, the method of financing the \$55 million has not been determined. In March 2006, the CCS Board and the County Commissioners met to discuss the school funding formula that expires June 30, 2007. Management from both entities are continuing to negotiate a new agreement. Any adjustments in the school funding formula will have an impact on the Fiscal Year 2008 budget.

In September, the County's Facilities Committee considered a request from the Board of Health to construct a new building for the Health Department which would cost an estimated \$22 million. The new building would be built instead of renovating the current facility. This matter has been referred to the County's Finance Committee for a review of funding options. Also, in September, the County's Library Board of Trustees approved a plan for three new branches over the next thirty years. The current cost of the branches is estimated at \$19.8 million.

Cumberland County joined with other local governments in the Fort Bragg- Pope Air Force Base area in forming the Base Closure and Realignment Commission Regional Task Force (BRTF) in the spring of 2006. BRTF will help coordinate the planning and preparation of the impact on the local communities as a result of the changes at Fort Bragg – Pope Air Force Base from the aforementioned BRAC. The anticipated growth will present many challenges to the County in the areas of; schools, housing, medical needs, transportation, and infrastructure. In October 2006, the Pentagon awarded a \$1.16 million grant to the BRTF.

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 the North Carolina Association of County Commissioners 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, 2006, the County's General Obligation Bond debt was \$107,415,000. This amount includes \$1,250,000 of debt for the NORCRESS Water and Sewer District which is a blended component unit.

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, 2006, the General Obligation Debt of \$107,415,000 was significantly less than the legal debt margin of \$1,251,256,000.

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 revenue bond debt at September 30, 2005 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 \$6,456,752 on all investments for the year ended June 30, 2006. The General Fund's share of the revenue was \$3,487,303 which represents an equivalent tax rate of 2.50 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

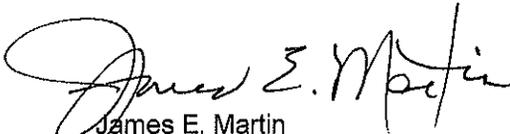
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Cumberland for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the thirteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,


James E. Martin
County Manager


Amy H. Cannon, CPA
Assistant County Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Cumberland County,
North Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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.

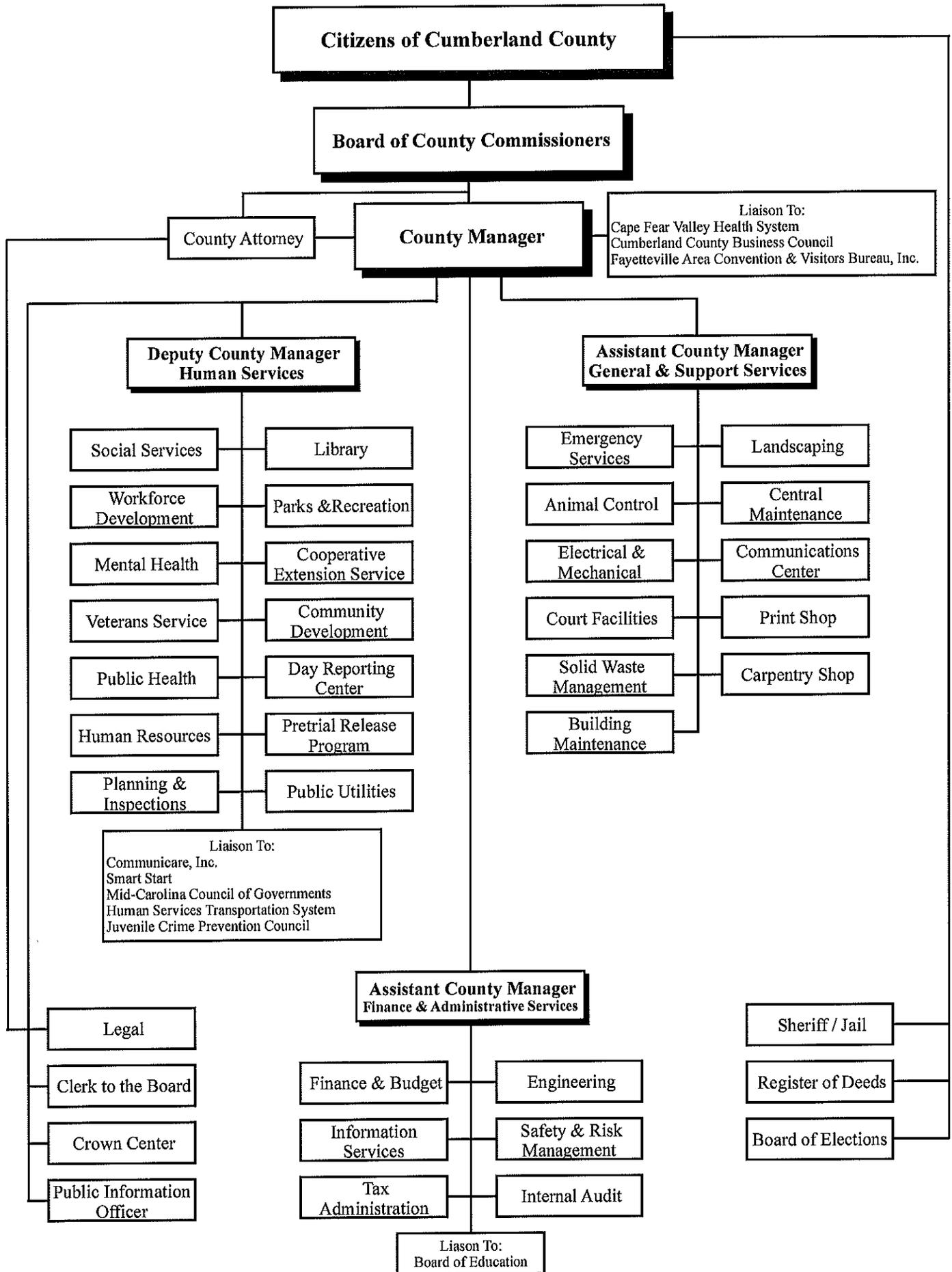


Carla E. Perry

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, 2006, 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 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 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2006, 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 3, 2006 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.

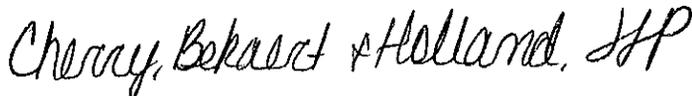
Management's Discussion and Analysis, the schedules of funding progress and employer contributions and the notes to the required schedules for the Law Enforcement Officer's Special Separation Allowance and the Cumberland County Hospital Plan are not a required part of the basic financial statements but 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, 2006 and 2005, 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, 2006, 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, 2006 and 2005, 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, 2006, 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, BEKAERT & HOLLAND, L.L.P.

A handwritten signature in cursive script that reads "Cherry, Bekaert & Holland, LLP". The signature is written in dark ink and is positioned below the printed name of the firm.

Fayetteville, North Carolina
November 3, 2006

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, 2006. 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

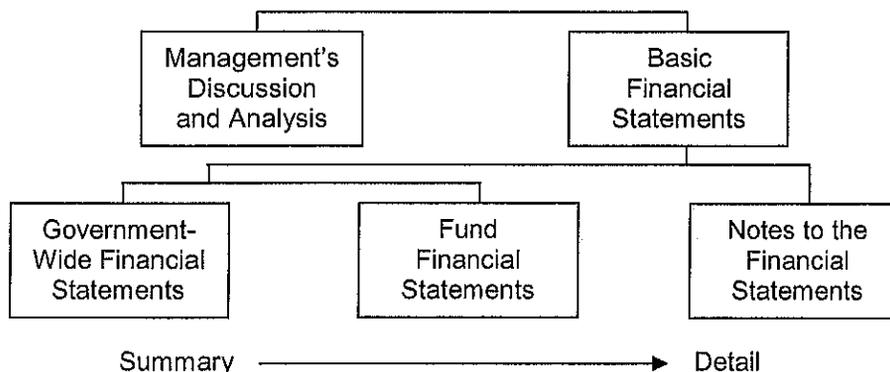
- The assets of the County of Cumberland exceeded its liabilities at the close of the fiscal year by \$153,519,127 (*net assets*). In accordance with North Carolina law, liabilities of the county include approximately \$97,150,000 in long-term debt associated with assets belonging to the Cumberland County 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 \$30,541,592 (24.84%), primarily due to increased ad valorem tax collections and sales tax receipts and overall revenue growth growing at a 3.96% rate compared to expenses growing only .73%.
- As of the close of the current fiscal year, the County of Cumberland's governmental funds reported combined ending fund balances of \$136,373,290 an increase of \$9,484,331 from the prior year. Approximately 69.20 percent of this total amount, or \$94,369,133, 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 \$66,117,405 or 23.40 percent of total general fund expenditures including transfers for the fiscal year. Of this amount, \$27,636,139 has been designated for subsequent year's expenditures and other purposes leaving \$38,481,266 or 13.62 percent of total general fund expenditures as undesignated.
- The County of Cumberland's total debt decreased by \$11,842,817 (4.84%) during the current fiscal year. This decrease was due to a combination of paying down existing debt and the issuance of G.O. Sewer Bonds for NORCRESS and a note payable commitment for FTCC matching construction funds.
- Cumberland County maintained its Standard and Poor's Rating Group's AA- and Moody's Investor Service's Aa3 bond rating for the fifth and sixth consecutive year, 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. The government-wide financial statements are on pages D-1 and D-2.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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. The statistical section, starting on page R-1, has been modified to comply with GASB Statement No. 44. This statement required that additional schedules be added as part of the statistical section and required that some of the previously reported data be reformatted.

Government-Wide Financial Analysis

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 \$153,519,127 as of June 30, 2006. The County's net assets increased by \$30,541,592 for the fiscal year ended June 30, 2006. Of total net assets, one

The County of Cumberland's Net Assets

Figure 2

	Government Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and other	\$ 169,123,010	\$ 160,065,301	\$ 39,282,736	\$ 34,084,365	\$ 208,405,746	\$ 194,149,666
Capital	<u>130,822,743</u>	<u>127,856,227</u>	<u>77,899,534</u>	<u>77,691,114</u>	<u>208,722,277</u>	<u>205,547,341</u>
Total assets	<u>299,945,753</u>	<u>287,921,528</u>	<u>117,182,270</u>	<u>111,775,479</u>	<u>417,128,023</u>	<u>399,697,007</u>
Liabilities						
Long-term outstanding	186,689,644	196,242,069	52,508,160	54,187,628	239,197,804	250,429,697
Other	<u>21,283,242</u>	<u>23,368,650</u>	<u>3,127,850</u>	<u>2,921,125</u>	<u>24,411,092</u>	<u>26,289,775</u>
Total liabilities	<u>207,972,886</u>	<u>219,610,719</u>	<u>55,636,010</u>	<u>57,108,753</u>	<u>263,608,896</u>	<u>276,719,472</u>
Net assets:						
Invested in capital, net of related debt	22,117,158	13,374,791	31,693,900	29,393,382	53,811,058	42,768,173
Restricted	45,860,075	35,261,376	1,625,492	1,432,349	47,485,567	36,693,725
Unrestricted	<u>23,995,634</u>	<u>19,674,642</u>	<u>28,226,868</u>	<u>23,840,995</u>	<u>52,222,502</u>	<u>43,515,637</u>
Total net assets	<u>\$ 91,972,867</u>	<u>\$ 68,310,809</u>	<u>\$ 61,546,260</u>	<u>\$ 54,666,726</u>	<u>\$ 153,519,127</u>	<u>\$ 122,977,535</u>

of the largest portions \$53,811,058 (35.05%), 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, \$47,485,567 (30.93%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$52,222,502 (34.02%) 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 \$97,150,000 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:

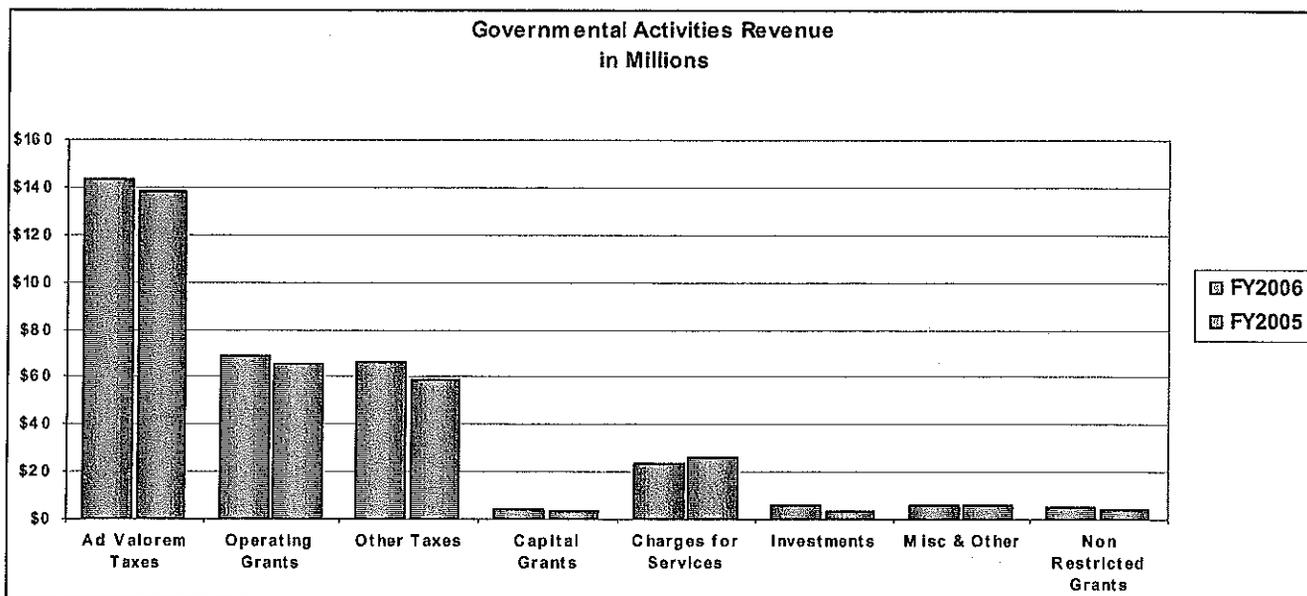
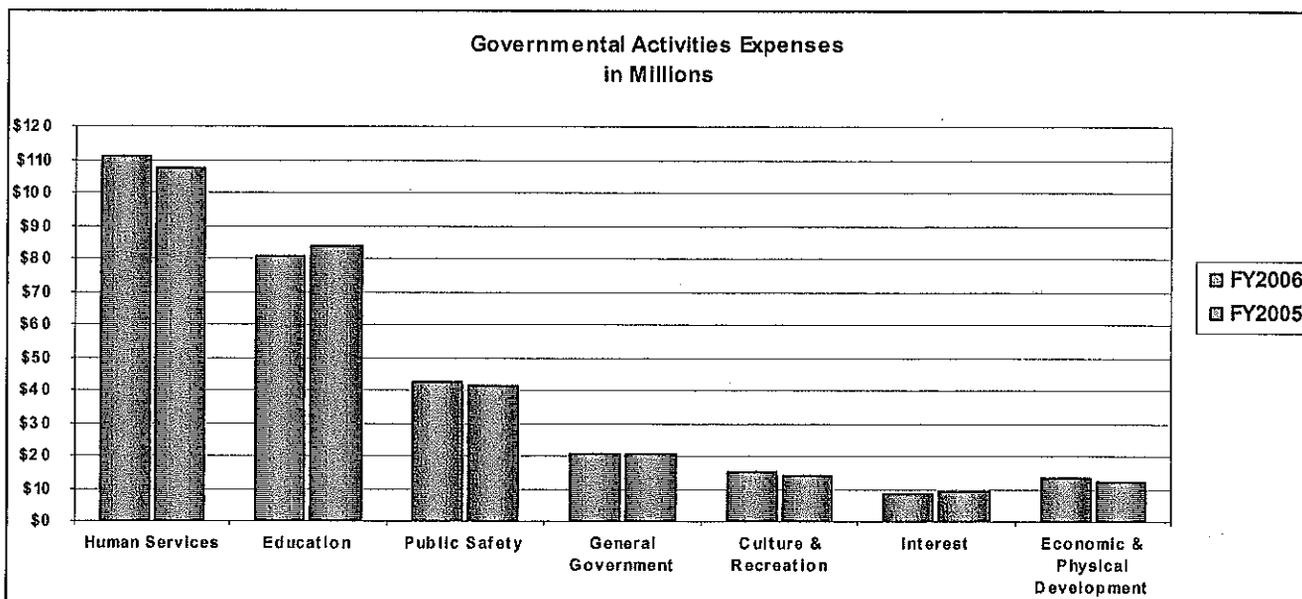
- Continued diligence in the collection of current year property taxes by achieving a collection percentage of 98.34% for real and personal property and 82.76% for motor vehicles.
- Achieving an average overall tax collection rate including collection of prior year taxes of 98.94%.
- Continued low cost of debt due to the County's high bond rating and increased interest income on investments.

The County of Cumberland Changes in Net Assets
Figure 3

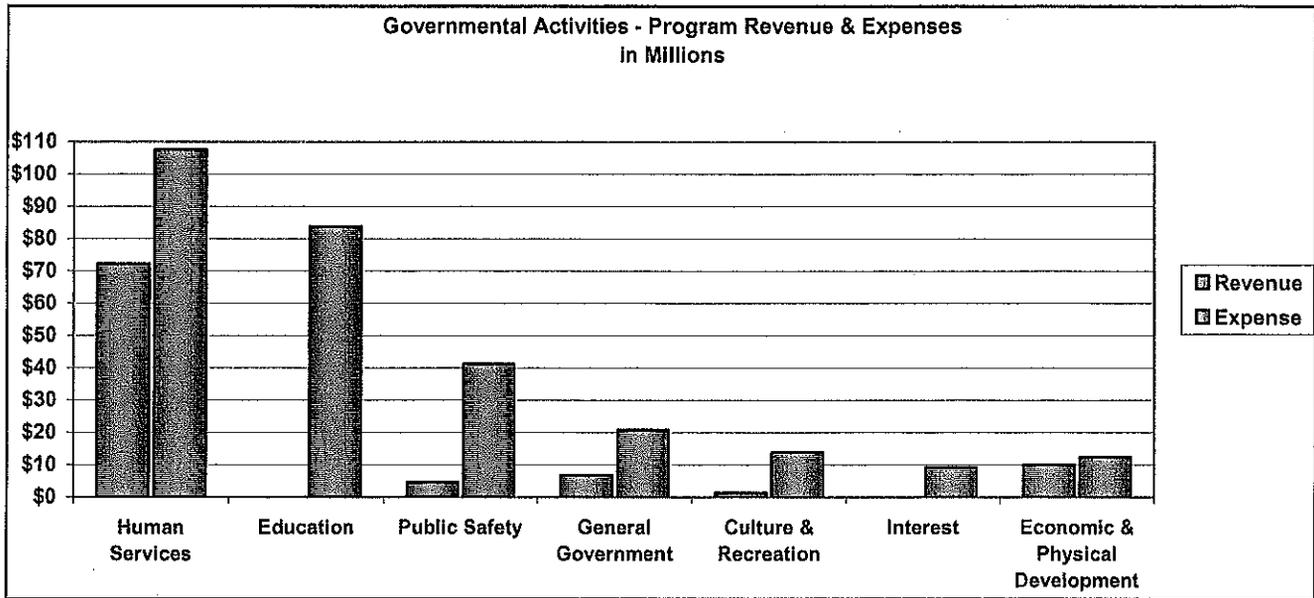
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 23,718,141	\$ 26,189,232	\$ 5,980,949	\$ 5,765,587	\$ 29,699,090	\$ 31,954,819
Operating grants and contributions	68,896,307	65,693,949	21,180		68,917,487	65,693,949
Capital grants and contributions	4,460,193	3,210,835	1,738,094	7,052,366	6,198,287	10,263,201
General revenues:						
Property taxes	143,158,737	138,418,541			143,158,737	138,418,541
Other taxes	66,407,107	58,376,570	5,342,933	5,321,308	71,750,040	63,697,878
Grants and contributions not restricted to specific programs	5,109,038	4,592,341			5,109,038	4,592,341
Unrestricted investment earnings	5,667,104	3,048,858	1,239,831	566,852	6,906,935	3,615,710
Gain on sale of assets	82,935	(649,704)			82,935	(649,704)
Payments from components units						
Miscellaneous	5,730,292	6,445,978	170,844	835,559	5,901,136	7,281,537
Total revenues	<u>323,229,854</u>	<u>305,326,600</u>	<u>14,493,831</u>	<u>19,541,672</u>	<u>337,723,685</u>	<u>324,868,272</u>
Expenses:						
General government	20,483,697	20,761,217			20,483,697	20,761,217
Public safety	42,301,225	41,207,126			42,301,225	41,207,126
Economic and physical development	13,586,698	12,357,831			13,586,698	12,357,831
Human services	111,115,841	107,506,798			111,115,841	107,506,798
Culture and recreation	15,058,981	13,865,651			15,058,981	13,865,651
Education	80,402,772	83,763,840			80,402,772	83,763,840
Interest on long-term debt	8,755,303	9,190,661			8,755,303	9,190,661
Crown Center			9,550,376	11,172,781	9,550,376	11,172,781
Solid Waste			5,720,234	5,123,756	5,720,234	5,123,756
Kelly Hills Water and Sewer District						
Norcross Water and Sewer District			206,966		206,966	
Total expenses	<u>291,704,517</u>	<u>288,653,124</u>	<u>15,477,576</u>	<u>16,296,537</u>	<u>307,182,093</u>	<u>304,949,661</u>
Increase in net assets before transfers	31,525,337	16,673,476	(983,745)	3,245,135	30,541,592	19,918,611
Transfers	(7,863,279)	(9,922,588)	7,863,279	9,922,588		
Increase in net assets	<u>23,662,058</u>	<u>6,750,888</u>	<u>6,879,534</u>	<u>13,167,723</u>	<u>30,541,592</u>	<u>19,918,611</u>
Net assets, July 1	68,310,809	61,559,921	54,666,726	41,499,003	122,977,535	103,058,924
Net assets, June 30	<u>\$ 91,972,867</u>	<u>\$ 68,310,809</u>	<u>\$ 61,546,260</u>	<u>\$ 54,666,726</u>	<u>\$ 153,519,127</u>	<u>\$ 122,977,535</u>

Governmental activities. Governmental activities increased the County's net assets by \$23,662,058 thereby accounting for 77.40% 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 \$7,978,700 from FY2005 due to a 5.0% COLA for all full-time and a pro-rata share for most part-time employees, a \$2.6 million increase in health insurance, the addition of 45 new positions and the reclassification of 134 other employees.
- Operating expenses increased by \$1,614,563. The largest increase, \$2,036,165, was for contracted services.
- Other charges and services increased \$4,169,097. Major changes for FY2006 included: \$2,499,193 increase for current expense for county schools and FTCC and an \$852,819 increase in Social Service spending on Medicaid.
- Spending on capital projects increased \$4,441,998 due to initial work on the Sheriff's Training Facility and Animal Control Building.
- Ad valorem and other taxes increased net assets by \$9,942,791. This large increase was due to a strong commercial and residential construction market and an increase in the tax collection rate.
- Intergovernmental revenues increased \$4,896,818 as a result of various increases in state and federal revenue.

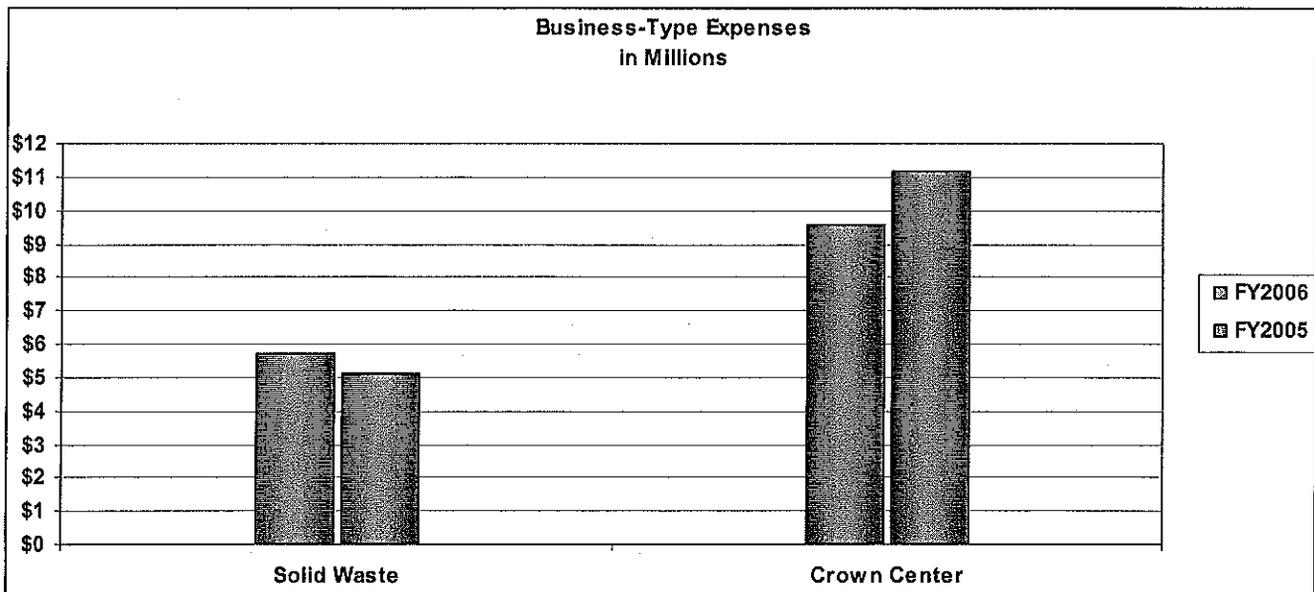


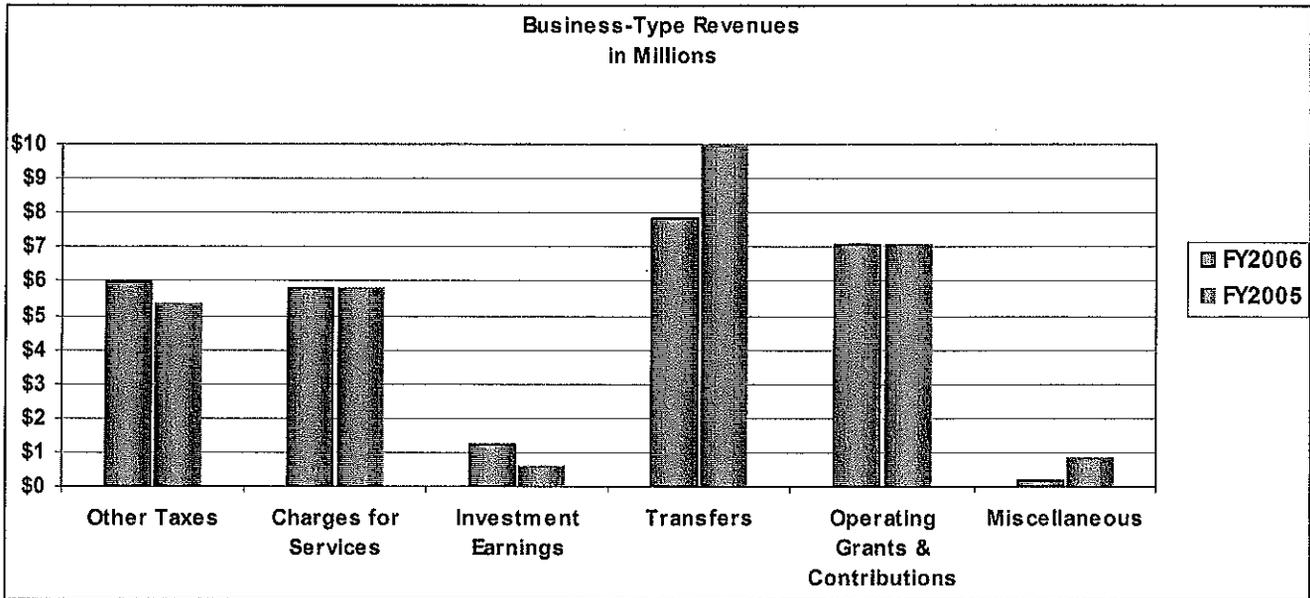
The graph below represents a comparison of program revenues to program expenses for governmental activities. For each activity, general revenues were required to support expenses. Program revenues covered 33.28% of expenses at June 30, 2006 and 32.94% at June 30, 2005. The largest general revenue source for governmental activities was ad valorem taxes on property and motor vehicles. Total Ad Valorem Tax revenue of \$143,158,737 amounted to 63.30% of the total general revenue excluding transfers. The second largest general revenue source was Other Taxes at \$66,407,107 or 29.38% of the governmental activities revenues. All other general revenue amounted to \$13,510,631 or 5.98%.



Business-type activities: Business-type activities increased the County of Cumberland's net assets by \$6,879,534 accounting for 22.53% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Solid Waste and the Crown Center Funds reported a combined increase in net assets of \$5,149,510 which represented 74.85% of the total business-type activities increase in net assets. This increase over the prior year was due to increases in Solid Waste's non-operating revenue and a decrease in the Crown Center's operating expenses.





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 \$38,481,266; unreserved fund balance was \$66,117,405 while total fund balance reached \$98,634,757. As a measure of the general fund's liquidity, it may be useful to compare the three different measures of fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 13.62 percent of total General Fund expenditures including transfers; unreserved fund balance was 23.40 percent while total fund balance represents 34.91 percent of that same amount.

At June 30, 2006, the governmental funds of the County of Cumberland reported a combined fund balance of \$136,373,290, a 7.47 percent increase over last year. The primary reason for the increase is directly related to the strong performance of the General Fund, an 8.87% increase. This large increase in the General Fund's fund balance was due to a \$6,427,583 increase in ad valorem tax collections, a \$1,971,453 increase in other taxes and a \$4,896,818 increase in intergovernmental revenues.

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 \$24,604,717 or 8.56 percent of total budget. Of this amount, \$3,170,054 represents additional/and or adjustments to federal and state funding estimates, local fees increased \$2,290,239 and other taxes increased \$4,617,458. The remaining \$14,526,966 or 59.04% of the increase is from other financing sources. \$4,011,019 of the other financing sources represents a decrease in an operating transfer and proceeds from an energy savings loan. The remaining \$10,349,118 is from fund balance. \$3,802,605 of this amount was

appropriated to fund prior year obligations (encumbrances and unexpended grants), \$2,271,233 was from designated maintenance and renovations one-time funds and \$4,275,280 was for new initiatives.

Total actual revenues, excluding other financing sources, for the General Fund exceeded the budgeted amount by \$6,397,439 (102.32%). Ad Valorem taxes collected exceeded the budget by \$6,831,822. This large increase was due, in part, to under estimation of taxes to be collected and an increase in the tax collection rate. Total sales tax collections were \$735,634 below budget estimates, but were \$1,045,624 (2.37%) above the prior year's actual collections. Restricted Intergovernmental revenues were less than the budgeted amount by \$2,797,019 or 95.50%. Of this amount, 87.94% is attributable to unrealized revenue in the Human services departments. Overall, sales and fees for services were \$2,153,148 below budget with Mental Health fees accounting for a \$3,003,626 difference between budget and actual. This decrease was due to the state-wide Mental Health reform that is causing a shift from internally provided services to outsourcing with private contractors.

Total actual expenditures, excluding transfers, were less than the budgeted amount by \$29,066,688 resulting in an expenditure rate of 90.31%. Due to turnover and vacancies, personnel expenditures were \$7,438,846 less than budgeted. Basic operating expenditures were \$7,080,584 under budget. Of this amount, \$2,782,131 was for contracted services. In total, 86 of 118 line items, 72.9%, were under spent. Other charges & services was \$4,218,853 under budget. Under spending in Human Services and General Government of \$3,592,058 accounted for 85.14% of the total. While capital outlay was under spent by \$10,310,040, almost all of those funds will be re-budgeted in fiscal year 2007.

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 \$27,492,012, an 18.68% increase over the previous year, and those for the Cumberland County Crown Complex equaled \$664,647, a 48.60% decrease. The other two proprietary funds had combined unrestricted net assets of \$70,209. The total growth in net assets for Solid Waste was \$3,824,166 an 11.10% increase and the Crown Center was \$1,325,344, an 11.80% 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, 2006, totals \$208,722,277 (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 \$5,159,496 decrease in construction in progress for the NORCRESS Water and Sewer project with a corresponding increase in buildings and improvements and \$3,128,891 increase in construction in progress for the Sheriff's Training Facility and Animal Control Facility projects.

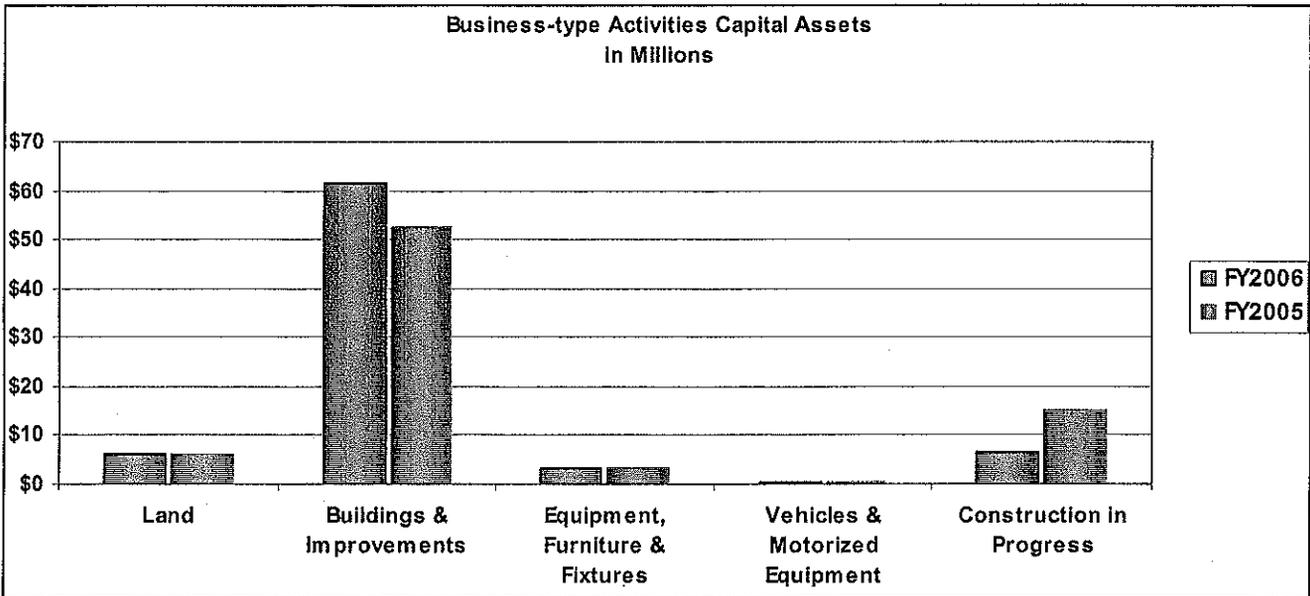
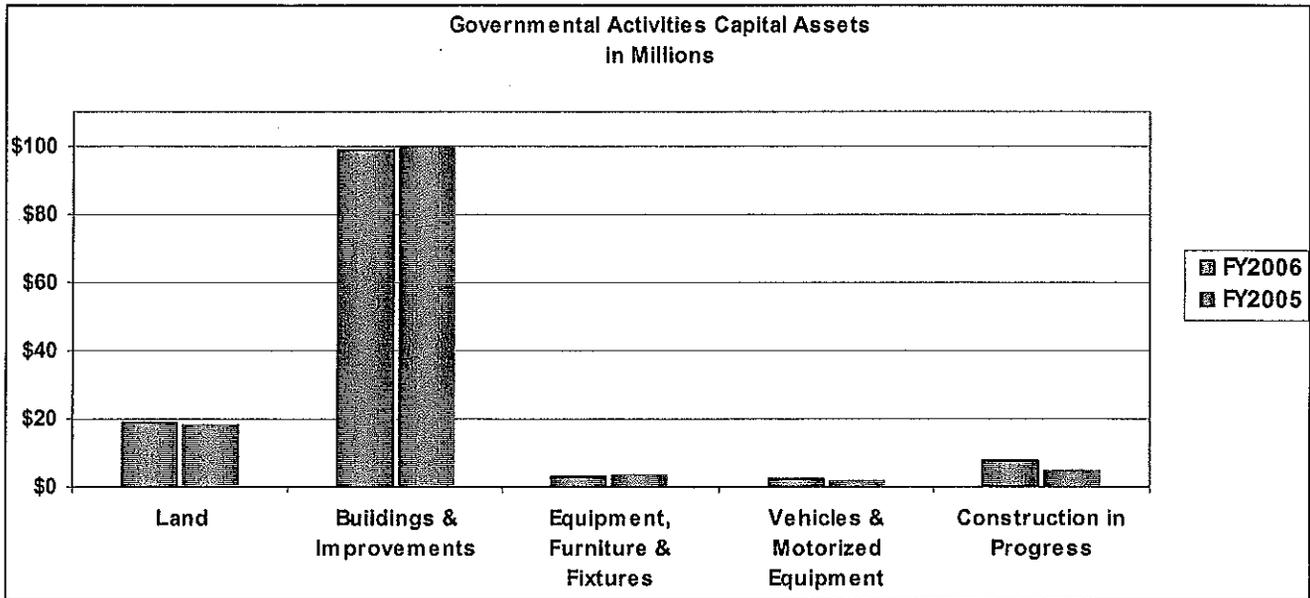
The County of Cumberland's Capital Assets

Figure 4

(net of depreciation)

	Government Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 18,762,389	\$ 18,258,631	\$ 6,224,324	\$ 6,224,324	\$ 24,986,713	\$ 24,482,955
Buildings and improvements	98,996,234	99,742,670	61,398,129	52,655,299	160,394,363	152,397,969
Equipment, furniture and fixtures	3,153,678	3,720,611	3,193,766	3,363,453	6,347,444	7,084,064
Vehicles and motorized equipment	2,229,518	1,582,282	381,303	457,639	2,610,821	2,039,921
Construction in progress	7,680,924	4,552,033	6,702,012	14,990,399	14,382,936	19,542,432
Total net assets	\$ 130,822,743	\$ 127,856,227	\$ 77,899,534	\$ 77,691,114	\$ 208,722,277	\$ 205,547,341

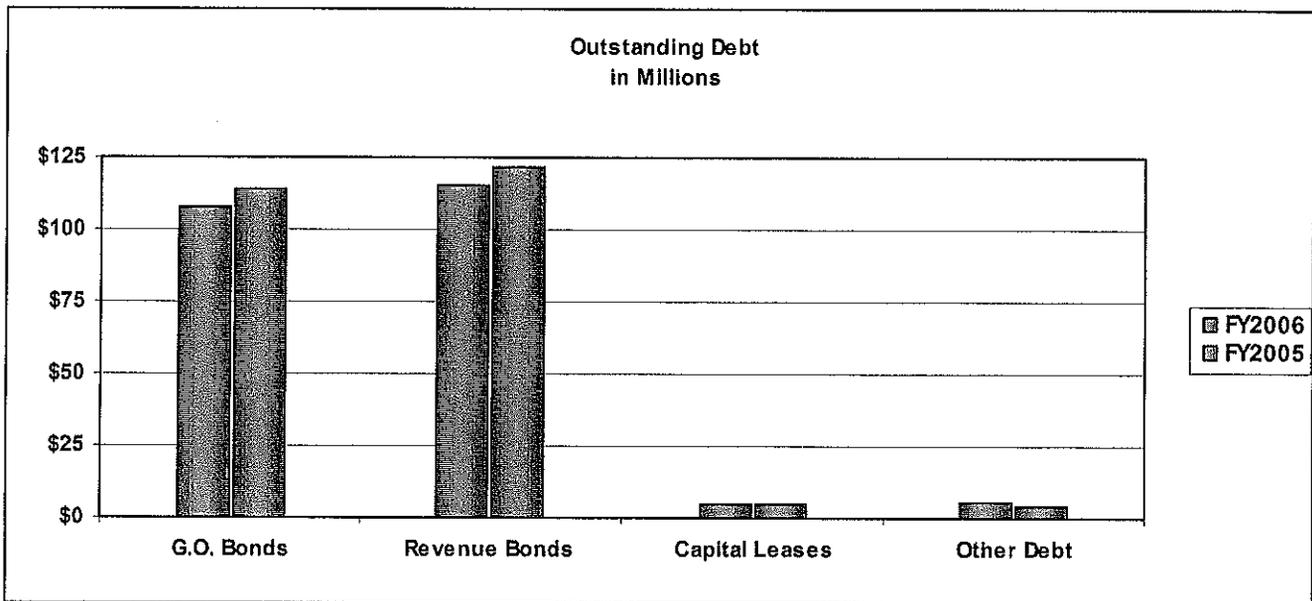
Additional information on the County's capital assets can be found in note 4 of the Basic Financial Statements.



Long-term Debt. As of June 30, 2006, the County of Cumberland had total bonded debt outstanding of \$106,165,000 all of which is backed by the full faith and credit of the County.

**The County of Cumberland's Outstanding Debt
Figure 5**

	Government Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 106,165,000	\$ 114,140,000	\$ 1,250,000		\$ 107,415,000	\$ 114,140,000
Revenue bonds	66,475,000	70,635,000	48,693,781	51,058,781	115,168,781	121,693,781
Capital leases	4,562,232	4,537,080			4,562,232	4,537,080
Other debt	5,631,302	2,999,271		1,250,000	5,631,302	4,249,271
Total debt	\$ 182,833,534	\$ 192,311,351	\$ 49,943,781	\$ 52,308,781	\$ 232,777,315	\$ 244,620,132



The County of Cumberland's total debt of \$232,777,315 decreased \$11,842,817 (4.84%) during the past fiscal year. The County issued \$1,250,000 in General Obligation Sewer Bonds for NORCRESS in order to finance construction of a water and sewer project to benefit the citizens of Falcon, Godwin, and Wade. The County also entered into a note payable for \$4,300,000 with RBC Centura for the required match for FTCC to access the NC State construction bond funds.

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 8.0 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the County is \$1,251,256,000.

Additional information regarding the County of Cumberland's long-term debt can be found in note 9 beginning on page F-31 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 5.6% which is .8% higher than the state average.
- Continued strong growth in both residential and commercial construction.
- Continued presence and future expansion of Fort Bragg due to the implementation of BRAC recommendations.

Budget Highlights for the Fiscal Year Ending June 30, 2007

The County approved a \$297,079,115 General Fund budget for fiscal year 2007, which represents a \$5,080,817 (1.74%) increase over fiscal year 2006 approved budget. *Ad Valorem Taxes* have been budgeted at an increase of \$6,730,850 (5.21%) based upon a 4.24% growth in the county-wide assessed valuation. *Other Taxes* are projected to decrease \$571,585 (1.31%) due to a projected decline in the one-cent sales tax receipts. *Unrestricted Intergovernmental* revenue is projected to decrease \$477,864 (6.64%) due to decreases in tax collection and municipal election fees. Those losses are partially offset by an increase in Federal prisoner housing funds of \$229,240. *Restricted Intergovernmental* revenue has been budgeted at a net increase of \$2,753,626 (4.91%) based on a budget of \$58,858,636. Mental Health restricted revenue is projected to increase \$1,019,995 (6.63%) due to increases in state funding. In addition, Social Services revenues are projected to increase \$1,653,194. *Licenses and Permits* revenue will increase only \$159,203 (4.03%) after a significant increase last year. *Sales and Service* fees are projected to decrease \$1,639,046 (8.25%) due primarily to decreases in Mental Health fees of \$2,444,749 (18.281). *Miscellaneous* revenue will increase \$609,605 (11.32%) due to additional interest income earned because of favorable investment rates. *Other Financing Sources* will decrease \$2,483,972 (9.32%) due to decrease in the amount of fund balance appropriated for one-time expenditures.

Budgeted expenditures in the General Fund are \$297,079,115 which represents an increase of \$5,080,817 (1.74%) over fiscal year 2006. *Personal Services* increased \$6,785,503 (6.54%) due to a 3.5% cost-of-living increase, continuation of a 1% county funded 401K contribution, increases of \$1,123,533 in medical insurance costs and establishment of a Sheriff's Office hiring and retention plan costing \$1.3 million. *Operating Expenditures* will decrease \$663,636 (1.88%). Contracted services accounts for \$911,985 of the operating decrease. Much of this decrease is due to reclassifying temporary services from operating to personnel. *Other Charges and Services* will increase \$4,384,653 (3.89%) to \$117,165,149. Funding for education increased \$3,031,275, Social Services programs \$1,570,968 and Mental Health expenditures decreased \$432,847. *Capital Outlay* expenditures decreased \$2,018,120 due to the reduction of \$1,000,000 for Fayetteville Technical Community College roof and other minor repairs/renovations and \$921,000 reduction in one-time capital improvements.

The fiscal year 2007 budget was adopted based in part on the City of Fayetteville's annexation of 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. Because the annexation wasn't effective until September 30, the cumulative overall effect will not be felt until fiscal year 2007. The annexation will have a negative affect on several shared revenues such as sales taxes, cablevisions fees, and beer & wine taxes.

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, 2006

	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
Assets							
Cash and cash equivalents	\$ 57,480,728	\$ 18,747,040	\$ 76,227,766	\$ 3,015,325	\$ 9,370,000	\$ 1,664	\$ 260,936
Investments	59,546,337	17,558,738	77,105,075	-	31,049,000	-	-
Taxes receivable, net	6,146,883	182,734	6,329,717	-	-	-	-
Accounts receivable, net	38,351	-	38,351	-	84,913,000	-	37,531
Sales tax receivable	15,223,192	68,463	15,291,655	-	-	6,509	-
Due from other governments	8,324,551	354,202	8,678,753	-	-	58,700	132,679
Patient receivables, net	1,370,952	-	1,370,952	-	-	-	-
Other receivables, net	650,177	624,772	1,274,949	-	-	-	-
Internal balances	(119,234)	119,234	-	-	-	-	-
Due from component units	547,822	-	547,822	-	-	-	-
Inventories	496,686	-	496,686	1,361,029	6,469,000	-	1,465
Prepaid expenses	-	-	-	10,702	3,084,000	-	8,557
Restricted cash and cash equivalents	16,968,027	1,626,957	18,594,984	22,363	-	273,245	-
Restricted investments	2,210,316	-	2,210,316	-	161,001,000	-	-
Restricted accounts receivable	1,082	596	1,678	-	-	14,849	-
Capital assets:							
Nondepreciable	26,443,313	12,926,336	39,369,649	868,021	40,383,000	125,390	-
Depreciable, net	104,379,430	64,973,198	169,352,628	1,598,400	137,115,000	6,017,071	36,680
Other assets	237,042	-	237,042	-	9,223,000	-	-
Security deposits	-	-	-	4,501	-	-	-
Total assets	299,945,753	117,182,270	417,128,023	6,880,341	482,807,000	6,497,428	477,848
Liabilities							
Accounts and vouchers payable	10,191,194	782,044	10,973,238	1,589,839	29,408,000	48,703	47,388
Due to other governments	4,300,383	414,334	4,714,717	-	-	-	-
Accrued payroll	3,775,474	103,148	3,878,622	-	25,170,000	-	-
Accrued interest payable	1,802,617	1,823,334	3,625,951	120,683	-	14,255	-
Other payables	186,068	4,990	191,058	-	21,128,000	14,904	-
Due to agencies	-	-	-	-	20,122,000	-	-
Arbitrage rebate	204,036	-	204,036	-	-	-	-
Unearned revenue	811,385	-	811,385	-	-	-	-
Net pension obligation	12,085	-	12,085	-	-	-	-
Long-term liabilities:							
Due in less than one year	17,472,591	3,033,949	20,506,540	18,333	6,788,000	46,000	-
Due in more than one year	169,217,053	49,474,211	218,691,264	247,500	118,224,000	3,771,500	-
Total liabilities	207,972,886	55,636,010	263,608,896	1,976,355	220,840,000	3,895,362	47,388
Net assets							
Invested in capital assets net of related debt	22,117,158	31,693,900	53,811,058	2,466,421	64,661,000	2,324,961	36,680
Restricted for debt service	15,189,615	1,625,492	16,815,107	572,668	10,950,000	288,094	-
Restricted by grants	30,633,983	-	30,633,983	-	-	-	-
Restricted for cemetery - nonexpendable	36,477	-	36,477	-	-	-	-
Unrestricted	23,995,634	28,226,868	52,222,502	1,864,897	186,156,000	(10,989)	393,780
Total net assets	\$ 91,972,867	\$ 61,546,260	\$ 153,519,127	\$ 4,903,986	\$ 261,767,000	\$ 2,602,066	\$ 430,460

COUNTY OF CUMBERLAND, NORTH CAROLINA
Statement of Activities
Year Ended June 30, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Capital		Governmental Activities	Primary Government Business-type Activities	Cumberland County		Fayetteville Area Convention and Visitors Bureau
			Operating Grants and Contributions	Grants and Contributions			ABC Board	County Hospital Systems, Inc.	
Governmental activities:									
General government	\$ 20,483,697	\$ 3,082,335	\$ 3,141,493	\$ (13,011,232)	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	42,301,225	1,148,672	739,188	(37,780,041)	-	-	-	-	-
Economic and physical development	13,586,698	8,651,204	267,545	(3,743,970)	-	-	-	-	-
Human services	111,115,841	16,755,278	311,967	(37,165,881)	-	-	-	-	-
Cultural and recreational	15,058,981	323,425	-	(13,770,677)	-	-	-	-	-
Education	80,402,833	-	-	(80,402,833)	-	-	-	-	-
Interest on long-term debt	3,755,303	-	-	(8,755,303)	-	-	-	-	-
Total governmental activities	291,704,578	23,718,141	4,460,193	(194,629,937)	-	-	-	-	-
Business-type activities:									
Crown center	9,550,376	2,305,165	-	(7,245,211)	-	-	-	-	-
Solid waste	5,720,234	3,597,816	-	(2,101,238)	-	-	-	-	-
NORCRESS Water and Sewer District	206,970	77,730	1,272,212	1,142,972	-	-	-	-	-
Kelly Hills Water and Sewer District	-	238	465,682	466,120	-	-	-	-	-
Total business-type activities	15,477,580	5,980,949	2,180	(7,737,357)	-	-	-	-	-
Total primary government	\$ 307,182,158	\$ 29,699,090	\$ 6,198,287	(194,629,937)	(7,737,357)	(202,367,294)	-	-	-
Component unit:									
ABC Board	\$ 13,857,480	\$ 14,307,922	\$ -	\$ -	\$ -	\$ 450,442	\$ -	\$ -	\$ -
Cumberland County Hospital System	432,992,000	446,021,000	-	-	-	-	13,029,000	-	-
Eastover Sanitary District	353,038	542,273	21,834	-	-	-	-	211,069	-
Fayetteville Area Convention & Visitors Bureau	1,251,082	1,318,974	-	-	-	-	-	-	67,892
Total component unit	\$ 448,453,600	\$ 482,190,169	\$ 21,834	\$ -	\$ -	\$ 450,442	\$ 13,029,000	\$ 211,069	\$ 67,892
General revenues:									
Property taxes				143,158,737					
Other taxes:									
Sales tax				55,674,521					
Animal registration				381,637					
Real estate transfer				1,477,071					
Beer and wine				695,840					
Solid waste				-					
Food and beverage				4,098,290					
Room and occupancy				3,259,120					
Miscellaneous				820,628					
Grants and contributions not restricted to specific programs				5,109,038					
Unrestricted investment earnings				5,667,165					
Gain on sale of capital assets				82,935					
Miscellaneous				5,730,292					
Contributions				-					
Transfers				(7,863,279)					
Total general revenues and transfers				218,291,995					
Change in net assets				23,662,058					
Net assets - beginning				68,310,809					
Net assets - ending				\$ 91,972,867					

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2006**

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 38,028,514	\$ 19,452,212	\$ 57,480,726
Investments	51,545,960	8,000,377	59,546,337
Taxes receivable, net	4,771,229	548,076	5,319,305
Sales tax receivable	12,273,293	2,949,735	15,223,028
Due from other governments	6,789,223	1,535,328	8,324,551
Patient receivables	1,370,952	-	1,370,952
Other receivables, net	502,192	111,395	613,587
Due from other funds	1,066,182	1,500,000	2,566,182
Due from component units	547,822	-	547,822
Inventories	246,003	-	246,003
Restricted assets:			
Cash and cash equivalents	3,649,042	6,482,891	10,131,933
Investments	-	1,698,760	1,698,760
Accounts receivable	-	1,082	1,082
Total assets	\$ 120,790,412	\$ 42,279,856	\$ 163,070,268
Liabilities and fund balances			
Liabilities:			
Accounts and vouchers payable	\$ 6,011,854	\$ 2,932,709	\$ 8,944,563
Due to other governments	4,287,299	13,084	4,300,383
Accrued payroll	3,712,985	62,489	3,775,474
Other payables	146,905	39,163	186,068
Due to other funds	1,732,442	914,623	2,647,065
Deferred revenue	6,264,170	579,255	6,843,425
Total liabilities	22,155,655	4,541,323	26,696,978
Fund balances:			
Reserved:			
Reserved for inventories	246,003	-	246,003
Reserved for register of deeds	233,127	-	233,127
Reserved for encumbrances	10,170,114	3,152,903	13,323,017
Reserved by State statute	21,868,108	6,066,361	27,934,469
Reserved for inmates	-	231,064	231,064
Reserved for cemetery	-	36,477	36,477
Unreserved:			
Designated for subsequent year's expenditures	15,407,911	-	15,407,911
Designated for revaluation	150,000	-	150,000
Designated for tax office software	1,161,950	-	1,161,950
Designated for renovations and maintenance	752,234	-	752,234
Designated for health department renovations	3,166,150	-	3,166,150
Designated for Courthouse/plaza renovations	2,704,163	-	2,704,163
Designated for current year's expenditures	1,227,898	-	1,227,898
Designated for other purposes	3,065,833	-	3,065,833
Undesignated	38,481,266	-	38,481,266
Unreserved, reported in nonmajor:			
Designated for subsequent year's expenditures			
Special revenue	-	4,538,462	4,538,462
Undesignated			
Special revenue	-	16,728,673	16,728,673
Capital projects	-	6,984,593	6,984,593
Permanent	-	-	-
Total fund balances	98,634,757	37,738,533	136,373,290
Total liabilities and fund balances	\$ 120,790,412	\$ 42,279,856	\$ 163,070,268

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2006**

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

Ending fund balance - governmental funds		\$ 136,373,290
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (see note 4).		130,822,743
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Deferred Revenue	\$ 6,032,040	
Accrued Tax Penalties	827,678	
Bond issue cost	237,042	
Prepaid Pension benefit	<u>(12,085)</u>	
		7,084,675
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.		6,184,420
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	\$ (186,689,644)	
Accrued interest payable	<u>(1,802,617)</u>	
		(188,492,261)
Net assets of governmental activities		<u>\$ 91,972,867</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2006**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Ad valorem taxes	\$ 135,923,196	\$ 8,378,395	\$ 144,301,591
Other taxes	48,327,968	17,868,705	66,196,673
Unrestricted intergovernmental revenue	5,137,667	134,834	5,272,501
Restricted intergovernmental revenue	59,342,604	13,802,798	73,145,402
Licenses and permits	3,616,805	-	3,616,805
Sales and services	20,006,568	169,147	20,175,715
Interest earned on investments	4,357,428	1,171,328	5,528,756
Miscellaneous	5,116,759	781,933	5,898,692
Total revenues	<u>281,828,995</u>	<u>42,307,140</u>	<u>324,136,135</u>
Expenditures			
Current:			
General government	19,097,158	475,844	19,573,002
Public safety	33,855,654	6,452,918	40,308,572
Economic and physical development	4,141,260	9,049,460	13,190,720
Human services	108,748,989	1,557,475	110,306,464
Cultural and recreational	8,297,907	6,045,186	14,343,093
Education	71,100,858	9,301,914	80,402,772
Capital outlay	2,903,707	5,673,130	8,576,837
Debt service:			
Principal payments	13,738,769	150,000	13,888,769
Interest and fees	8,913,064	48,504	8,961,568
Total expenditures	<u>270,797,366</u>	<u>38,754,431</u>	<u>309,551,797</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,031,629</u>	<u>3,552,709</u>	<u>14,584,338</u>
Other financing sources (uses)			
Proceeds from installment notes	4,300,000	-	4,300,000
Sale of capital assets	54,692	485	55,177
Transfers in	4,255,179	7,770,209	12,025,388
Transfers out	(11,605,588)	(9,874,984)	(21,480,572)
Total other financing sources (uses)	<u>(2,995,717)</u>	<u>(2,104,290)</u>	<u>(5,100,007)</u>
Net change in fund balances	8,035,912	1,448,419	9,484,331
Fund balance - beginning	<u>90,598,845</u>	<u>36,290,114</u>	<u>126,888,959</u>
Fund balance - ending	<u>\$ 98,634,757</u>	<u>\$ 37,738,533</u>	<u>\$ 136,373,290</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2006

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

Net change in fund balances - total governmental funds	\$	9,484,331
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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	\$	8,576,980	
Depreciation		<u>(5,502,206)</u>	3,074,774

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) to increase net assets.	(108,258)
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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	\$	(122,381)	
Pension costs		(22,685)	
Deferred revenues		<u>(810,039)</u>	(955,105)

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-term debt and related accounts.

Principal payments	\$	13,888,769	
Accrued interest payable		244,865	
Accrued vacation payable		(45,025)	
Bond issuance costs		(18,531)	
Miscellaneous		(131,021)	
Net note proceeds		<u>(4,300,000)</u>	9,639,057

The net revenue of certain activities of the internal service fund is reported with governmental activities.	<u>2,527,259</u>
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Change in net assets of governmental activities	<u>\$ 23,662,058</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, 2006**

General Fund				
	Original Budget	Final Budget	Actual	Variance With Final Positive Negative
Revenues:				
Ad valorem taxes	\$ 129,091,374	\$ 129,091,374	\$ 135,923,196	\$ 6,831,822
Other taxes	43,752,283	48,369,741	48,327,968	(41,773)
Unrestricted intergovernmental revenue	7,194,749	4,833,294	5,137,667	304,373
Restricted intergovernmental revenue	56,105,010	62,139,623	59,342,604	(2,797,019)
Licenses and permits	3,954,848	3,420,983	3,616,805	195,822
Sales and services	19,869,727	22,159,966	20,006,568	(2,153,398)
Interest earned on investments	757,362	757,409	4,357,428	3,600,019
Miscellaneous	4,628,452	4,659,166	5,116,759	457,593
Total revenues	<u>265,353,805</u>	<u>275,431,556</u>	<u>281,828,995</u>	<u>6,397,439</u>
Expenditures:				
Current:				
General government	21,241,649	23,618,811	19,097,158	4,521,653
Public safety	34,798,370	34,527,713	33,855,654	672,059
Economic and physical development	4,549,606	4,731,263	4,141,260	590,003
Human services	115,899,148	122,658,239	108,748,989	13,909,250
Cultural and recreational	8,401,771	8,677,011	8,297,907	379,104
Education	71,526,304	76,453,126	71,100,858	5,352,268
Capital outlay	-	6,527,700	2,903,707	3,623,993
Debt service:				
Principal payments	12,258,146	13,738,770	13,738,769	1
Interest and fees	8,854,682	8,931,421	8,913,064	18,357
Total expenditures	<u>277,529,676</u>	<u>299,864,054</u>	<u>270,797,366</u>	<u>29,066,688</u>
Revenues over (under) expenditures	<u>(12,175,871)</u>	<u>(24,432,498)</u>	<u>11,031,629</u>	<u>(35,464,127)</u>
Other financing sources (uses):				
Proceeds from installment notes	-	4,300,000	4,300,000	-
Sale of capital assets	-	-	54,692	54,692
Transfers in	4,544,160	4,422,008	4,255,179	(166,829)
Transfers out	(9,870,740)	(12,141,079)	(11,605,588)	535,491
Appropriated fund balance	17,502,451	27,851,569	-	(27,851,569)
Total other financing sources (uses)	<u>12,175,871</u>	<u>24,432,498</u>	<u>(2,995,717)</u>	<u>(27,428,215)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>8,035,912</u>	<u>\$ 8,035,912</u>
Fund Balances:				
Beginning of year, July 1			<u>90,598,845</u>	
End of year, June 30			<u>\$ 98,634,757</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

Statement of Net Assets
Proprietary Funds
June 30, 2006

	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		
Assets						
Current assets						
Cash and cash equivalents	\$ 15,567,391	\$ 3,164,348	\$ -	\$ 15,301	\$ 18,747,040	\$ -
Investments	17,558,738	-	-	-	17,558,738	-
Taxes receivable, net	182,734	-	-	-	182,734	-
Sales tax receivable	16,644	44,135	1,904	5,780	68,463	164
Due from other governments	112,736	-	63,174	178,292	354,202	250,683
Other receivables, net	209,587	415,185	-	-	624,772	36,590
Due from other funds	232,442	-	-	-	232,442	-
Total current assets	33,880,272	3,623,668	65,078	199,373	37,768,391	287,437
Noncurrent assets						
Restricted:						
Cash and cash equivalents	662,074	964,883	-	-	1,626,957	6,836,094
Investments	-	-	-	-	-	511,556
Accounts receivable	-	596	-	-	596	-
Capital assets, net of accumulated depreciation	10,112,235	55,880,371	2,574,813	9,332,115	77,899,534	-
Total noncurrent assets	10,774,309	56,845,850	2,574,813	9,332,115	79,527,087	7,347,650
Total assets	44,654,581	60,469,518	2,639,891	9,531,488	117,295,478	7,635,087
Liabilities and net assets						
Current liabilities						
Accounts and vouchers payable	122,883	576,924	2,600	79,637	782,044	24,504
Due to other governments	-	414,334	-	-	414,334	-
Accrued payroll	33,315	69,833	-	-	103,148	9,546
Accrued interest payable	-	1,819,037	-	4,297	1,823,334	-
Other payables	4,990	-	-	-	4,990	-
Incurred but not reported	-	-	-	-	-	1,416,617
Current portion of long-term debt and accrued vacation	74,018	2,959,931	-	-	3,033,949	-
Due to other funds	-	5,500	32,713	74,995	113,208	-
Total current liabilities	235,206	5,845,559	35,313	158,929	6,275,007	1,450,667
Noncurrent liabilities						
Post closing liability	6,149,159	-	-	-	6,149,159	-
Long-term debt	-	41,997,764	-	1,250,000	43,247,764	-
Accrued vacation	3,895	73,393	-	-	77,288	-
Total noncurrent liabilities	6,153,054	42,071,157	-	1,250,000	49,474,211	-
Total liabilities	6,388,260	47,916,716	35,313	1,408,929	55,749,218	1,450,667
Net assets						
Invested in capital assets, net of related debt	10,112,235	10,924,737	2,574,813	8,082,115	31,693,900	-
Restricted net assets	662,074	963,418	-	-	1,625,492	-
Unrestricted	27,492,012	664,647	29,765	40,444	28,226,868	6,184,420
Total net assets	\$ 38,266,321	\$ 12,552,802	\$ 2,604,578	\$ 8,122,559	\$ 61,546,260	\$ 6,184,420

COUNTY OF CUMBERLAND, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2006

	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		
Operating revenues						
Charges for services	\$ 3,145,847	\$ 2,305,165	\$ -	\$ 77,730	\$ 5,528,742	\$ -
Contributions	94	-	-	-	94	13,791,055
Other operating revenue	451,875	-	238	-	452,113	-
Total operating revenues	3,597,816	2,305,165	238	77,730	5,980,949	13,791,055
Operating expenses						
Salaries and employee benefits	1,900,400	1,872,088	-	-	3,772,488	12,655,353
Medical supplies and related expenses	414	-	-	-	414	-
Other supplies	1,383,273	236,507	-	-	1,619,780	-
Repairs and maintenance	875,676	245,823	-	88,548	1,210,047	-
Utilities	73,413	598,816	-	-	672,229	-
Administrative costs	433,137	1,705,442	-	-	2,138,579	338,757
Depreciation	617,355	1,986,237	-	118,422	2,722,014	-
Landfill closure and postclosure care costs	436,566	-	-	-	436,566	-
Total operating expenses	5,720,234	6,644,913	-	206,970	12,572,117	12,994,110
Operating income (loss)	(2,122,418)	(4,339,748)	238	(129,240)	(6,591,168)	796,945
Nonoperating revenue (expense)						
Interest earned on investments	1,203,069	36,766	-	-	1,239,835	138,409
Motel occupancy tax	-	791,442	-	-	791,442	-
Miscellaneous	170,844	-	-	-	170,844	-
Taxes	4,551,491	-	-	-	4,551,491	-
Grant revenue	21,180	-	-	-	21,180	-
Interest expense	-	(2,905,463)	-	-	(2,905,463)	-
Total nonoperating revenue (expense)	5,946,584	(2,077,255)	-	-	3,869,329	138,409
Income (loss) before transfers and contributions	3,824,166	(6,417,003)	238	(129,240)	(2,721,839)	935,354
Transfers in	-	7,767,848	120,932	-	7,888,780	1,591,905
Transfers out	-	(25,501)	-	-	(25,501)	-
Capital contributions	-	-	465,862	1,272,212	1,738,094	-
Change in net assets	3,824,166	1,325,344	587,052	1,142,972	6,879,534	2,527,259
Total net assets - beginning	34,442,155	11,227,458	2,017,526	6,979,587	54,666,726	3,657,161
Total net assets - ending	\$ 38,266,321	\$ 12,552,802	\$ 2,604,578	\$ 8,122,559	\$ 61,546,260	\$ 6,184,420

COUNTY OF CUMBERLAND, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2006

	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		
Operating activities						
Cash received from customers	\$ 3,208,466	\$ 2,172,897	\$ -	\$ 77,730	\$ 5,459,093	\$ -
Other operating revenue	610,560	-	238	-	610,798	-
Cash received from contributions	-	-	-	-	-	13,791,083
Cash paid to employees	(1,973,717)	(1,881,473)	-	-	(3,855,190)	-
Cash paid for goods and services	(3,018,365)	(1,954,130)	(78,535)	(685,305)	(5,736,335)	(279,141)
Cash paid for claims	-	-	-	-	-	(12,803,505)
Net cash provided by (used in) operating activities	(1,173,058)	(1,662,706)	(78,297)	(607,575)	(3,521,634)	608,437
Noncapital financing activities						
Transfers in	-	7,767,848	120,932	-	7,888,780	1,591,905
Transfers out	-	(25,501)	-	-	(25,501)	-
Net cash provided (used) by noncapital financing activities	-	7,742,347	120,932	-	7,863,279	1,591,905
Capital and related financing activities						
Acquisition and construction of capital assets	(113,390)	(1,654,694)	(42,635)	-	(1,810,919)	-
Proceeds from grant	21,180	-	-	-	21,180	-
Proceeds from issuance of long-term debt	-	-	-	1,254,297	1,254,297	-
Proceeds from issuance of debt	-	-	-	(1,250,000)	(1,250,000)	-
Principal paid on long-term debt	-	(2,099,021)	-	-	(2,099,021)	-
Interest paid on bonds	-	(2,695,284)	-	-	(2,695,284)	-
Motel occupancy tax	4,551,491	791,442	-	-	5,342,933	-
Other miscellaneous transactions	170,844	-	-	618,579	789,423	-
Net cash provided (used) by capital and related financing activities	4,630,125	(5,657,757)	(42,635)	622,876	(447,391)	-
Investing activities						
Proceeds from sale of investments	(6,673,779)	-	-	-	(6,673,779)	(511,556)
Investment earnings	1,203,089	36,766	-	-	1,239,855	138,409
Net cash provided (used) in investing activities	(5,470,710)	36,766	-	-	(5,433,944)	(373,147)
Net increase in cash and cash equivalents	(2,013,641)	458,650	-	15,301	(1,539,690)	1,827,195
Cash and cash equivalents						
Beginning of year	18,243,106	3,670,581	-	-	21,913,687	5,008,899
End of year	\$ 16,229,465	\$ 4,129,231	\$ -	\$ 15,301	\$ 20,373,997	\$ 6,838,094
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ (2,122,418)	\$ (4,339,748)	\$ 238	\$ (129,240)	\$ (6,591,168)	\$ 798,945
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	617,355	1,986,237	-	118,422	2,722,014	-
Landfill closure and post closure care costs	438,588	-	-	-	438,588	-
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	62,819	270	-	-	62,889	-
(Increase) decrease in other receivables	168,591	235,547	19,404	118,888	532,530	(11,526)
(Increase) decrease in inventories	(10,249)	-	-	295,469	285,220	141,080
(Increase) decrease in internal balances	(235,600)	-	132,081	-	(103,519)	-
Increase (decrease) in accounts payable and accrued liabilities	(6,603)	460,873	-	-	454,270	(310,087)
Increase (decrease) in due to other funds	-	3,500	-	(476,817)	(473,317)	-
Increase (decrease) in compensated absences payable	(89,901)	(9,385)	-	-	(99,286)	-
Increase (decrease) in deferred revenue	-	-	(230,020)	(534,397)	(764,417)	-
Increase (decrease) in contract retainage	16,584	-	-	-	16,584	(7,875)
Total adjustments	949,382	2,677,042	(78,535)	(478,335)	3,069,534	(188,508)
Net cash provided by (used in) operating activities	\$ (1,173,058)	\$ (1,662,706)	\$ (78,297)	\$ (607,575)	\$ (3,521,634)	\$ 608,437
Noncash investing, capital, and financing activities:						
Capital contributions	\$ -	\$ -	\$ 465,882	\$ 1,272,212	\$ 1,738,094	\$ -
Cash and cash equivalents:						
Unrestricted	\$ 15,567,391	\$ 3,164,348	\$ -	\$ 15,301	\$ 18,747,040	\$ -
Restricted	662,074	964,883	-	-	1,626,957	6,838,094
Total	\$ 16,229,465	\$ 4,129,231	\$ -	\$ 15,301	\$ 20,373,997	\$ 6,838,094

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006**

	Pension Trust Fund	
	Special Separation Allowance Fund	Agency Funds
Assets		
Taxes receivable	\$ -	\$ 4,440,029
Other receivables	2,179	-
Restricted cash and cash equivalents	1,100,614	689,757
Total assets	<u>1,102,793</u>	<u>\$ 5,129,786</u>
Liabilities		
Accounts and vouchers payable	-	\$ 5,076,925
Due to other governments	-	14,510
Due to Cumberland County	-	38,351
Total liabilities	<u>-</u>	<u>\$ 5,129,786</u>
Net assets		
Reserved for employees pension benefits	<u>\$ 1,102,793</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2006**

	Pension Trust Fund
	Special Separation Allowance Fund
	Fund
Additions	
Employee contributions	\$ 220,000
Interest earned on investments	46,482
Total additions	<u>266,482</u>
Deductions	
Benefits	129,421
Total deductions	<u>129,421</u>
Change in net assets	137,061
Total net assets - beginning	<u>965,732</u>
Total net assets - ending	<u><u>\$ 1,102,793</u></u>

NOTES TO FINANCIAL STATEMENTS

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COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the County of Cumberland, North Carolina ("the County") and its discretely presented component units conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A - Reporting Entity

The County, which is governed by a seven-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. GASB Statement Number 14, as amended by GASB Statement Number 39, defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and a) it is able to impose its will on that organization or b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens upon, the primary government.

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

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

Blended Component Units

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

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, 2006

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 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 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 28304
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 28304
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, 2006

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.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

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; 2004 School Bond 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, 2006

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; Stormwater Utility Fund, which accounts for monies collected in connection with the joint storm water utility agreement with the City of Fayetteville; and the Vehicle Interest Fund, which accounts for a 3% late fee on registered motor vehicle property taxes that are billed and collected by the County for the State of North Carolina.

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, 2006

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 2005 through February 2006 apply to the fiscal year ended June 30, 2006. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. In addition, as of January 1, 2006, State law implemented a staggered expiration date system for annually registered vehicles as part of the conversion into the staggered registration. Originally, annually registration expired December 31st each year with taxes due by May 1st of the following year. To transition from the staggered into the annual registration, the initial 2006 registration renewals will vary from 7 to 18 months after December 31, 2005. Once these initial renewals have expired, all vehicles that were previously annually registered will be in the staggered system.

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, 2006

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, 2006

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, 2005. 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 2006 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, 2006

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, 2006

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, 2006

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 2006-2007 budget ordinance.

Designated for revaluation – portion of total fund balance designated by the management for future countywide property revaluation needs.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

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 tax office software – portion of total fund balance designated by the management for future purchase of tax software.

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 Courthouse/plaza renovations – portion of total fund balance designed by the management for renovations to the Courthouse plaza, parking lot and other exterior portions of the Courthouse.

Designated for current year's expenditures – portion of total fund balance designated by management for current year commitments not related to purchase orders and contracts that remained at year-end.

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

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

11. Reclassifications

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

12. Accounting Estimates

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

13. Net Patient Service Revenue

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

D - Assets, Liabilities and Fund Equity (continued)

14. Charity Care

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

15. 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.

E – Implemented Pronouncements

GASB Statement No. 42 “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”, became effective July 1, 2005. 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. Capital assets meeting the definition of impairment under this statement must be written down to fair market value. We evaluated the County’s capital assets for impairment during our audit and did not identify any situation that required existing assets to be written down.

GASB Statement No. 44 “Economic Condition Reporting: The Statistical Section”—an amendment of NCGA Statement 1 became effective July 1, 2005. This Statement amended portions of NCGA, Statement 1, Governmental Accounting and Financial Reporting Principles that provided guidance on the preparation of the statistical section. The statement required that additional schedules be added as part of the statistical section and required that some of the previously reported data be reformatted. The County modified the statistical section that accompanies the financial statements in the current year to fully comply with this Statement.

GASB Statement No. 46 “Net Assets Restricted by Enabling Legislation—an amendment of GASB Statement No. 34” became effective July 1, 2005. This Statement specified the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. This Statement also required that governments disclose the portion of total net assets that is restricted by enabling legislation. This statement did not have any impact on the County during the year.

GASB Statement No. 47 “Accounting for Termination Benefits” became effective July 1, 2005. This Statement required that employers disclose or include a description of any termination benefit arrangements, the cost of the termination benefits (required in the period in which the employer becomes obligated if that information is not otherwise identifiable from information displayed on the face of the financial statements), and significant methods and assumptions used to determine termination benefit liabilities. This statement did not have any impact on the County during the year.

F – Upcoming Pronouncements

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

Note 1 - Summary of Significant Accounting Policies (continued)

F - Upcoming Pronouncements (continued)

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.

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. The County is currently in the process of evaluating this Statement and the impact it will have on the County.

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, 2006, the County's deposits had a carrying amount of \$62,585,465 and a bank balance of \$64,853,575. Of the bank balance, \$401,000 was covered by Federal depository insurance, \$64,116,108 was covered by collateral under the Pooling Method, and \$286,291 was related to retainage from an insurance administrator for future claim payments. Included in the County's deposits is cash of \$274,909 for the District. The County had \$14,975 in the petty cash and change funds.

At June 30, 2006, the ABC Board's deposits had a carrying amount of \$3,037,688 and a bank balance of \$2,933,488. Of the bank balance, \$300,000 was covered by Federal depository insurance and \$2,633,488 was covered by collateral under the Pooling Method. Included in the carrying balance for the ABC Board is petty cash of \$17,450.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

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

A – Deposits (continued)

At June 30, 2006, the Bureau's deposits had a carrying amount of \$260,936 and a bank balance of approximately \$412,412. Of the bank balances \$100,000 was covered by Federal depository insurance and \$312,412 was covered by collateral under the Pooling Method. Included in the Bureau's deposits are certificates of deposit of \$212,990. The Bureau had petty cash of \$244.

B – Investments - County

As of June 30, 2006 the County had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 6 Months</u>	<u>6 - 12 Months</u>	<u>1 - 2 Years</u>
Bankers Acceptance	\$ 4,482,220	\$ 4,482,220	\$ -	\$ -
Certificate of Deposit	31,557	-	-	31,557
US Government Agencies	44,757,211	7,341,041	26,484,910	10,931,260
Commercial Paper	14,716,782	14,716,782	-	-
NC Capital Management Trust -- Cash Portfolio	24,165,211	N/A	N/A	N/A
NC Student Loans	25,450,000	25,450,000	-	-
Total	\$ 113,602,981	\$ 51,990,043	\$ 26,484,910	\$ 10,962,817

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, 2006, 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, 2006. 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, Federal Farm Credit, and NC Student Loans. These investments are 15%, 14%, 7%, 7% and 28% respectively of the County's total investments.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

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, 2005, 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>
Liquid Fund and Interest Receivable			
Investment Account Cash (Pending Reinvestment)			
Short, Noncurrent, and Board			
Designated Investments	\$ 32,000	N/A	N/A
Other Trusteed Assets - Self Insurance	-	N/A	N/A
	<u>32,000</u>		
North Carolina Capital Management Trust			
Short, Noncurrent, and Board			
Designated Investments	18,568,000	N/A	N/A
Other Trusteed Assets - Self Insurance	570,000	N/A	N/A
	<u>19,138,000</u>		
Interest Receivable			
Short, Noncurrent, and Board			
Designated Investments	963,000	N/A	N/A
Other Trusteed Assets - Self Insurance	172,000	N/A	N/A
	<u>1,135,000</u>		
Subtotal of Liquid Funds and Interest Receivable	<u>20,305,000</u>	N/A	N/A
Short, Intermediate, and Broad Duration Funds			
U.S. Treasury Notes			
Short, Noncurrent, and Board			
Designated Investments	22,559,000	1.83	
Other Trusteed Assets - Self Insurance	11,301,000	1.76	
Other Trusteed Assets - Bond Related	12,027,000	-	
	<u>45,887,000</u>		27%
U.S. Agency Obligation			
Short, Noncurrent, and Board			
Designated Investments	41,089,000	2.15	
Other Trusteed Assets - Self Insurance	9,797,000	1.51	
Other Trusteed Assets - Bond Related	9,116,000	-	
	<u>60,002,000</u>		35%
Asset-Backed Securities (Mortgage Related)			
Short, Noncurrent, and Board			
Designated Investments	64,913,000	1.79	38%
Subtotal of Short, Noncurrent, and Board Designated Investments	<u>170,802,000</u>		
Short-term investments - Cape Fear Valley Health Foundation	<u>785,000</u>		
Total Fair Value	<u>\$ 191,892,000</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

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 AAA by Standard & Poor's as of September 30, 2005. 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, 2005, the Health System's deposits had a carrying amount of approximately \$8,554,000 and a bank balance of approximately \$15,028,000. Of the bank balance, \$200,000 was covered by Federal depository insurance and approximately \$15,228,000 was covered by collateral under the Pooling Method. Cash and cash equivalents also includes \$816,000 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 12%, 8%, 7% and 10% respectively of the Health System's total investments.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

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, 2005 and 2004, the Health System had \$64,913 and \$56,909, respectively, invested in this type of asset-backed security.

D - Reconciliation to Cash and Investments

Total per Footnote:

	<u>County</u>	<u>ABC Board</u>	<u>Health System</u>	<u>District</u>	<u>Bureau</u>
Total investments	\$ 113,602,981	\$ -	\$ 192,050,000	\$ -	\$ -
Cash (demand deposits)	62,310,556	3,020,238	9,370,000	274,909	260,692
Petty cash	14,975	17,450	-	-	244
Total cash and investments	<u>175,928,512</u>	<u>3,037,688</u>	<u>201,420,000</u>	<u>274,909</u>	<u>260,936</u>
Less: investments	(79,315,391)	-	(192,050,000)	-	-
Total cash and equivalents	<u>\$ 96,613,121</u>	<u>\$ 3,037,688</u>	<u>\$ 9,370,000</u>	<u>\$ 274,909</u>	<u>\$ 260,936</u>

Total per Statement of Net Assets:

Cash and cash equivalent - unrestricted	\$ 76,227,766	\$ 3,015,325	\$ 9,370,000	\$ 1,664	\$ 260,936
Cash and cash equivalent - restricted	18,594,984	22,363	-	273,245	-
Cash and cash equivalent - pension trust fund	1,100,614	-	-	-	-
Cash and cash equivalent - agency funds	689,757	-	-	-	-
Total cash and equivalents	<u>\$ 96,613,121</u>	<u>\$ 3,037,688</u>	<u>\$ 9,370,000</u>	<u>\$ 274,909</u>	<u>\$ 260,936</u>
Investments - unrestricted	\$ 77,105,075	\$ -	\$ 31,049,000	\$ -	\$ -
Investments - restricted	2,210,316	-	161,001,000	-	-
Total investments	<u>\$ 79,315,391</u>	<u>\$ -</u>	<u>\$ 192,050,000</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

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, 2006 is as follows:

Taxes receivable - General Fund	\$ 7,817,978
Patient receivable - General Fund	6,118,870
Other receivables - Water and Sewer Special Revenue Fund	17,373
Accounts receivable - Health System	<u>27,371,000</u>
	<u><u>\$ 41,325,221</u></u>

Note 4 - Capital Assets

Primary Government

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases & Adjustments</u>	<u>Transfers</u>	<u>Ending Balances</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 18,258,631	\$ 503,758	\$ -	\$ -	\$ 18,762,389
Construction in progress	4,552,033	3,697,847	-	(568,956)	7,680,924
Total capital assets not being depreciated	<u>22,810,664</u>	<u>4,201,605</u>	<u>-</u>	<u>(568,956)</u>	<u>26,443,313</u>
Capital assets being depreciated:					
Buildings and improvements	140,829,980	2,492,383	20,004	568,956	143,871,315
Equipment, furniture and fixtures	15,741,941	600,286	557,028	-	15,785,199
Vehicles	9,887,495	1,282,706	626,801	-	10,543,400
Total capital assets being depreciated	<u>166,459,416</u>	<u>4,375,375</u>	<u>1,203,833</u>	<u>568,956</u>	<u>170,199,914</u>
Less accumulated depreciation for:					
Buildings and improvements	41,087,310	3,810,921	23,150	-	44,875,081
Equipment, furniture and fixtures	12,021,330	1,106,456	496,265	-	12,631,521
Vehicles	8,305,213	584,829	576,160	-	8,313,882
Total accumulated depreciation	<u>61,413,853</u>	<u>\$ 5,502,206</u>	<u>\$ 1,095,575</u>	<u>\$ -</u>	<u>65,820,484</u>
Total capital assets being depreciated, net	<u>105,045,563</u>				<u>104,379,430</u>
Governmental activity capital assets, net	<u><u>\$ 127,856,227</u></u>				<u><u>\$ 130,822,743</u></u>

Capital asset activity for the governmental activities for the year ended June 30, 2006 was as follows:

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

General government	\$ 780,126
Public safety	2,214,745
Human services	1,305,645
Economic and physical development	435,975
Cultural and recreational	<u>765,715</u>
 Total depreciation expense	 <u><u>\$ 5,502,206</u></u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

Note 4 - Capital Assets (continued)

Primary Government (continued)

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

Business-type activities:	Beginning		Decreases &	Ending
	Balances	Increases	Transfers	Balances
Cumberland County Solid Waste				
Capital assets not being depreciated:				
Land	\$ 2,896,495	\$ -	\$ -	\$ 2,896,495
Construction in progress	4,127,199	-	-	4,127,199
Total capital assets not being depreciated	<u>7,023,694</u>	<u>-</u>	<u>-</u>	<u>7,023,694</u>
Capital assets being depreciated:				
Landfill	7,198,817	-	-	7,198,817
Buildings and building improvements	4,532,743	6,405	-	4,539,148
Furniture, fixtures and equipment	5,568,076	55,997	-	5,624,073
Vehicles	1,743,029	50,988	-	1,794,017
Total capital assets being depreciated	<u>19,042,665</u>	<u>113,390</u>	<u>-</u>	<u>19,156,055</u>
Less accumulated depreciation for:				
Landfill	7,198,817	-	-	7,198,817
Buildings and building improvements	3,243,989	169,990	-	3,413,979
Furniture, fixtures and equipment	3,701,396	325,183	-	4,026,579
Vehicles	1,305,957	122,182	-	1,428,139
Total accumulated depreciation	<u>15,450,159</u>	<u>\$ 617,355</u>	<u>\$ -</u>	<u>16,067,514</u>
Total capital assets being depreciated, net	<u>3,592,506</u>			<u>3,088,541</u>
Cumberland County Solid Waste capital assets, net	<u>\$ 10,616,200</u>			<u>\$ 10,112,235</u>
Cumberland County Crown Center				
Capital assets not being depreciated:				
Land	\$ 3,327,829	\$ -	\$ -	\$ 3,327,829
Capital assets being depreciated:				
Buildings and building improvements	67,829,625	1,311,193	-	69,140,818
Furniture, fixtures and equipment	3,316,882	343,701	(37,670)	3,622,913
Vehicles	64,385	-	-	64,385
Total capital assets being depreciated	<u>71,210,892</u>	<u>1,654,894</u>	<u>(37,670)</u>	<u>72,828,116</u>
Less accumulated depreciation for:				
Building and building improvements	16,463,080	1,736,893	-	18,199,973
Furniture, fixtures and equipment	1,820,109	244,201	(37,670)	2,026,640
Vehicles	43,818	5,143	-	48,961
Total accumulated depreciation	<u>18,327,007</u>	<u>\$ 1,986,237</u>	<u>\$ (37,670)</u>	<u>20,275,574</u>
Total capital assets being depreciated, net	<u>52,883,885</u>			<u>52,552,542</u>
Cumberland County Crown Center capital assets, net	<u>\$ 56,211,714</u>			<u>\$ 55,880,371</u>
Kelly Hills Water and Sewer District				
Capital assets not being depreciated:				
Construction in progress	\$ 2,066,296	\$ 508,517	\$ -	\$ 2,574,813
Total capital assets not being depreciated	<u>2,066,296</u>	<u>\$ 508,517</u>	<u>\$ -</u>	<u>2,574,813</u>
Kelly Hills Water and Sewer District capital assets, net	<u>\$ 2,066,296</u>			<u>\$ 2,574,813</u>
Norcross Water and Sewer District				
Capital assets not being depreciated:				
Construction in progress	\$ 8,796,904	\$ -	\$ (8,796,904)	\$ -
Total capital assets not being depreciated	<u>8,796,904</u>	<u>\$ -</u>	<u>\$ (8,796,904)</u>	<u>-</u>
Capital assets being depreciated:				
Buildings and building improvements	-	653,633	8,796,904	9,450,537
Total capital assets being depreciated	<u>-</u>	<u>653,633</u>	<u>8,796,904</u>	<u>9,450,537</u>
Less accumulated depreciation for:				
Building and building improvements	-	118,422	-	118,422
Total accumulated depreciation	<u>-</u>	<u>\$ 118,422</u>	<u>\$ -</u>	<u>118,422</u>
Total capital assets being depreciated, net	<u>-</u>			<u>9,332,115</u>
Norcross Water and Sewer District capital assets, net	<u>\$ 8,796,904</u>			<u>\$ 9,332,115</u>
Business-type activities capital assets, net	<u>\$ 77,691,114</u>			<u>\$ 77,899,534</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

Note 4 - Capital Assets (continued)

Primary Government (continued)

Construction contracts of approximately \$24,638,932 exist for various renovation and construction projects for the County. At June 30, 2006, the remaining commitment on these contracts approximated \$3,430,450. Construction contracts of approximately \$2,687,566 exist for various renovation and construction projects for Eastover Sanitary District. At June 30, 2006, the remaining commitment on these contracts approximated \$2,562,176.

Discretely presented component units

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ 648,021	\$ 220,000	\$ -	\$ 868,021
Total capital assets not being depreciated	<u>648,021</u>	<u>220,000</u>	<u>-</u>	<u>868,021</u>
Capital assets being depreciated:				
Buildings and improvements	1,959,272	164,417	-	2,123,689
Leasehold improvements	129,634	22,255	-	151,889
Furniture and equipment	827,732	24,926	-	852,658
Vehicles	214,994	761	-	215,755
ABE equipment	2,585	-	-	2,585
Total capital assets being depreciated	<u>3,134,217</u>	<u>212,359</u>	<u>-</u>	<u>3,346,576</u>
Less accumulated depreciation	<u>(1,567,346)</u>	<u>(180,830)</u>	<u>-</u>	<u>(1,748,176)</u>
Total capital assets being depreciated, net	<u>1,566,871</u>	<u>\$ 31,529</u>	<u>\$ -</u>	<u>1,598,400</u>
ABC capital assets, net	<u>\$ 2,214,892</u>			<u>\$ 2,466,421</u>

The following is a summary of proprietary fund-type capital assets for the Health System at September 30, 2005:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 23,598,000	\$ 15,000	\$ (645,000)	\$ 22,968,000
Construction in progress	10,349,000	12,280,000	(5,214,000)	17,415,000
Total capital assets not being depreciated	<u>33,947,000</u>	<u>12,295,000</u>	<u>(5,859,000)</u>	<u>40,383,000</u>
Capital assets being depreciated:				
Buildings	200,934,000	4,304,000	(321,000)	204,917,000
Furniture, fixtures and equipment	144,753,000	8,743,000	(2,262,000)	151,234,000
Total capital assets being depreciated	<u>345,687,000</u>	<u>13,047,000</u>	<u>(2,583,000)</u>	<u>356,151,000</u>
Less accumulated depreciation	<u>(199,461,000)</u>	<u>22,126,000</u>	<u>(41,701,000)</u>	<u>(219,036,000)</u>
Total capital assets being depreciated, net	<u>146,226,000</u>	<u>\$ 35,173,000</u>	<u>\$ (44,284,000)</u>	<u>137,115,000</u>
Health System capital assets, net	<u>\$ 180,173,000</u>			<u>\$ 177,498,000</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

Note 4 - Capital Assets (continued)

Discretely presented component units (continued)

Construction contracts of approximately \$10,630,550 exist for the renovation or construction of Hospital facilities for the Health System. At September 30, 2004, the remaining commitment on these contracts approximated \$4,747,482.

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	\$ 150,914	\$ 21,833	\$ (47,357)	\$ 125,390
Total capital assets not being depreciated	<u>150,914</u>	<u>21,833</u>	<u>(47,357)</u>	<u>125,390</u>
Capital assets being depreciated:				
Water lines	6,315,440	287,590	47,357	6,650,387
Total capital assets being depreciated	6,315,440	287,590	47,357	6,650,387
Less accumulated depreciation	(474,180)	(159,136)	-	(633,316)
Total capital assets being depreciated, net	<u>5,841,260</u>	<u>\$ 128,454</u>	<u>\$ 47,357</u>	<u>6,017,071</u>
Total capital assets being depreciated, net	<u>\$ 5,992,174</u>			<u>\$ 6,142,461</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 & Visitors Bureau</i>				
Capital assets being depreciated:				
Furniture and fixtures	\$ 18,093	\$ -	\$ -	\$ 18,093
Equipment	86,307	4,630	-	90,937
Software	21,285	9,345	-	30,630
Capital improvements	6,232	-	-	6,232
Total capital assets being depreciated	<u>131,917</u>	<u>13,975</u>	<u>-</u>	<u>145,892</u>
Less accumulated depreciation for:				
Furniture and fixtures	9,812	1,548	-	11,360
Equipment	59,981	10,380	-	70,361
Software	13,126	8,133	-	21,259
Capital improvements	6,232	-	-	6,232
Total accumulated depreciation	<u>89,151</u>	<u>\$ 20,061</u>	<u>\$ -</u>	<u>109,212</u>
Total capital assets being depreciated, net	<u>\$ 42,766</u>			<u>\$ 36,680</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

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, 2005 the Separation Allowance's membership consisted of:

Retirees receiving benefits	16
Active plan members	<u>297</u>
Total	<u>313</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, 2006

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, 2004 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	\$ 242,845
Interest on net pension obligation	(769)
Adjustment to annual required contribution	<u>609</u>
Annual pension cost	242,685
Contributions made	<u>(220,000)</u>
Increase in net pension obligation	22,685
Pre-paid Pension benefit beginning of year	<u>(10,600)</u>
 Net pension obligation end of year	 <u>\$ 12,085</u>

Three Year Trend Information

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 214,070	93.43%	\$ 5,842
2005	203,558	108.08%	(10,600)
2006	242,685	90.65%	12,085

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, 2006, 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 \$17,568 and \$19,900 for the years ending June 30, 2006 and 2005, 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, 2006

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 7.58% 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, 2006, 2005 and 2004 were \$3,844,275, \$3,564,128 and \$3,427,140, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2006, 2005 and 2004 were \$113,597, \$108,530, and \$98,950, 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, 2006 were \$873,981, which consisted of \$565,695 from the County and \$308,286 from the law enforcement officers.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

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, 2006, contributions for law enforcement officers were \$11,561, which consisted of \$9,976 from the Board and \$1,585 from the law enforcement officers. Total contributions for employees not engaged in law enforcement for the year ended June 30, 2006 were \$101,053, which consisted of \$66,680 from the Board and \$34,373 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, 2006, the County's required and actual contributions were \$99,936.

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, 2006

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 \$7,309,000, 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, 2004. 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>
09/30/2005	\$ 5,578,000	100%	\$ -
09/30/2004	7,409,000	100%	-
09/30/2003	7,300,000	100%	-

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 184 retirees are enrolled in the regular plan and 237 are enrolled in the Medicare carve-out plan. For the fiscal year ending June 30, 2006 the County made payments for post retirement health benefits of \$2,722,253. 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.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

Note 5 - Pension Plan Obligations (continued)

G - Post-employment Benefits (continued)

For the fiscal year ended June 30, 2006 the County made contributions to the State for death benefits of \$85,344. 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 \$1,000 and \$0 of benefits for the years ended June 30, 2006 and 2005, respectively. There are currently 20 retirees whose spouses or estates are eligible to receive this death benefit.

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

State and federal laws and regulations require the County to place a final cover on its Ann Street Sanitary Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$6,149,159 reported as landfill closure and postclosure care liability at June 30, 2006 consists of a closed landfill with estimated costs of \$1,221,419, a phase 2 C & D landfill with estimated costs of \$707,656 and the subtitle D landfill with estimated costs of \$4,220,084. 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 19.81% and 32.63%, respectively of the total estimated capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,864,931 and \$8,714,440 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 2006. The County expects to close the phase 2 C & D landfill and the subtitle D landfill in the year 2041 and 2020, respectively. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

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:

	Unearned/ Deferred Revenue	Unearned Revenue
Taxes receivable net of allowance - General Fund	\$ 4,771,229	\$ -
Taxes receivable net of allowance - Other Governmental Funds	548,079	-
Accounts receivable - General Fund	681,556	-
Accounts receivable - Other Governmental Funds	31,176	-
Prepaid taxes not yet earned - General Fund	811,385	811,385
	<u>\$ 6,843,425</u>	<u>\$ 811,385</u>

Note 8 - Risk Management

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

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

The claims liability of each insurance fund at June 30, 2006 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, 2006 and 2005 were as follows:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2005-06	\$ 1,668,414	\$ 10,041,642	\$ (10,293,439)	\$ 1,416,617
2004-05	\$ 1,399,753	\$ 12,602,785	\$ (12,334,124)	\$ 1,668,414

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

Note 8 - Risk Management (continued)

The County does not carry flood insurance through the National Flood Insurance Plan (NFIP). The County's insurance carriers performed an analysis of the flood maps and made a determination that the County was not designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

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 \$5,000,000 per claim and \$29,000,000 aggregate, on a claims-made basis. In addition, the Health System has an excess coverage policy, which is limited to annual costs of \$5,000,000.

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, 2005 and 2004:

	<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>
2005	<u>\$ 17,838,000</u>	<u>\$ 9,953,000</u>	<u>\$ (7,231,000)</u>	<u>\$ 20,560,000</u>
2004	<u>\$ 11,018,000</u>	<u>\$ 8,045,000</u>	<u>\$ (1,225,000)</u>	<u>\$ 17,838,000</u>

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 \$350,000 per incident and an annual aggregate of approximately \$3,200,000. The Health System has an excess coverage policy with a limit of \$2,500,000 per incident. 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 \$4,258,000 and \$4,460,000 at September 30, 2005 and 2004, respectively. Workers' compensation expense for the years ended September 30, 2005 and 2004 was \$1,253,000 and \$1,950,000, respectively.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

Note 8 - Risk Management (continued)

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.

Note 9 - Long-term Obligations

A - Capital Lease Obligations

The County entered into a lease agreement in 2005 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%. \$ 4,562,232

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, 2006, the value of the capital assets associated with this lease and included in construction in progress was \$4,537,080.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

Note 9 - Long-term Obligations (Continued)

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 \$1,250,000 in General Obligation Sewer Bonds for NORCRESS. The County's general obligation bonds payable at June 30, 2006 are comprised of the following individual issues:

Governmental Activities:

\$23,325,000 General Obligation Bonds, School Refunding Series 1998	
Serial bonds payable annually from February 1, 1999 through February 1, 2013 in amounts ranging from \$565,000 to \$2,240,000; interest ranges from 4.5% to 5.0%.	\$ 13,825,000
\$53,180,000 General Obligation Bonds, School Series 1998	
Serial bonds payable annually from March 1, 1999 through March 1, 2017 in amounts ranging from \$2,300,000 to \$5,105,000; interest ranges from 4.8% to 5.0%.	34,780,000
\$11,400,000 General Obligation Bonds, Library Series 1997	
Serial bonds payable annually March 1, 2006 and March 1, 2007 in the amount of \$600,000; interest of 4.9%.	600,000
\$29,945,000 General Obligation Bonds, School Series 2000	
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%.	4,700,000
\$14,875,000 General Obligation Bonds, School Series 2002	
Serial bonds payable annually from February 1, 2004 through February 1, 2021 in amounts ranging from \$500,000 to \$2,000,000; Interest ranges from 4.0% to 5.0%.	13,375,000
\$5,075,000 General Obligation Bonds, School Series 2004	
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%.	4,875,000
\$35,505,000 General Obligation Refunding Bonds, Series 2004	
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>34,010,000</u>
	106,165,000
Plus bond premium	2,393,716
Less gain on defeasance	<u>(2,650,269)</u>
Total	<u>\$105,908,447</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

Note 9- Long-term Obligations (continued)

B - General Obligation Bonds – County (continued)

Business type Activities:

\$1,250,000 General Obligation Sewer Bonds, Series 2005

Serial bonds payable annual from June 1, 2008 through June 1, 2040 in amounts ranging from \$14,000 to \$52,000; interest of 4.125%

\$ 1,250,000

At June 30, 2006, the County had bonds authorized but unissued of \$14,101,000 and a legal debt margin of \$1,251,256,000.

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, 2006 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%.

17,270,000

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

11,610,000

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

18,385,000

48,693,781

(3,736,086)

Less gain on defeasance

\$ 44,957,695

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

Note 9 - Long-term Obligations (continued)

C - Certificates of Participation (continued)

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, 2006 are as follows:

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%.	\$ 18,890,000
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\$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
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\$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%	30,850,000
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\$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
	<u>\$ 66,475,000</u>

D - Notes Payable

Notes payable included in the accompanying financial statements include the purchase of real estate, equipment and various claims. During the current fiscal year, the County entered into a note payable for \$4,300,000 with RBC Centura for the required match for FTCC to access the NC State construction bond funds. The County's notes payable are comprised of the following:

Governmental Activities:

Note payable in semi-annual installments ranging From \$27,743 to \$28,322 including interest of 4.5%.	\$ 180,641
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Note payable in ten annual installments of \$150,000 plus variable interest at an average rate of 5.86%	600,000
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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%	550,661
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Note payable in nineteen quarterly installments ranging of \$236,158 beginning August 24, 2006 plus a final payment of \$236,158 on April 24, 2011, including interest at 3.65%	4,300,000
	<u>\$ 5,631,302</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

Note 9 - Long-term Obligations (continued)

F - Long-term Obligation Activity

The following is a summary of changes in the County's long-term obligations as of June 30, 2006:

	Balance June 30, 2005	Additions	Refundings /Other	Payments	Balance June 30, 2006	Current Portion of Long-term Liabilities
Governmental activities:						
Bonds payable	\$ 114,140,000	\$ -	\$ -	\$ 7,975,000	\$ 106,165,000	\$ 7,935,000
Bond premium	2,580,834	-	-	187,118	2,393,716	187,118
Gain on defeasance	(2,857,456)	-	-	(207,187)	(2,650,269)	(207,187)
Capital lease obligations	4,537,080	180,753	-	155,601	4,562,232	320,471
Certificates of participation payable	70,635,000	-	-	4,160,000	66,475,000	4,225,000
Notes payable	2,999,271	4,300,000	69,801	1,598,168	5,631,302	1,105,159
Accrued vacation	4,067,638	3,909,281	-	3,864,256	4,112,663	3,907,030
Total governmental activities	\$ 196,102,367	\$ 8,390,034	\$ 69,801	\$ 17,732,956	\$ 186,689,644	\$ 17,472,591

	Balance June 30, 2005	Additions	Refundings /Other	Payments	Balance June 30, 2006	Current Portion of Long-term Liabilities
Business-type activities:						
Certificates of participation payable	\$ 51,058,781	\$ -	\$ -	\$ 2,365,000	\$ 48,693,781	\$ 2,615,000
Bond anticipation note	1,250,000	-	-	1,250,000	-	-
Gain on defeasance	(4,010,320)	274,234	-	-	(3,736,086)	275,208
Bond payable	-	1,250,000	-	-	1,250,000	-
Accrued landfill closure and postclosure costs	5,712,593	436,566	-	-	6,149,159	-
Accrued vacation	176,574	-	-	25,268	151,306	143,741
Total governmental activities	\$ 54,187,628	\$ 1,960,800	\$ -	\$ 3,640,268	\$ 52,508,160	\$ 3,033,949

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, 2006

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:										
2007	\$ 7,935,000	\$ 4,988,461	\$ 4,225,000	\$ 3,199,640	\$ 320,471	\$ 176,850	\$ 1,105,159	\$ 208,010	\$ 13,585,630	\$ 8,572,961
2008	7,995,000	4,629,071	4,300,000	3,014,065	333,238	164,083	1,472,091	160,495	14,100,329	7,967,714
2009	7,940,000	4,277,101	4,365,000	2,823,408	346,514	150,807	1,062,147	105,160	13,713,661	7,356,476
2010	7,885,000	3,927,180	4,130,000	2,628,080	360,319	137,002	1,067,723	60,051	13,443,042	6,752,313
2011	7,845,000	3,560,481	4,215,000	2,438,940	374,674	122,648	924,182	20,451	13,358,856	6,142,520
2012-2016	39,485,000	12,058,869	22,640,000	9,013,246	2,109,523	377,084	-	-	64,234,523	21,449,199
2017-2021	26,405,000	3,072,861	16,255,000	3,690,868	717,493	28,489	-	-	43,377,493	6,792,218
2022-2026	675,000	35,874	6,345,000	665,700	-	-	-	-	7,020,000	701,574
	106,165,000	36,549,898	66,475,000	27,473,947	4,562,232	1,156,963	5,631,302	554,167	182,833,534	65,734,975
Add: Bond premium	2,393,716	-	-	-	-	-	-	-	2,393,716	-
Less: Gain on defeasance (net of amortization)	(2,650,269)	-	-	-	-	-	-	-	(2,650,269)	-
	\$ 105,908,447	\$ 36,549,898	\$ 66,475,000	\$ 27,473,947	\$ 4,562,232	\$ 1,156,963	\$ 5,631,302	\$ 554,167	\$ 182,576,981	\$ 65,734,975
Business-type Activities:										
2007	\$ -	\$ 51,563	\$ 2,615,000	\$ 2,296,550	\$ -	\$ -	\$ -	\$ -	\$ 2,615,000	\$ 2,348,113
2008	14,000	51,563	2,880,000	2,159,175	-	-	-	-	2,894,000	2,210,738
2009	15,000	50,985	3,160,000	2,008,175	-	-	-	-	3,175,000	2,059,160
2010	16,000	50,366	3,465,000	1,842,550	-	-	-	-	3,481,000	1,892,916
2011	16,000	49,706	3,780,000	1,661,425	-	-	-	-	3,796,000	1,711,131
2012-2016	92,000	237,930	7,093,781	10,626,727	-	-	-	-	7,185,781	10,864,657
2017-2021	112,000	217,305	12,840,000	4,884,250	-	-	-	-	12,952,000	5,101,555
2022-2026	137,000	192,390	12,860,000	1,326,000	-	-	-	-	12,997,000	1,518,390
2027-2031	168,000	161,576	-	-	-	-	-	-	168,000	161,576
2032-2036	206,000	123,998	-	-	-	-	-	-	206,000	123,998
2037-2041	250,000	77,962	-	-	-	-	-	-	250,000	77,962
2042-2046	224,000	23,100	-	-	-	-	-	-	224,000	23,100
	1,250,000	1,288,444	48,693,781	26,804,852	-	-	-	-	49,943,781	28,093,296
Less: Gain on defeasance (net of amortization)	-	-	(3,736,086)	-	-	-	-	-	(3,736,086)	-
	\$ 1,250,000	\$ 1,288,444	\$ 44,957,695	\$ 26,804,852	\$ -	\$ -	\$ -	\$ -	\$ 46,207,695	\$ 28,093,296

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

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, 2006, there were \$1,010,000 series of industrial revenue bonds outstanding.

H - Defeasance of Debt

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, 2006, the amount of prior year defeased debt outstanding and removed from the County's liabilities amounted \$76,680,000.

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 and general obligation bonds have been adjusted for the gain from defeasance (net of amortization) of \$3,736,066 and \$2,650,269, respectively.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

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%. 100,220,000

129,295,000

Note Payable

Note payable monthly through August, 2006, in the amount of \$84,000; interest ranges from 3.43%. 913,000
130,208,000

Less unamortized discount (2,353,000)

Less deferred loss on early extinguishment of 1991 bond issue (2,843,000)

Total \$ 125,012,000

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

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, 2005:

	Balance September 30, 2004	Additions	Payments	Balance September 30, 2005	Current Portion of Long-term Liabilities
Revenue bonds	\$ 134,920,000	\$ -	\$ 5,625,000	\$ 129,295,000	\$ 5,875,000
Note payable	1,876,000	-	963,000	913,000	913,000
	<u>136,796,000</u>	<u>-</u>	<u>6,588,000</u>	<u>130,208,000</u>	<u>6,788,000</u>
Less:					
Unamortized discount	(3,007,000)	-	(654,000)	(2,353,000)	-
Deferred loss on early extinguishment of 1991 bonds	(3,095,000)	-	(252,000)	(2,843,000)	-
Total	<u>\$ 130,694,000</u>	<u>\$ -</u>	<u>\$ 5,682,000</u>	<u>\$ 125,012,000</u>	<u>\$ 6,788,000</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
2007	\$ 5,875,000	\$ 6,029,000	\$ 913,000	\$ 16,000
2008	5,500,000	5,752,000	-	-
2009	5,785,000	5,521,000	-	-
2010	5,965,000	5,395,000	-	-
2011	6,030,000	5,322,000	-	-
2012-2016	33,990,000	22,076,000	-	-
2017-2021	28,210,000	13,813,000	-	-
2022-2026	21,500,000	6,522,000	-	-
2027-2030	16,440,000	2,246,000	-	-
	<u>129,295,000</u>	<u>72,676,000</u>	<u>913,000</u>	<u>16,000</u>
Less:				
Unamortized discounts	(2,353,000)	-	-	-
Deferred loss on early extinguishment of debt	(2,843,000)	-	-	-
	<u>\$ 124,099,000</u>	<u>\$ 72,676,000</u>	<u>\$ 913,000</u>	<u>\$ 16,000</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, 2006

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, 2005, the amount of defeased debt outstanding but removed from the Health System's books amounted to \$6,183,000 including unamortized discounts.

J - ABC Board Note Payable

In the current year, the Board entered into a note payable with the County for \$265,833 for purchase of building and land. The Board's note payable at June 30, 2006 is comprised of the following individual issues:

Note payable in quarterly installments, in the amount of \$4,583;	
interest is at 2% below prime	\$ 265,833
	Less current portion <u>(18,333)</u>
	Noncurrent portion <u>\$ 247,500</u>

Annual debt service requirements to maturity for the Board's note payable is as follows:

	<u>Principal</u>
2007	\$ 18,333
2008	18,333
2009	18,333
2010	18,333
2011	18,333
2012-2016	91,665
2017-2021	82,503
	<u>\$ 265,833</u>

K- 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 2006. Principal payments amounted to \$44,000 during fiscal year 2005.

The District's general obligation bonds payable at June 30, 2006 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%.	\$ 2,739,000

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

Note 9 - Long-term Obligations (continued)

K - General Obligation Bonds - Eastover Sanitary District (continued)

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

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%.

\$ 1,078,500

Total	3,817,500
Less current portion	(46,000)
Noncurrent	<u>\$ 3,771,500</u>

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

	<u>Eastover Sanitary District</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 46,000	\$ 171,060
2008	48,000	169,001
2009	50,500	166,852
2010	52,500	164,590
2011	55,000	162,239
2012-2016	313,500	772,039
2017-2021	391,000	695,175
2022-2026	486,500	599,330
2027-2031	606,000	480,029
2032-2036	751,500	331,461
2037-2041	847,000	152,069
2042-2046	170,000	7,610
	<u>\$ 3,817,500</u>	<u>\$ 3,871,455</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, 2006 is as follows:

	<u>Payable Fund</u>						<u>Total</u>
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Cumberland County Crown Center</u>	<u>Kelly Hills Water and Sewer District</u>	<u>Norcross Water and Sewer District</u>	<u>Fiduciary</u>	
Receivable Fund							
General	\$ -	\$ 914,623	\$ 5,500	\$ 32,713	\$ 74,995	\$ 38,351	\$ 1,066,182
Nonmajor							
Governmental	1,500,000	-	-	-	-	-	1,500,000
Solid waste	232,442	-	-	-	-	-	232,442
Total	<u>\$ 1,732,442</u>	<u>\$ 914,623</u>	<u>\$ 5,500</u>	<u>\$ 32,713</u>	<u>\$ 74,995</u>	<u>\$ 38,351</u>	<u>\$ 2,798,624</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, 2006

Note 10 - Interfund Balances and Activity (continued)

Transfers to/from Other Funds

Transfers in (out) for the year ended June 30, 2006 is summarized below:

	<u>Transfer in:</u>					Total
	General	Nonmajor Governmental	Cumberland County Crown Center	Kelly Hills Water and Sewer	Internal service	
Transfer out:						
General	\$ -	\$ 5,846,110	\$ 4,167,573	\$ -	\$ 1,591,905	\$ 11,605,588
Nonmajor governmental	4,229,678	1,924,099	3,600,275	120,932	-	9,874,984
Solid Waste	25,501	-	-	-	-	25,501
Total Transfers out	<u>\$ 4,255,179</u>	<u>\$ 7,770,209</u>	<u>\$ 7,767,848</u>	<u>\$ 120,932</u>	<u>\$ 1,591,905</u>	<u>\$ 21,506,073</u>

Transfers between the major funds, other nonmajor governmental and enterprise funds, and internal service funds were primarily to support a new capital project and operations of the funds.

Note 11 - Stewardship, Compliance and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

Purchasing practices within the WorkForce Development department violated the County's established purchasing policy as well as the State's informal bid procedures. In accordance with G.S 143-131 "the informal bid procedure must be followed on contracts for purchases of apparatus, supplies, materials, or equipment when expenditures of \$5,000 to \$90,000 are involved." G.S. 143-133 specifically states that dividing contracts or purchases to avoid these provisions is prohibited. Management has appointed one staff member to carry out all purchases of the department in order to ensure adherence to both County and State purchasing and bidding policies.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2006

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 fiscal year 2005, 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 \$2,480,000 in bonds outstanding at June 30, 2006 related to the Community College. In the current fiscal year, the County entered into a note payable for \$4,300,000 that is being used as part of the required local match for the community college in order to access the North Carolina State construction bond funds.

The County contributed \$7,316,823 and \$958,496 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2006. In addition, the County made debt service payments of \$506,850 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, 2006. 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, 2005, approximates \$790,000.

The Health System has a 50% equity interest in Cedar Creek Medical Services, LLC. The Health System's investment in the LLC at September 30, 2005 is approximately \$437,000.

The Health System is an investor in five other medical related organizations with a book value of \$910,000.

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, 2006

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.

	<u>Federal</u>	<u>State</u>
Medicaid	\$ 147,219,339	\$ 72,563,492
TANF	6,610,157	(4,427)
Special Assistance for Adults	-	2,077,467
Energy Assistance	884,553	-
Adoption Subsidy	-	805,889
WIC Food Vouchers	7,899,050	-
Adoption Assistance	954,570	275,536
	<u>\$ 163,567,669</u>	<u>\$ 75,717,957</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 cost and carrying value of the property is \$731. 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:

<u>Fiscal Year Ended</u>	
2007	\$ 6,900
2008	6,900
	<u>\$ 13,800</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, 2005 was \$7,813,000.

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, 2006

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>
2006	\$ 3,065,000
2007	4,065,000
2008	3,065,000
2009	3,065,000
2010	3,065,000
2011-2015	15,325,000
2016-2020	15,325,000
2021-2025	15,325,000
2026-2028	9,195,000
	<u>\$ 71,495,000</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, 2006

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, 2005, are as follows:

<u>Fiscal Year</u> <u>Ended</u>		
2006	\$	154,000
2007		154,000
2008		154,000
2009		154,000
2010		154,000
2011-2014		295,000
	\$	<u>1,065,000</u>

The ABC Board leases real property for four store locations under operating leases expiring in various years through the year 2011. At June 30, 2006 future minimum lease payments under all leases are as follows:

2007	\$	120,048
2008		61,415
2009		55,704
2010		56,548
2011		57,392
	\$	<u>351,107</u>

Total rent expense under leases for the year ended June 30, 2006 was \$110,282.

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, 2005 and 2004 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, 2006

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, 2006

Note 19 – Subsequent Events

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 had been leased (the "Corporation"), for the conveyance of all of the health system's assets to the Corporation. Closing of that transaction occurred on May 4, 2006. The assets transferred included 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 formerly operated by the Corporation. In consideration for such transfer, the Corporation (1) provided 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) made additional annual payments to the County, and (3) agreed to 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.

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

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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>
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%
2005	1,131,826	2,216,448	1,084,622	51.06%	10,803,871	10.04%

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>
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%
2006	242,685	90.65%
2007	221,473	N/A

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	12/31/2005
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	25 years
Asset valuation method	Market value
Actuarial assumption	
Investment rate of return*	7.25%
Projected salary increase	4.5 to 12.3%
* 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)
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%
2005	66,316,000	70,814,000	4,498,000	93.6%	91,156,000	4.9%

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>
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%
2005	7,300,000	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	01/01/2004
Actuarial cost method	Attained Age Normal Method
Amortization method	Level dollar open
Remaining amortization period	10 years
Asset valuation method	Insurance company contracts are valued at contract value, and all other assets are valued at market value
Actuarial assumption	
Investment rate of return*	8.00%
Projected salary increase	5.50%
* Includes inflation at	None
Cost-of-living adjustments	None

COUNTY OF CUMBERLAND, NORTH CAROLINA

Comparative Balance Sheets
General Fund

June 30, 2006 and 2005

	2006	2005
ASSETS		
Cash and cash equivalents	\$ 38,028,514	\$ 43,790,508
Investments	51,545,960	40,702,061
Taxes receivable	4,771,229	5,655,864
Sales tax receivable	12,273,293	12,082,485
Due from other governments	6,789,223	7,092,413
Patient receivables	1,370,952	1,972,839
Other receivables	502,192	209,143
Due from other funds	1,066,182	1,461,606
Due from component units	547,822	194,028
Inventories	246,003	265,955
Restricted assets		
Cash and cash equivalents	3,649,042	862,441
Total assets	\$ 120,790,412	\$ 114,289,343
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts and vouchers payable	\$ 6,011,854	\$ 5,842,020
Due to other governments	4,287,299	4,199,391
Accrued payroll	3,712,985	5,220,115
Other payables	146,905	60,243
Due to other funds	1,732,442	220,350
Deferred revenues	6,264,170	8,148,379
Total liabilities	22,155,655	23,690,498
Fund balance		
Reserved for inventories	246,003	265,955
Reserved for register of deeds	233,127	137,081
Reserved for encumbrances	10,170,114	3,962,466
Reserved by State statute	21,868,108	22,374,474
Unreserved (available for future appropriation)		
Designated for subsequent year's expenditures	15,407,911	17,502,451
Designated for revaluation	150,000	-
Designated for tax office software	1,161,950	-
Designated for renovations and maintenance	752,234	3,984,050
Designated for Courthouse/plaza repairs	2,704,163	-
Designated for health department renovations	3,166,150	2,500,000
Designated for current year's expenditures	1,227,898	-
Designated for other purposes	3,065,833	-
Designated for technology	-	2,861,997
Designated for school buses	-	453,000
Undesignated	38,481,266	36,557,371
Total fund balance	98,634,757	90,598,845
Total liabilities and fund balance	\$ 120,790,412	\$ 114,289,343

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2006
(With Comparative Totals for June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Ad valorem taxes				
Current year	\$ 111,304,864	\$ 115,213,678	\$ 3,908,814	\$ 110,550,184
Prior years	2,576,621	2,923,375	346,754	3,016,134
Penalties and interest	1,361,418	1,632,032	270,614	1,522,926
Motor vehicle - current	11,470,485	13,692,236	2,221,751	11,929,820
Motor vehicle - prior	2,044,686	2,064,585	19,899	2,111,141
Other	333,300	397,290	63,990	365,408
Total ad valorem taxes	129,091,374	135,923,196	6,831,822	129,495,613
Other taxes				
Dog registration fees	435,000	381,637	(53,363)	405,668
Real estate transfer	854,239	1,477,071	622,832	1,131,223
Beer and wine	475,999	695,840	219,841	686,819
Sales	45,911,037	45,175,403	(735,634)	44,129,779
Other	693,466	598,017	(95,449)	3,026
Total other taxes	48,369,741	48,327,968	(41,773)	46,356,515
Unrestricted intergovernmental revenues				
Federal	200,000	613,776	413,776	434,881
State government	233,384	313,578	80,194	180,181
Fayetteville	2,762,124	2,891,409	129,285	2,628,555
Municipalities	148,816	185,681	36,865	161,467
Other governmental	1,488,970	1,133,223	(355,747)	1,056,411
Total unrestricted intergovernmental revenues	4,833,294	5,137,667	304,373	4,461,495
Restricted intergovernmental revenues				
Federal	744,028	746,347	2,319	1,145,806
NC health programs	4,242,970	3,800,206	(442,764)	3,657,420
NC mental health programs	16,229,272	15,056,262	(1,173,010)	11,745,578
NC social services programs	37,386,028	36,542,098	(843,930)	36,710,224
NC library programs	757,245	737,678	(19,567)	696,209
NC other restricted revenue	1,465,822	1,398,503	(67,319)	499,332
Other restricted revenue	1,314,258	1,061,510	(252,748)	1,289,700
Total restricted intergovernmental revenues	62,139,623	59,342,604	(2,797,019)	55,744,269

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2006
(With Comparative Totals for June 30, 2005)

	2006		Variance Positive (Negative)	2005
	Budget	Actual		
Revenues (continued)				
Licenses and permits				
Inspection department permits	\$ 1,517,200	\$ 1,472,570	\$ (44,630)	\$ 1,849,996
Marriage licenses	111,640	114,840	3,200	121,320
Register of Deeds fees	1,792,143	2,029,395	237,252	1,946,037
Miscellaneous permits	-	-	-	1,313,954
Total licenses and permits	3,420,983	3,616,805	195,822	5,231,307
Sales and services				
Health department fees	2,383,943	2,959,989	576,046	2,842,456
Library fees	295,532	323,675	28,143	316,072
Mental health department fees	15,270,297	12,266,671	(3,003,626)	13,564,193
Sheriff department fees	2,293,710	2,522,298	228,588	2,312,989
Social services fees	188,725	180,212	(8,513)	187,824
Other department fees	1,727,759	1,753,973	26,214	1,486,265
Total sales and services	22,159,966	20,006,818	(2,153,148)	20,709,799
Interest earned on investments	757,409	4,357,428	3,600,019	2,263,021
Miscellaneous				
Miscellaneous	305,056	752,923	447,867	1,264,300
Rent, land, and buildings	4,344,110	4,346,463	2,353	4,383,460
Sales miscellaneous	10,000	13,085	3,085	13,145
Special assessments	-	4,038	4,038	6,609
Total miscellaneous	4,659,166	5,116,509	457,343	5,667,514
Total revenues	275,431,556	281,828,995	6,397,439	269,929,533

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2006
(With Comparative Totals for June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Expenditures				
Current				
General government				
Governing body	\$ 423,767	\$ 418,125	\$ 5,642	\$ 390,164
Administration	1,328,999	1,271,388	57,611	1,064,158
Court facilities	34,834	25,655	9,179	13,273
Information services	1,588,612	1,417,553	171,059	1,346,379
Elections	1,668,473	1,442,926	225,547	695,294
Finance	906,837	836,588	70,249	786,146
Legal	525,507	515,859	9,648	465,239
Register of Deeds	2,475,436	1,696,826	778,610	1,578,571
Tax assessor	3,746,192	3,593,077	153,115	3,389,506
Print shop	182,754	174,625	8,129	134,066
Public Building	1,955,317	1,644,754	310,563	1,713,220
Message center	149,250	132,883	16,367	124,876
Carpenter shop	166,601	154,141	12,460	161,639
Public buildings - equipment maintenance	761,675	756,150	5,525	645,281
Public buildings - janitorial	613,377	586,896	26,481	518,638
Central maintenance	752,960	722,219	30,741	737,218
Landscaping and grounds	536,482	527,110	9,372	474,100
General government other	9,467,444	4,002,698	5,464,746	6,303,508
Total general government	27,284,517	19,919,473	7,365,044	20,541,276
Public safety				
Emergency dispatch	1,899,626	1,470,461	429,165	2,028,113
Sheriff	19,964,921	19,597,365	367,556	16,823,453
Jail	9,929,573	9,609,565	320,008	8,737,029
Gang intervention grant	3,435	1,530	1,905	-
School law enforcement-local	2,295,541	2,279,500	16,041	2,092,953
Sheriff's grants	60,047	61,952	(1,905)	104,254
Law enforcement block grant 97	62,793	55,530	7,263	-
Animal Control	930,654	880,806	49,848	820,434
Public safety other	954,595	912,990	41,605	814,307
Cumberland day reporting center	229,119	225,924	3,195	209,245
Criminal justice unit	276,128	266,644	9,484	251,783
Community correction - probation	77,036	63,139	13,897	52,007
Total public safety	36,683,468	35,425,406	1,258,062	31,933,578

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2006
(With Comparative Totals for June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Expenditures (continued)				
Current (continued)				
Economic and physical development				
Planning department	\$ 3,033,507	\$ 2,760,915	\$ 272,592	\$ 2,398,520
Engineering	235,097	218,796	16,301	204,411
NC cooperative extension service	540,309	494,622	45,687	468,594
Soil conservation district	54,325	49,168	5,157	73,770
Soil conservation cost	50,023	48,229	1,794	42,419
Economic physical development - other	464,905	420,625	44,280	420,625
Industrial park	204,490	34,008	170,482	32,664
Public utilities	193,712	154,349	39,363	162,910
Total economic and physical development	4,776,368	4,180,712	595,656	3,803,913
Human services				
Mental Health				
Mental Health - C&Y contracts	840,000	462,267	377,733	48,770
Adolescent sex offender treatment	148,738	103,025	45,713	53,177
Family preservation	476,771	325,932	150,839	377,077
Mental Health - Homeless child	56,475	50,952	5,523	44,843
Smart Start	218,100	203,637	14,463	201,817
Mental Health - CBA in-home	223,335	174,605	48,730	191,164
Periodic outpatient service	1,237,819	675,758	562,061	731,157
Mental Health - Winding creek	132,800	71,385	61,415	60,003
Mental Health - Adolescent group home	819,669	664,085	155,584	710,514
Mental Health - Adult homeless	84,000	77,137	6,863	38,618
Case management and referral - SA	39,317	38,707	610	35,076
High risk primary prevention	96,510	83,517	12,993	103,789
Runaway/homeless youth	-	-	-	1,050
NC Treatment Alternative to street crime	279,542	259,589	19,953	234,935
NC Adolescent Substance Abuse	123,911	95,230	28,681	100,427
Alcohol/Drug - Women	165,401	121,082	44,319	114,824
Mental Health - Substance abuse - periodic	839,179	652,339	186,840	690,944
Mental Health - Workfirst	81,980	79,528	2,452	60,437
Detoxification	880,233	747,428	132,805	700,283
Consultation and education	184,183	178,733	5,450	163,601
Mental Health - DD adult outpatient	-	-	-	247,080
Mental Health - Spainhour	-	-	-	172,898
Mental Health - ABLE	298,895	182,307	116,588	223,231
Mental Health - ICF/MR HUD homes	1,618,563	1,318,269	300,294	1,396,316
Mental Health - Autism	101,403	66,525	34,878	63,656
Mental Health - Smart Start daycare	-	-	-	12,018
Mental Health - Early intervention	-	-	-	79,964
Mental Health - DD contracts	2,852,220	2,641,638	210,582	1,057,258
Mental Health - Child Outpatient	-	-	-	153,589
Mental Health - Case Management	1,165,773	663,848	501,925	678,285
Partial hospitalization	972,437	765,715	206,722	766,757
Adult CMI group home	174,000	118,044	55,956	117,437
Mental Health - Adult contracts	534,725	299,457	235,268	34,725
Mental Health - HUD apartments	-	-	-	208,129
Mental Health - Crisis stabilization	922,378	676,606	245,772	654,798
Mental Health - Adult periodic	1,870,129	1,308,138	561,991	1,362,158
Mental Health - Substance abuse contracts	466,135	200,411	265,724	178,674

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2006
(With Comparative Totals for June 30, 2005)

	2006		Variance Positive (Negative)	2005
	Budget	Actual		
Expenditures (continued)				
Current (continued)				
Human services (continued)				
Mental Health (continued)				
Willie M. - Lakewood	\$ 515,215	\$ 272,927	\$ 242,288	\$ 431,010
Willie M. - Case management	507,447	398,974	108,473	391,812
Willie M. - Tiffany group home	519,350	281,360	237,990	429,418
Willie M. - Alternative family living	2,128,454	2,122,365	6,089	2,237,511
Willie M. - Outpatient treatment	128,669	81,221	47,448	86,392
Willie M. - Administration	1,028,144	505,730	522,414	193,829
Mental Health Department	905,071	699,068	206,003	553,496
Medical services	2,635,243	2,186,558	448,685	1,930,183
Mental Health - general support	457,532	327,089	130,443	552,749
Mental Health - Medical records	441,952	367,715	74,237	375,063
Mental Health - MIS	678,550	511,277	167,273	572,259
Mental Health - Personnel	154,407	90,528	63,879	123,324
Mental Health - Medicaid contracts	3,013,500	2,586,911	426,589	2,326,770
Thomas S. - Todd C. specific	1,434,518	1,091,116	343,402	1,300,412
Thomas S. - Administration	-	-	-	22,308
Thomas S. - Crisis diversion	48,873	36,306	12,567	30,038
Thomas S. - Case management	-	-	-	79,997
Mental Health - Majors Grant	260,655	191,480	69,175	187,688
Mental Health - Managed Care	52,831	44,465	8,366	86,347
Mental Health - RCE - TASC	1,418,367	1,367,006	51,361	611,071
Mental Health - Adult Community Services	411,054	198,191	212,863	287,401
Mental Health - Developmental Disabilities	-	-	-	582,426
Mental Health - NC AFDC claims	611,708	551,833	59,875	506,274
Mental Health - NC Medicaid claims	254,439	203,496	50,943	134,374
Mental Health - Access Line	1,010,223	626,523	383,700	357,708
Mental Health - Service management	802,146	341,612	460,534	296,840
Mental Health - Consumer affairs and customer service	496,438	219,558	276,880	140,762
Mental Health - Quality improvement and outcome evaluation	915,048	635,451	279,597	546,668
Mental Health - CTSP Court Order evaluation	125,000	19,589	105,411	-
Subtotal - mental health	38,859,455	29,264,243	9,595,212	27,443,609

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2006
(With Comparative Totals for June 30, 2005)

	2006		Variance Positive (Negative)	2005
	Budget	Actual		
Expenditures (continued)				
Current (continued)				
Human services (continued)				
Health				
Health - administration	\$ 2,047,387	\$ 1,512,119	\$ 535,268	\$ 1,211,085
Laboratory	398,112	371,528	26,584	385,104
Mosquito control	111,722	64,913	46,809	82,537
Pharmacy	327,377	311,081	16,296	226,843
C. C. Jail Health program	1,292,486	1,280,119	12,367	1,162,181
Management Support	287,997	283,565	4,432	229,542
NC Environmental Health	1,526,202	1,436,123	90,079	1,302,832
Immunization clinic	469,070	416,712	52,358	361,597
School health program	758,151	617,378	140,773	537,867
C.C. Wellness program	8,330	-	8,330	-
Child health clinic	742,574	679,553	63,021	661,215
Dental clinic	394,570	301,075	93,495	262,727
Health promotion	306,015	282,516	23,499	277,025
Maternal health clinic	493,776	478,710	15,066	803,067
Medical records	178,738	175,620	3,118	152,453
Childhood lead poison prevention	5,150	3,398	1,752	2,397
Breast/cervical cancer	74,710	52,264	22,446	74,935
CSC	672,625	612,746	59,879	535,530
Child fatality prevention	4,102	4,098	4	2,568
BCCCP-CVD screening	60,847	47,028	13,819	51,420
Chest TB clinic	169,877	140,395	29,482	104,854
Family planning clinic	879,590	774,912	104,678	730,536
NC Epilepsy program	12,375	7,365	5,010	6,899
NC General Communicable Disease	375,235	361,679	13,556	264,998
CDC tuberculosis project	50,768	46,007	4,761	41,670
NC AIDS	69,491	69,138	353	62,312
Adult health clinic	509,090	468,178	40,912	421,905
School health	397,500	369,290	28,210	301,806
WIC - Clinic services	1,867,828	1,681,466	186,362	1,474,471
Health - other	186,171	181,928	4,243	123,304
Regional Bioterrorism response grant	441,838	434,351	7,487	341,696
RTI dental research	10,078	6,142	3,936	-
NC Healthy Start foundation	13,175	11,538	1,637	-
Bioterrorism preparedness	109,786	103,830	5,956	133,098
STD Clinic	302,544	278,507	24,037	283,712
Bioterroism smallpox	-	-	-	18,459
South Central partnership	121,750	7,446	114,304	-
Maternal care coordination	463,332	424,883	38,449	-
Subtotal - health	16,140,369	14,297,601	1,842,768	12,632,445
Welfare				
Social services department	29,268,661	27,997,200	1,271,461	25,763,882
Social services - other	37,848,250	36,656,109	1,192,141	36,987,324
Grant - FV Care Center	385,439	382,937	2,502	355,552
Welfare - other	438,206	321,573	116,633	284,411
Subtotal - welfare	67,940,556	65,357,819	2,582,737	63,391,169

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2006
(With Comparative Totals for June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Expenditures (continued)				
Current (continued)				
Human services (continued)				
Other human services				
Veterans' services	\$ 249,333	\$ 219,309	\$ 30,024	\$ 157,789
Senior aides local support	53,189	51,388	1,801	36,581
Spring Lake Resource Center - Admin	40,024	8,152	31,872	4,174
Subtotal - other human services	342,546	278,849	63,697	198,544
Total human services	123,282,926	109,198,512	14,084,414	103,665,767
Cultural and recreational				
Library	7,689,631	7,385,668	303,963	6,685,873
Library foreign language	55,956	55,071	885	49,917
Law library	220,339	177,849	42,490	223,935
Library - Smart Start	285,764	254,052	31,712	260,298
Motherread	75,598	63,812	11,786	63,865
Stadium maintenance	109,870	109,870	-	81,023
Culture recreation other	276,300	274,250	2,050	301,300
Total cultural and recreational	8,713,458	8,320,572	392,886	7,666,211
Education				
Public schools - current	62,825,539	62,825,539	-	60,992,358
Community colleges - current	7,316,823	7,316,823	-	6,646,823
Community colleges - capital outlay	6,310,764	958,496	5,352,268	1,891,004
Total education	76,453,126	71,100,858	5,352,268	69,530,185
Debt service				
Principal payments	13,738,770	13,738,769	1	11,950,187
Interest and fees	8,931,421	8,913,064	18,357	9,417,933
Total debt service	22,670,191	22,651,833	18,358	21,368,120
Total expenditures	299,864,054	270,797,366	29,066,688	258,509,050
Revenues over (under) expenditures	(24,432,498)	11,031,629	35,464,127	11,420,483

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

**Year Ended June 30, 2006
(With Comparative Totals for June 30, 2005)**

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Other financing sources (uses)				
Sale of capital assets	\$ -	\$ 54,692	\$ 54,692	\$ -
Lease purchase proceeds	4,300,000	4,300,000	-	4,787,080
Transfers in	4,508,877	4,342,048	(166,829)	5,373,841
Transfers out	(12,227,948)	(11,692,457)	535,491	(12,297,787)
Fund balance appropriated	27,851,569	-	(27,851,569)	-
Total other financing sources (uses)	24,432,498	(2,995,717)	(27,428,215)	(2,136,866)
Revenues and other financing sources (uses) over expenditures	\$ -	8,035,912	\$ 8,035,912	9,283,617
Fund balance				
Beginning of year - July 1		90,598,845		81,315,228
End of year - June 30		<u>\$ 98,634,757</u>		<u>\$ 90,598,845</u>

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

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COUNTY OF CUMBERLAND, NORTH CAROLINA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006**

	Special Revenue Funds	Capital Project Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 19,452,212	\$ -	\$ -	\$ 19,452,212
Investments	7,445,670	554,707	-	8,000,377
Taxes receivable, net	548,076	-	-	548,076
Sales tax receivable	2,900,277	49,458	-	2,949,735
Due from other governments	1,535,328	-	-	1,535,328
Other receivables, net	99,600	11,795	-	111,395
Due from other funds	1,500,000	-	-	1,500,000
Inventories	-	-	-	-
Restricted assets:				
Cash and cash equivalents	1,255,985	5,221,561	5,345	6,482,891
Investments	-	1,667,203	31,557	1,698,760
Accounts receivable	-	220	862	1,082
Total assets	\$ 34,737,148	\$ 7,504,944	\$ 37,764	\$ 42,279,856
Liabilities and fund balances				
Liabilities:				
Accounts and vouchers payable	\$ 2,476,208	\$ 456,076	\$ 425	\$ 2,932,709
Due to other governments	13,084	-	-	13,084
Accrued payroll	62,489	-	-	62,489
Other payables	39,163	-	-	39,163
Due to other funds	914,623	-	-	914,623
Deferred revenue	578,393	-	862	579,255
Total liabilities	4,083,960	456,076	1,287	4,541,323
Fund balances:				
Reserved:				
Reserved for encumbrances	3,150,101	2,802	-	3,152,903
Reserved by State statute	6,004,888	61,473	-	6,066,361
Reserved for inmates	231,064	-	-	231,064
Reserved for cemetery	-	-	36,477	36,477
Unreserved:				
Designated for subsequent year's expenditures	4,538,462	-	-	4,538,462
Undesignated	16,728,673	6,984,593	-	23,713,266
Total fund balances	30,653,188	7,048,868	36,477	37,738,533
Total liabilities and fund balances	\$ 34,737,148	\$ 7,504,944	\$ 37,764	\$ 42,279,856

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2006**

	Special Revenue Funds	Capital Project Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
Revenues				
Ad valorem taxes	\$ 8,378,395	\$ -	\$ -	\$ 8,378,395
Other taxes	17,868,705	-	-	17,868,705
Unrestricted intergovernmental revenue	134,834	-	-	134,834
Restricted intergovernmental revenue	13,785,908	16,890	-	13,802,798
Sales and services	165,408	3,739	-	169,147
Interest earned on investments	1,068,886	101,353	1,089	1,171,328
Miscellaneous	707,196	74,137	600	781,933
Total revenues	<u>42,109,332</u>	<u>196,119</u>	<u>1,689</u>	<u>42,307,140</u>
Expenditures				
Current:				
General government	473,719	-	2,125	475,844
Public safety	6,452,918	-	-	6,452,918
Economic and physical development	9,049,460	-	-	9,049,460
Human services	1,557,475	-	-	1,557,475
Cultural and recreational	6,024,120	21,066	-	6,045,186
Education	6,659,017	2,642,897	-	9,301,914
Capital outlay	1,975,224	3,697,906	-	5,673,130
Principal payments	150,000	-	-	150,000
Interest and fees	48,504	-	-	48,504
Total expenditures	<u>32,390,437</u>	<u>6,361,869</u>	<u>2,125</u>	<u>38,754,431</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,718,895</u>	<u>(6,165,750)</u>	<u>(436)</u>	<u>3,552,709</u>
Other financing sources (uses)				
Sale of capital assets	485	-	-	485
Transfers in	5,077,017	2,693,192	-	7,770,209
Transfers out	(9,874,984)	-	-	(9,874,984)
Total other financing sources (uses)	<u>(4,797,482)</u>	<u>2,693,192</u>	<u>-</u>	<u>(2,104,290)</u>
Net change in fund balances	4,921,413	(3,472,558)	(436)	1,448,419
Fund balance - beginning	<u>25,731,775</u>	<u>10,521,426</u>	<u>36,913</u>	<u>36,290,114</u>
Fund balance - ending	<u>\$ 30,653,188</u>	<u>\$ 7,048,868</u>	<u>\$ 36,477</u>	<u>\$ 37,738,533</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2006

(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	\$ 3,153,622	\$ 3,425,133	\$ 1,829,857	\$ 1,330,471	\$ 101,526	\$ 2,174,231	\$ 2,086,416	\$ 260,596	\$ 3,425,123	\$ 228,928	\$ 59,981
Investments	-	4,048,394	1,001,410	-	-	1,714,427	626,391	-	3,143	-	51,905
Taxes receivable, net	-	2,825,806	1,293	-	28,179	740	14,316	2,122	187,753	-	-
Sales tax receivable	-	-	62,999	18,709	906,480	-	5,402	-	11,765	1,121	2,031
Due from other governments	-	18,758	7,680	21,868	-	13,729	25,407	-	2,466	4,391	102,262
Other receivables, net	-	-	-	-	-	-	1,500,000	-	-	-	9,692
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Restricted assets:	-	1,000	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	1,000	-	-	-	-	-	-	-	-	-
Total assets	\$ 3,153,622	\$ 10,319,093	\$ 2,903,239	\$ 1,371,048	\$ 1,036,185	\$ 3,903,127	\$ 4,257,932	\$ 262,718	\$ 3,630,250	\$ 234,440	\$ 225,871
Liabilities and fund balances											
Accounts and vouchers payable	\$ -	\$ 887,538	\$ 2,455	\$ -	\$ 333,743	\$ 12,071	\$ 308,206	\$ 1,157	\$ 333,848	\$ 122,056	\$ 28,002
Due to other governments	-	-	-	-	23,424	-	-	-	5,148	-	7,786
Accrued payroll	-	-	5,403	-	-	-	-	8,367	-	10,211	777
Other payables	-	-	-	-	-	-	-	-	-	-	35,483
Due to other funds	-	-	-	-	498,664	-	-	-	-	-	58,520
Deferred revenue	-	3,458	4,491	-	-	4,992	17,373	-	187,753	-	-
Total liabilities	-	890,996	12,349	-	855,831	17,063	325,579	9,524	526,749	132,267	130,568
Fund balances:											
Reserved:											
Reserved for encumbrances	-	-	23,032	-	103,597	265,961	1,735,149	5,800	1,012,178	206	4,178
Reserved by State statute	-	2,841,108	67,481	40,577	934,859	9,477	1,527,752	2,122	14,231	5,512	113,985
Reserved for inmates	-	-	-	-	-	-	-	-	-	-	-
Unreserved:											
Designated for subsequent year's expenditures	-	-	2,800,377	1,330,471	(857,902)	2,773,778	1,500,000	-	2,077,092	96,455	(22,860)
Undesignated	3,153,622	6,586,959	2,890,890	1,371,048	180,354	3,886,064	(830,548)	245,272	3,103,501	102,173	95,303
Total fund balances	3,153,622	9,428,057	2,890,890	1,371,048	180,354	3,886,064	3,932,359	263,194	3,103,501	102,173	95,303
Total liabilities and fund balances	\$ 3,153,622	\$ 10,319,093	\$ 2,903,239	\$ 1,371,048	\$ 1,036,185	\$ 3,903,127	\$ 4,257,932	\$ 262,718	\$ 3,630,250	\$ 234,440	\$ 225,871

COUNTY OF CUMBERLAND, NORTH CAROLINA
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2006

(concluded)

	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	Total Nonmajor Special Revenue Funds
Assets											
Cash and cash equivalents	\$ 78,134	\$ 2,642	\$ 539,636	\$ 475,435	\$ 506	\$ 63,330	\$ 6,185	\$ 210,260	\$ -	\$ -	\$ 19,452,212
Investments	-	-	-	-	-	-	-	-	-	-	7,445,670
Taxes receivable, net	-	-	360,323	-	-	-	-	-	-	-	548,076
Sales tax receivable	-	12,902	-	-	-	-	-	-	-	-	2,900,277
Due from other governments	-	435,085	-	-	-	-	-	-	-	-	1,535,328
Other receivables, net	-	-	-	-	-	-	-	-	-	-	99,600
Due from other funds	-	-	-	-	-	-	-	-	-	-	1,500,000
Inventories	-	-	-	-	-	-	-	-	-	-	-
Restricted assets:											
Cash and cash equivalents	-	-	-	-	-	-	-	-	257,487	997,498	1,255,985
Total assets	\$ 78,134	\$ 450,629	\$ 900,159	\$ 475,435	\$ 506	\$ 63,330	\$ 6,185	\$ 210,260	\$ 257,487	\$ 997,498	\$ 34,737,148
Liabilities and fund balances											
Liabilities:											
Accounts and vouchers payable	\$ -	\$ 71,728	\$ 16,186	\$ -	\$ -	\$ (1,163)	\$ -	\$ -	\$ -	\$ 360,381	\$ 2,476,208
Due to other governments	-	150	-	-	-	-	-	-	-	-	13,084
Accrued payroll	-	12,516	-	-	-	-	-	-	1,791	-	62,489
Other payables	-	3,680	-	-	-	-	-	-	-	-	39,163
Due to other funds	-	332,807	-	-	-	-	-	-	24,632	-	914,623
Deferred revenue	-	-	360,326	-	-	-	-	-	-	-	578,393
Total liabilities	-	420,831	378,512	-	-	(1,163)	-	-	26,423	360,381	4,083,960
Fund balances:											
Reserved:											
Reserved for encumbrances	-	-	-	-	-	-	-	-	-	-	3,150,101
Reserved for State statute	-	447,987	(3)	-	-	-	-	-	-	-	6,004,888
Reserved for inmates	-	-	-	-	-	-	-	-	231,064	-	231,064
Unreserved:											
Designated for subsequent year's expenditures	-	-	-	264,684	-	-	-	-	-	-	4,538,462
Undesignated	78,134	(418,239)	523,650	210,751	506	64,493	6,185	210,260	-	637,117	16,728,679
Total fund balances	78,134	29,748	523,647	475,435	506	64,493	6,185	210,260	231,064	637,117	30,653,188
Total liabilities and fund balances	\$ 78,134	\$ 450,629	\$ 900,159	\$ 475,435	\$ 506	\$ 63,330	\$ 6,185	\$ 210,260	\$ 257,487	\$ 997,498	\$ 34,737,148

COUNTY OF CUMBERLAND, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2006

(continued)

	Prepared Food and Beverage Fund	County School Fund	911 Emergency Fund	Wireless 911 Emergency Fund	Jobs Training Fund	Industrial Development Fund	Water and Sewer Fund	Property Revaluation Fund	Recreation Fund	Juvenile Crime Prevention Fund	Transportation Fund
Revenues											
Ad valorem taxes	\$ 4,106,146	10,499,118	-	-	-	-	-	\$ -	\$ 2,946,848	\$ -	\$ -
Other taxes	-	134,834	-	-	-	-	-	-	-	-	-
Unrestricted intergovernmental revenue	-	3,141,493	1,213,118	222,296	4,286,665	100,521	36,709	-	58,695	1,241,327	599,855
Restricted intergovernmental revenue	-	-	112,457	-	9,377	-	23,817	-	-	-	19,757
Sales and services	120,594	264,259	69,688	52,908	-	174,058	109,449	7,439	193,182	5,344	4,993
Interest earned on investments	-	317,905	813	-	-	476	17,087	-	18,951	-	-
Miscellaneous	4,226,740	14,357,609	1,386,076	275,204	4,306,042	275,055	187,062	7,439	3,217,676	1,246,671	624,605
Total revenues											
Expenditures											
Current:											
General government	-	-	548,528	107,729	-	-	-	473,719	-	-	-
Public safety	-	-	-	-	4,248,953	533,547	1,459,608	-	-	-	564,970
Economic and physical development	-	-	-	-	-	-	-	-	-	1,557,475	-
Human services	-	-	-	-	-	-	-	-	2,966,959	-	-
Cultural and recreational	5,943	6,659,017	-	-	-	-	-	-	-	-	-
Education	-	-	-	-	10,756	112,967	30,084	-	1,810,617	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Principal payments	-	-	-	-	-	-	-	-	-	-	-
Interest and fees	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	5,943	6,659,017	548,528	107,729	4,259,709	646,514	1,489,692	473,719	4,777,576	1,557,475	564,970
Excess (deficiency) of revenues over (under) expenditures	4,220,797	7,698,592	847,548	167,475	46,333	(371,459)	(1,302,630)	(466,280)	(1,559,900)	(310,804)	59,635
Other financing sources (uses)											
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	429,571	-	-	15,000	556,104	3,200,000	505,252	-	293,852	7,093
Transfers out	(3,641,295)	(4,188,658)	-	-	-	-	(120,932)	-	-	-	-
Total other financing sources (uses)	(3,641,295)	(3,759,087)	-	-	15,000	556,104	3,079,068	505,252	-	293,852	7,093
Net change in fund balances	579,502	3,939,505	847,548	167,475	61,333	184,645	1,776,438	38,972	(1,559,900)	(16,952)	66,728
Fund balance - beginning	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	118,125	28,575
Fund balance - ending	\$ 3,153,622	\$ 9,428,097	\$ 2,890,890	\$ 1,371,048	\$ 180,354	\$ 3,886,064	\$ 3,932,353	\$ 253,194	\$ 3,103,501	\$ 102,173	\$ 95,303

COUNTY OF CUMBERLAND, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2006

(concluded)

	North										Total Nonmajor Special Revenue Funds
	Flea Hill Drainage District Fund	Community Development Fund	Fire Protection Fund	Federal Drug Forfeiture Fund	Federal Forfeiture Treasury Fund	Carolina Controlled Substance Fund	Injured Animal Stabilization Fund	Downtown Revitalization Fund	Inmate Welfare Fund	Tourism Development Authority Fund	
Revenues											
Ad valorem taxes	\$ -	\$ -	\$ 5,431,547	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,378,395
Other taxes	-	-	-	-	-	-	-	-	-	-	17,868,705
Unrestricted intergovernmental revenue	-	-	-	-	-	-	-	-	-	-	134,834
Restricted intergovernmental revenue	-	2,373,807	-	430,789	-	68,180	2,453	-	-	-	13,785,908
Sales and services	-	-	-	-	-	-	-	-	-	-	165,408
Interest earned on investments	-	-	6,928	46,097	15	5,159	-	8,305	468	-	1,068,886
Miscellaneous	-	3,248	-	-	-	-	-	-	348,718	-	707,196
Total revenues	2,377,055	2,377,055	5,438,475	476,886	15	73,339	2,453	8,305	349,184	3,263,441	42,109,332
Expenditures											
Current:											
General government	-	-	-	-	-	-	-	-	-	-	473,719
Public safety	-	-	5,368,163	-	-	-	324	-	428,174	-	6,452,918
Economic and physical development	-	2,242,382	-	-	-	-	-	-	-	-	9,049,460
Human services	-	-	-	-	-	-	-	-	-	-	1,557,475
Cultural and recreational	-	-	-	-	-	-	-	-	3,051,218	-	6,024,120
Education	-	-	-	-	-	-	-	-	-	-	6,669,017
Capital outlay	-	-	-	-	-	-	-	-	-	-	1,975,224
Principal payments	-	150,000	-	-	-	10,800	-	-	-	-	150,000
Interest and fees	-	48,504	-	-	-	-	-	-	-	-	48,504
Total expenditures	2,440,886	2,440,886	5,368,163	476,886	15	10,800	324	428,174	3,051,218	48,504	32,390,437
Excess (deficiency) of revenues over (under) expenditures	(63,831)	(63,831)	70,312	476,886	15	62,539	2,129	8,305	(78,990)	212,223	9,718,895
Other financing sources (uses)											
Sale of capital assets	-	-	-	485	-	-	-	-	-	-	485
Transfers in	-	70,145	-	-	-	-	-	-	-	-	5,077,017
Transfers out	-	(4,952)	-	(1,781,297)	-	(137,850)	-	-	-	-	(9,874,984)
Total other financing sources (uses)	65,193	65,193	(1,780,812)	(1,780,812)	(137,850)	(137,850)	-	-	-	-	(4,797,482)
Net change in fund balances	1,362	1,362	70,312	(1,303,926)	15	(75,311)	2,129	8,305	(78,990)	212,223	4,921,413
Fund balance - beginning	78,134	28,386	453,335	1,779,361	491	139,804	4,056	201,955	310,054	424,894	25,731,775
Fund balance - ending	\$ 78,134	\$ 29,748	\$ 523,647	\$ 475,435	\$ 506	\$ 64,493	\$ 6,185	\$ 210,260	\$ 231,064	\$ 637,117	\$ 30,653,188

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, 2006
(With Comparative Totals for Year Ended June 30, 2005)**

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Other taxes	\$ 3,615,144	\$ 4,106,146	\$ 491,002	\$ 3,835,597
Interest earned on investments	33,000	120,594	87,594	52,142
Miscellaneous	-	-	-	22,500
Total revenues	<u>3,648,144</u>	<u>4,226,740</u>	<u>578,596</u>	<u>3,910,239</u>
Expenditures				
Cultural and recreational	6,000	5,943	57	5,338
Total expenditures	<u>6,000</u>	<u>5,943</u>	<u>57</u>	<u>5,338</u>
Revenues over expenditures	<u>3,642,144</u>	<u>4,220,797</u>	<u>578,653</u>	<u>3,904,901</u>
Other financing sources (uses)				
Transfers (out)	(3,642,144)	(3,641,295)	849	(3,356,226)
Total other financing sources (uses)	<u>(3,642,144)</u>	<u>(3,641,295)</u>	<u>849</u>	<u>(3,356,226)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>579,502</u>	<u>\$ 579,502</u>	<u>548,675</u>
Fund balances				
Beginning of year - July 1		<u>2,574,120</u>		<u>2,025,445</u>
End of year - June 30		<u>\$ 3,153,622</u>		<u>\$ 2,574,120</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, 2006
(With Comparative Totals for Year Ended June 30, 2005)**

	2006		Variance Positive (Negative)	2005
	Budget	Actual		
Revenues				
Other taxes	\$ 8,867,160	\$ 10,499,118	\$ 1,631,958	\$ 8,973,402
Unrestricted intergovernmental revenue	132,840	134,834	1,994	130,846
Restricted intergovernmental revenue	2,900,000	3,141,493	241,493	2,400,000
Interest earned on investments	-	264,259	264,259	122,621
Miscellaneous	-	317,905	317,905	259,421
Total revenues	11,900,000	14,357,609	2,457,609	11,886,290
Expenditures				
Education				
School capital outlay I	9,997,500	3,172,707	6,824,793	4,454,936
School capital outlay II	3,144,642	2,857,265	287,377	2,667,365
School capital outlay III	682,000	629,045	52,955	186,935
Total expenditures	13,824,142	6,659,017	7,165,125	7,309,236
Revenues over expenditures	(1,924,142)	7,698,592	9,622,734	4,577,054
Other financing sources (uses)				
Operating transfers in	453,000	429,571	(23,429)	-
Transfers (out)	(4,188,658)	(4,188,658)	-	(6,173,820)
Appropriated fund balance	5,659,800	-	(5,659,800)	-
Total other financing sources (uses)	1,924,142	(3,759,087)	(5,683,229)	(6,173,820)
Revenues and other financing sources (uses) over (under) expenditures	\$ -	3,939,505	\$ 3,939,505	(1,596,766)
Fund balances				
Beginning of year - July 1		5,488,592		7,085,358
End of year - June 30		<u>\$ 9,428,097</u>		<u>\$ 5,488,592</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, 2006
(With Comparative Totals for Year Ended June 30, 2005)**

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 518,684	\$ 1,213,118	\$ 694,434	\$ 814,343
Sales and services	94,334	112,457	18,123	85,581
Interest earned on investments	15,000	69,688	54,688	23,101
Miscellaneous	-	813	813	1,967
Total revenues	<u>628,018</u>	<u>1,396,076</u>	<u>768,058</u>	<u>924,992</u>
Expenditures				
Public safety	629,358	548,528	80,830	652,426
Total expenditures	<u>629,358</u>	<u>548,528</u>	<u>80,830</u>	<u>652,426</u>
Revenues over expenditures	<u>(1,340)</u>	<u>847,548</u>	<u>848,888</u>	<u>272,566</u>
Other financing sources (uses)				
Appropriated fund balance	1,340	-	(1,340)	-
Total other financing sources (uses)	<u>1,340</u>	<u>-</u>	<u>(1,340)</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>847,548</u>	<u>\$ 847,548</u>	<u>272,566</u>
Fund balances				
Beginning of year - July 1		<u>2,043,342</u>		<u>1,770,776</u>
End of year - June 30		<u>\$ 2,890,890</u>		<u>\$ 2,043,342</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, 2006
 (With Comparative Totals for Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 215,000	\$ 222,296	\$ 7,296	\$ 222,180
Interest earned on investments	-	52,908	52,908	22,349
Total revenues	<u>215,000</u>	<u>275,204</u>	<u>60,204</u>	<u>244,529</u>
Expenditures				
Public safety	<u>215,000</u>	<u>107,729</u>	<u>107,271</u>	<u>18,705</u>
Total expenditures	<u>215,000</u>	<u>107,729</u>	<u>107,271</u>	<u>18,705</u>
Revenues over expenditures	<u>-</u>	<u>167,475</u>	<u>167,475</u>	<u>225,824</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>167,475</u>	<u>\$ 167,475</u>	<u>225,824</u>
Fund balances				
Beginning of year - July 1		<u>1,203,573</u>		<u>977,749</u>
End of year - June 30		<u>\$ 1,371,048</u>		<u>\$ 1,203,573</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, 2006
 (With Comparative Totals for Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 5,558,461	\$ 4,296,665	\$ (1,261,796)	\$ 3,466,557
Sales and services	15,000	9,377	(5,623)	13,521
Interest earned on investments	-	-	-	193
Total revenues	<u>5,573,461</u>	<u>4,306,042</u>	<u>(1,267,419)</u>	<u>3,480,271</u>
Expenditures				
Economic and physical development	3,409,266	2,378,578	1,030,688	1,895,581
JTPA one stop	953,695	889,267	64,428	805,270
JTPA T/A grant	290,515	205,322	85,193	181,835
JTPA welfare to work 70%	699,226	560,375	138,851	485,441
JTPA 04 WIA youth 30%	254,359	226,167	28,192	149,545
Total expenditures	<u>5,607,061</u>	<u>4,259,709</u>	<u>1,347,352</u>	<u>3,517,672</u>
Revenues over expenditures	<u>(33,600)</u>	<u>46,333</u>	<u>79,933</u>	<u>(37,401)</u>
Other financing sources (uses)				
Transfers in	15,000	15,000	-	15,000
Appropriated fund balance	18,600	-	(18,600)	-
Total other financing sources (uses)	<u>33,600</u>	<u>15,000</u>	<u>(18,600)</u>	<u>15,000</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>61,333</u>	<u>\$ 61,333</u>	<u>(22,401)</u>
Fund balances				
Beginning of year - July 1		<u>119,021</u>		<u>141,422</u>
End of year - June 30		<u>\$ 180,354</u>		<u>\$ 119,021</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Industrial Development Fund
 Year Ended June 30, 2006
 (With Comparative Totals for Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 100,521	\$ 100,521	\$ -	\$ 470,964
Interest earned on investments	20,000	174,058	154,058	81,591
Miscellaneous	-	476	476	301,491
Total revenues	<u>120,521</u>	<u>275,055</u>	<u>154,534</u>	<u>854,046</u>
Expenditures				
Economic and physical development	3,444,172	646,514	2,797,658	2,096,540
Total expenditures	<u>3,444,172</u>	<u>646,514</u>	<u>2,797,658</u>	<u>2,096,540</u>
Revenues over expenditures	<u>(3,323,651)</u>	<u>(371,459)</u>	<u>2,952,192</u>	<u>(1,242,494)</u>
Other financing sources (uses)				
Transfers in	556,104	556,104	-	556,104
Appropriated fund balance	2,767,547	-	(2,767,547)	-
Total other financing sources (uses)	<u>3,323,651</u>	<u>556,104</u>	<u>(2,767,547)</u>	<u>556,104</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>184,645</u>	<u>\$ 184,645</u>	<u>(686,390)</u>
Fund balances				
Beginning of year - July 1		3,701,419		4,387,809
End of year - June 30		<u>\$ 3,886,064</u>		<u>\$ 3,701,419</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Water and Sewer Fund
Year Ended June 30, 2006
(With Comparative Totals for Year Ended June 30, 2005)**

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 191,012	\$ 36,709	\$ (154,303)	\$ 36,714
Sales and services	-	23,817	23,817	103,610
Interest earned on investments	-	109,449	109,449	52,563
Miscellaneous	379,874	17,087	(362,787)	5,643
Contribution	350,000	-	(350,000)	-
Total revenues	<u>920,886</u>	<u>187,062</u>	<u>(733,824)</u>	<u>198,530</u>
Expenditures				
Economic and physical development	5,493,814	1,489,692	4,004,122	663,309
Total expenditures	<u>5,493,814</u>	<u>1,489,692</u>	<u>4,004,122</u>	<u>663,309</u>
Revenues over expenditures	<u>(4,572,928)</u>	<u>(1,302,630)</u>	<u>3,270,298</u>	<u>(464,779)</u>
Other financing sources (uses)				
Transfers in	3,200,000	3,200,000	-	-
Transfers (out)	(130,000)	(120,932)	9,068	(185,137)
Appropriated fund balance	1,502,928	-	(1,502,928)	-
Total other financing sources (uses)	<u>4,572,928</u>	<u>3,079,068</u>	<u>(1,493,860)</u>	<u>(185,137)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>1,776,438</u>	<u>\$ 1,776,438</u>	<u>(649,916)</u>
Fund balances				
Beginning of year - July 1		2,155,915		2,805,831
End of year - June 30		<u>\$ 3,932,353</u>		<u>\$ 2,155,915</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Property Revaluation Fund
Year Ended June 30, 2006
(With Comparative Totals for Year Ended June 30, 2005)**

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Interest earned on investments	\$ 2,000	\$ 7,439	\$ 5,439	\$ 6,143
Total revenues	<u>2,000</u>	<u>7,439</u>	<u>5,439</u>	<u>6,143</u>
Expenditures				
General government	540,182	473,719	66,463	461,702
Total expenditures	<u>540,182</u>	<u>473,719</u>	<u>66,463</u>	<u>461,702</u>
Revenues over expenditures	<u>(538,182)</u>	<u>(466,280)</u>	<u>71,902</u>	<u>(455,559)</u>
Other financing sources (uses)				
Transfers in	505,252	505,252	-	500,113
Appropriated fund balance	32,930	-	(32,930)	-
Total other financing sources (uses)	<u>538,182</u>	<u>505,252</u>	<u>(32,930)</u>	<u>500,113</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>38,972</u>	<u>\$ 38,972</u>	<u>44,554</u>
Fund balances				
Beginning of year - July 1		214,222		169,668
End of year - June 30		<u>\$ 253,194</u>		<u>\$ 214,222</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Recreation Fund
Year Ended June 30, 2006
(With Comparative Totals for Year Ended June 30, 2005)**

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Ad valorem taxes	\$ 3,281,505	\$ 2,946,848	\$ (334,657)	\$ 3,390,080
Restricted intergovernmental revenue	-	58,695	58,695	68,882
Interest earned on investments	35,000	193,182	158,182	103,711
Miscellaneous	1,000	18,951	17,951	28,868
Total revenues	<u>3,317,505</u>	<u>3,217,676</u>	<u>(99,829)</u>	<u>3,591,541</u>
Expenditures				
Cultural and recreational				
Recreational cost	6,955,561	4,777,576	2,177,985	3,544,547
Total expenditures	<u>6,955,561</u>	<u>4,777,576</u>	<u>2,177,985</u>	<u>3,544,547</u>
Revenues over expenditures	<u>(3,638,056)</u>	<u>(1,559,900)</u>	<u>2,078,156</u>	<u>46,994</u>
Other financing sources (uses)				
Appropriated fund balance	3,638,056	-	(3,638,056)	-
Total other financing sources (uses)	<u>3,638,056</u>	<u>-</u>	<u>(3,638,056)</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>(1,559,900)</u>	<u>\$ (1,559,900)</u>	<u>46,994</u>
Fund balances				
Beginning of year - July 1		4,663,401		4,616,407
End of year - June 30		<u>\$ 3,103,501</u>		<u>\$ 4,663,401</u>

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, 2006
(With Comparative Totals for Year Ended June 30, 2005)**

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 1,331,653	\$ 1,241,327	\$ (90,326)	\$ 1,013,838
Sales and services	-	-	-	162,888
Interest earned on investments	-	5,344	5,344	3,368
Total revenues	<u>1,331,653</u>	<u>1,246,671</u>	<u>(84,982)</u>	<u>1,180,094</u>
Expenditures				
Human services				
Juvenile court outreach	1,085,592	948,362	137,230	826,579
Residential group home	621,553	609,113	12,440	622,951
Total expenditures	<u>1,707,145</u>	<u>1,557,475</u>	<u>149,670</u>	<u>1,449,530</u>
Revenues over expenditures	<u>(375,492)</u>	<u>(310,804)</u>	<u>64,688</u>	<u>(269,436)</u>
Other financing sources (uses)				
Transfers in	293,852	293,852	-	289,809
Appropriated fund balance	81,640	-	(81,640)	-
Total other financing sources (uses)	<u>375,492</u>	<u>293,852</u>	<u>(81,640)</u>	<u>289,809</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>(16,952)</u>	<u>\$ (16,952)</u>	<u>20,373</u>
Fund balances				
Beginning of year - July 1		119,125		98,752
End of year - June 30		<u>\$ 102,173</u>		<u>\$ 119,125</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Transportation Fund
Year Ended June 30, 2006
(With Comparative Totals for Year Ended June 30, 2005)**

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 926,598	\$ 599,855	\$ (326,743)	\$ 587,818
Sales and services	41,378	19,757	(21,621)	22,210
Interest earned on investments	-	4,993	4,993	2,709
Total revenues	<u>967,976</u>	<u>624,605</u>	<u>(343,371)</u>	<u>612,737</u>
Expenditures				
Economic and physical development	979,365	564,970	414,395	616,977
Total expenditures	<u>979,365</u>	<u>564,970</u>	<u>414,395</u>	<u>616,977</u>
Revenues over expenditures	<u>(11,389)</u>	<u>59,635</u>	<u>71,024</u>	<u>(4,240)</u>
Other financing sources (uses)				
Transfers in	10,122	7,093	(3,029)	8,147
Appropriated fund balance	1,267	-	(1,267)	-
Total other financing sources (uses)	<u>11,389</u>	<u>7,093</u>	<u>(4,296)</u>	<u>8,147</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>66,728</u>	<u>\$ 66,728</u>	<u>3,907</u>
Fund balances				
Beginning of year - July 1		28,575		24,668
End of year - June 30		<u>\$ 95,303</u>		<u>\$ 28,575</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, 2006
(With Comparative Totals for Year Ended June 30, 2005)**

	2006		Variance Positive (Negative)	2005
	Budget	Actual		
Revenues				
Revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current Expenditures	-	-	-	-
Total expenditures	-	-	-	-
Other financing sources (uses)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	-	\$ -	-
Fund balances				
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, 2006
(With Comparative Totals for Year Ended June 30, 2005)**

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 5,721,958	\$ 2,373,807	\$ (3,348,151)	\$ 3,169,682
Miscellaneous	5,000	3,248	(1,752)	6,981
Total revenues	<u>5,726,958</u>	<u>2,377,055</u>	<u>(3,349,903)</u>	<u>3,176,663</u>
Expenditures				
Economic and physical development				
Administration	514,529	408,732	105,797	424,654
Economic Development	200,680	3,156	197,524	-
Housing activities	3,920,172	1,335,252	2,584,920	1,189,444
Public facilities	660,000	203,740	456,260	964,528
Public services	251,151	203,029	48,122	207,654
Program grants	395,259	88,473	306,786	239,312
Debt service				
Principal	150,000	150,000	-	150,000
Interest	48,504	48,504	-	59,222
Total expenditures	<u>6,140,295</u>	<u>2,440,886</u>	<u>3,699,409</u>	<u>3,234,814</u>
Revenues over (under) expenditures	<u>(413,337)</u>	<u>(63,831)</u>	<u>349,506</u>	<u>(58,151)</u>
Other financing sources (uses)				
Transfers in	412,349	70,145	(342,204)	51,960
Transfers (out)	(4,952)	(4,952)	-	-
Appropriated fund balance	5,940	-	(5,940)	-
Total other financing sources (uses)	<u>413,337</u>	<u>65,193</u>	<u>(348,144)</u>	<u>51,960</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>1,362</u>	<u>\$ 1,362</u>	<u>(6,191)</u>
Fund balances				
Beginning of year - July 1		<u>28,386</u>		<u>34,577</u>
End of year - June 30		<u>\$ 29,748</u>		<u>\$ 28,386</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, 2006
 (With Comparative Totals for Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Ad valorem taxes	\$ 6,318,382	\$ 5,431,547	\$ (886,835)	\$ 6,411,016
Unrestricted intergovernmental revenue	13,024	-	(13,024)	-
Interest earned on investments	800	6,928	6,128	4,541
Total revenues	6,332,206	5,438,475	(893,731)	6,415,557
Expenditures				
Public safety	6,829,012	5,368,163	1,460,849	6,524,666
Total expenditures	6,829,012	5,368,163	1,460,849	6,524,666
Revenues over expenditures	(496,806)	70,312	567,118	(109,109)
Other financing sources (uses)				
Appropriated fund balance	496,806	-	(496,806)	-
Total other financing sources (uses)	496,806	-	(496,806)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	70,312	\$ 70,312	(109,109)
Fund balances				
Beginning of year - July 1		453,335		562,444
End of year - June 30		\$ 523,647		\$ 453,335

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, 2006
 (With Comparative Totals for Year Ended June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ -	\$ 430,789	\$ 430,789	\$ 469,312
Interest earned on investments	-	46,097	46,097	30,213
Total revenues	-	476,886	476,886	499,525
Expenditures				
Public safety	233,928	-	233,928	-
Total expenditures	233,928	-	233,928	-
Revenues over expenditures	(233,928)	476,886	710,814	499,525
Other financing sources (uses)				
Sale of capital assets	-	485	485	-
Transfers (out)	(1,781,297)	(1,781,297)	-	-
Appropriated fund balance	2,015,225	-	(2,015,225)	-
Total other financing sources (uses)	233,928	(1,780,812)	(2,014,740)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	(1,303,926)	\$ (1,303,926)	499,525
Fund balances				
Beginning of year - July 1		1,779,361		1,279,836
End of year - June 30		\$ 475,435		\$ 1,779,361

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, 2006
(With Comparative Totals for Year Ended June 30, 2005)**

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Interest earned on investments	\$ -	\$ 15	\$ 15	\$ 53
Total revenues	<u>-</u>	<u>15</u>	<u>15</u>	<u>53</u>
Expenditures				
Public safety	-	-	-	6,476
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,476</u>
Revenues over expenditures	<u>-</u>	<u>15</u>	<u>15</u>	<u>(6,423)</u>
Other financing sources (uses)				
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>15</u>	<u>\$ 15</u>	<u>(6,423)</u>
Fund balances				
Beginning of year - July 1		<u>491</u>		<u>6,914</u>
End of year - June 30		<u>\$ 506</u>		<u>\$ 491</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, 2006
(With Comparative Totals for Year Ended June 30, 2005)**

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ -	\$ 68,180	\$ 68,180	\$ 54,714
Interest earned on investments	-	5,159	5,159	2,399
Total revenues	<u>-</u>	<u>73,339</u>	<u>73,339</u>	<u>57,113</u>
Expenditures				
Public safety	11,000	10,800	200	33,685
Total expenditures	<u>11,000</u>	<u>10,800</u>	<u>200</u>	<u>33,685</u>
Revenues over expenditures	<u>(11,000)</u>	<u>62,539</u>	<u>73,539</u>	<u>23,428</u>
Other financing sources (uses)				
Transfers (out)	(137,850)	(137,850)	-	-
Appropriated fund balance	148,850	-	(148,850)	-
Total other financing sources (uses)	<u>11,000</u>	<u>(137,850)</u>	<u>(148,850)</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>(75,311)</u>	<u>\$ (75,311)</u>	<u>23,428</u>
Fund balances				
Beginning of year - July 1		<u>139,804</u>		<u>116,376</u>
End of year - June 30		<u>\$ 64,493</u>		<u>\$ 139,804</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, 2006
(With Comparative Totals for Year Ended June 30, 2005)**

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 1,000	\$ 2,453	\$ 1,453	\$ 1,375
Total revenues	<u>1,000</u>	<u>2,453</u>	<u>1,453</u>	<u>1,375</u>
Expenditures				
Public safety	1,000	324	676	50
Total expenditures	<u>1,000</u>	<u>324</u>	<u>676</u>	<u>50</u>
Revenues over expenditures	<u>-</u>	<u>2,129</u>	<u>2,129</u>	<u>1,325</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>2,129</u>	<u>\$ 2,129</u>	<u>1,325</u>
Fund balances				
Beginning of year - July 1		4,056		2,731
End of year - June 30		<u>\$ 6,185</u>		<u>\$ 4,056</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, 2006
(With Comparative Totals for Year Ended June 30, 2005)**

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Interest earned on investments	\$ -	\$ 8,305	\$ 8,305	\$ 4,038
Total revenues	-	8,305	8,305	4,038
Revenues over expenditures	-	8,305	8,305	4,038
Revenues and other financing sources (uses) over (under) expenditures	\$ -	8,305	\$ 8,305	4,038
Fund balances				
Beginning of year - July 1		201,955		197,917
End of year - June 30		\$ 210,260		\$ 201,955

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual - Inmate Welfare Fund
 Year Ended June 30, 2006
 (With Comparative Totals for Year Ended June 30, 2005)

	2006		Variance Positive (Negative)	2005
	Budget	Actual		
Revenues				
Interest earned on investments	\$ 468	\$ 468	\$ -	\$ 1,402
Miscellaneous	375,515	348,716	(26,799)	379,749
Total revenues	375,983	349,184	(26,799)	381,151
Expenditures				
Public safety	428,175	428,174	1	355,821
Total expenditures	428,175	428,174	1	355,821
Revenues over expenditures	(52,192)	(78,990)	(26,798)	25,330
Appropriated fund balance	52,192			
Total other financing sources (uses)	52,192	-	(52,192)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	(78,990)	\$ (78,990)	25,330
Fund balances				
Beginning of year - July 1		310,054		284,724
End of year - June 30		\$ 231,064		\$ 310,054

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, 2006
(With Comparative Totals for Year Ended June 30, 2005)**

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Other taxes	\$ 3,300,000	\$ 3,263,441	\$ (36,559)	\$ 2,093,250
Total revenues	<u>3,300,000</u>	<u>3,263,441</u>	<u>(36,559)</u>	<u>2,093,250</u>
Expenditures				
Cultural and recreational	3,348,300	3,051,218	297,082	2,071,898
Total expenditures	<u>3,348,300</u>	<u>3,051,218</u>	<u>297,082</u>	<u>2,071,898</u>
Revenues over expenditures	<u>(48,300)</u>	<u>212,223</u>	<u>260,523</u>	<u>21,352</u>
Appropriated fund balance	48,300	-	(48,300)	-
Total other financing sources (uses)	<u>48,300</u>	<u>-</u>	<u>(48,300)</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>212,223</u>	<u>\$ 212,223</u>	<u>21,352</u>
Fund balances				
Beginning of year - July 1		424,894		403,542
End of year - June 30		<u>\$ 637,117</u>		<u>\$ 424,894</u>

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

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COUNTY OF CUMBERLAND, NORTH CAROLINA

Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2006

	Library Bond Fund	1998 School Bond Fund	Animal Control Building Fund	Sheriff Training Facility Fund	2004 School Bond Fund	Averasboro Battlefield Fund	Total Nonmajor Capital Project Funds
Assets							
Investments	\$ -	\$ -	\$ -	\$ 554,707	\$ -	\$ -	\$ 554,707
Sales tax receivable	-	-	25,452	24,006	-	-	49,458
Other receivables, net	-	-	-	11,795	-	-	11,795
Cash and cash equivalents	-	-	3,269,025	1,874,414	56,904	21,218	5,221,561
Investments	-	1,175,387	-	-	491,816	-	1,667,203
Accounts receivable	-	-	-	-	-	220	220
Total assets	\$ -	\$ 1,175,387	\$ 3,294,477	\$ 2,464,922	\$ 548,720	\$ 21,438	\$ 7,504,944
Liabilities and fund balances							
Liabilities:							
Accounts and vouchers payable	\$ -	\$ -	\$ 204,036	\$ 251,765	\$ -	\$ 275	\$ 456,076
Total liabilities	\$ -	\$ -	\$ 204,036	\$ 251,765	\$ -	\$ 275	\$ 456,076
Fund balances:							
Reserved for encumbrances	-	-	2,802	-	-	-	2,802
Reserved by State statute	-	-	25,452	35,801	-	220	61,473
Undesignated	-	1,175,387	3,062,187	2,177,356	548,720	20,943	6,984,593
Total fund balances	\$ -	\$ 1,175,387	\$ 3,090,441	\$ 2,213,157	\$ 548,720	\$ 21,163	\$ 7,048,868
Total liabilities and fund balances	\$ -	\$ 1,175,387	\$ 3,294,477	\$ 2,464,922	\$ 548,720	\$ 21,438	\$ 7,504,944

COUNTY OF CUMBERLAND, NORTH CAROLINA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Capital Project Funds
 Year Ended June 30, 2006

	Library Bond Fund	1998 School Bond Fund	Animal Control Building Fund	Sheriff Training Facility Fund	2004 School Bond Fund	Averasboro Battlefield Fund	Total Nonmajor Capital Project Funds
Revenues							
Restricted intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,890	\$ 16,890
Sales and services	-	-	3,739	-	-	-	3,739
Interest earned on investments	-	55,486	-	11,169	33,753	945	101,353
Miscellaneous	-	74,137	-	-	-	-	74,137
Total revenues	-	129,623	3,739	11,169	33,753	17,835	196,119
Expenditures							
Capital outlay							
Headquarters Library	61	-	-	-	-	-	61
School bond project	-	1,059,551	-	-	1,583,346	-	2,642,897
Animal control building	-	-	1,867,930	-	-	-	1,867,930
Sheriff training facility	-	-	-	1,829,915	-	-	1,829,915
Averasboro battlefield	-	-	-	-	-	21,066	21,066
Total expenditures	61	1,059,551	1,867,930	1,829,915	1,583,346	21,066	6,361,889
Revenues over (under) expenditures	(61)	(929,928)	(1,864,191)	(1,818,746)	(1,549,593)	(3,231)	(6,165,750)
Other financing sources (uses)							
Transfers in	-	-	774,045	1,919,147	-	-	2,693,192
Total other financing sources	-	-	774,045	1,919,147	-	-	2,693,192
Revenues and other financing sources over (under) expenditures	(61)	(929,928)	(1,090,146)	100,401	(1,549,593)	(3,231)	(3,472,558)
Fund balance							
Beginning of year - July 1	61	2,105,315	4,180,587	2,112,756	2,098,313	24,394	10,521,426
End of year - June 30	-	1,175,387	3,090,441	2,213,157	548,720	21,163	7,048,868

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, 2006

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Interest earned on investments	\$ -	\$ 13,210	\$ -	\$ -	\$ 13,210
Total revenues	-	13,210	-	-	13,210
Expenditures					
Capital outlay					
Headquarters library	-	1,315,917	-	61	1,315,978
Total expenditures	-	1,315,917	-	61	1,315,978
Revenues over (under) expenditures	-	(1,302,707)	-	(61)	(1,302,768)
Other financing sources (uses)					
Proceeds of refunding bonds	-	1,324,212	-	-	1,324,212
Transfers out	-	(21,444)	-	-	(21,444)
Total other financing sources	-	1,302,768	-	-	1,302,768
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 61</u>	<u>\$ -</u>	<u>(61)</u>	<u>\$ -</u>
Fund balance					
Beginning of year - July 1				61	
End of year - June 30				<u>\$ -</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, 2006

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Interest earned on investments	\$ -	\$ 3,930,197	\$ 3,930,197	\$ -	\$ -
Miscellaneous	-	1,128,079	1,128,079	-	-
Total revenues	-	5,058,276	5,058,276	-	-
Expenditures					
Capital outlay					
Law-sheriff	-	48,772,850	48,772,850	-	-
Total expenditures	-	48,772,850	48,772,850	-	-
Revenues over (under) expenditures	-	(43,714,574)	(43,714,574)	-	-
Other financing sources (uses)					
Proceeds of refunding bonds	-	99,302,600	99,302,600	-	-
Premium on refunding bonds	-	122,536	122,536	-	-
Payment to refund bond escrow agent	-	(49,980,680)	(49,980,680)	-	-
Transfers in	-	4,654,185	4,654,185	-	-
Transfers out	-	(10,384,067)	(10,384,067)	-	-
Total other financing sources	-	43,714,574	43,714,574	-	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	-	\$ -
Fund balance					
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 - Capital Project Bond Fund

From Inception and for Year Ended June 30, 2006

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

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, 2006

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental revenue	\$ -	\$ 244,999	\$ 244,999	\$ -	\$ -
Interest earned on investments	-	3,405,337	3,405,337	-	-
Miscellaneous	-	668,220	668,220	-	-
Total revenues	-	4,318,556	4,318,556	-	-
Expenditures					
Capital outlay					
Community correction center	-	2,627,842	2,627,842	-	-
Social services building	-	31,853,730	31,853,730	-	-
Total expenditures	-	34,481,572	34,481,572	-	-
Revenues over (under) expenditures	-	(30,163,016)	(30,163,016)	-	-
Other financing sources (uses)					
Proceeds of refunding bonds	-	34,950,000	34,950,000	-	-
Transfers in	-	2,063,848	2,063,848	-	-
Transfers out	-	(6,850,832)	(6,850,832)	-	-
Appropriated fund balance	-	-	-	-	-
Total other financing sources	-	30,163,016	30,163,016	-	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	-	\$ -
Fund balance					
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 - Winding Creek Renovation Fund**

From Inception and for Year Ended June 30, 2006

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

From Inception and for Year Ended June 30, 2006

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Interest earned on investments	\$ 6,550,290	\$ 6,549,944	\$ -	\$ 55,486	\$ 6,605,430
Miscellaneous	2,094,471	2,195,376	-	74,137	2,269,513
Total revenues	<u>8,644,761</u>	<u>8,745,320</u>	<u>-</u>	<u>129,623</u>	<u>8,874,943</u>
Expenditures					
Capital outlay					
School bond project	108,222,941	106,282,680	-	1,059,551	107,342,231
Total expenditures	<u>108,222,941</u>	<u>106,282,680</u>	<u>-</u>	<u>1,059,551</u>	<u>107,342,231</u>
Revenues over (under) expenditures	<u>(99,578,180)</u>	<u>(97,537,360)</u>	<u>-</u>	<u>(929,928)</u>	<u>(98,467,288)</u>
Other financing sources (uses)					
Premium on refunding bonds	-	12,195	-	-	12,195
Bond issuance proceeds	98,128,180	98,180,480	-	-	98,180,480
Transfers in	1,450,000	1,450,000	-	-	1,450,000
Total other financing sources	<u>99,578,180</u>	<u>99,642,675</u>	<u>-</u>	<u>-</u>	<u>99,642,675</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 2,105,315</u>	<u>\$ -</u>	<u>(929,928)</u>	<u>\$ 1,175,387</u>
Fund balance					
Beginning of year - July 1				<u>2,105,315</u>	
End of year - June 30				<u>\$ 1,175,387</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, 2006

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Sales and Services	\$ -	\$ 29,591	\$ -	\$ 3,739	\$ 33,330
Interest earned on investments	-	10,475	-	-	10,475
Miscellaneous	-	5,435	-	-	5,435
Total revenues	<u>-</u>	<u>45,501</u>	<u>-</u>	<u>3,739</u>	<u>49,240</u>
Expenditures					
Capital outlay					
Animal control building	4,973,753	64,620	-	1,867,930	1,932,550
Total expenditures	<u>4,973,753</u>	<u>64,620</u>	<u>-</u>	<u>1,867,930</u>	<u>1,932,550</u>
Revenues over (under) expenditures	<u>(4,973,753)</u>	<u>(19,119)</u>	<u>-</u>	<u>(1,864,191)</u>	<u>(1,883,310)</u>
Other financing sources (uses)					
Transfers in	5,173,753	4,399,706	-	774,045	5,173,751
Transfers out	(200,000)	(200,000)	-	-	(200,000)
Total other financing sources	<u>4,973,753</u>	<u>4,199,706</u>	<u>-</u>	<u>774,045</u>	<u>4,973,751</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 4,180,587</u>	<u>\$ -</u>	<u>(1,090,146)</u>	<u>\$ 3,090,441</u>
Fund balance					
Beginning of year - July 1				4,180,587	
End of year - June 30				<u>\$ 3,090,441</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, 2006

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Interest earned on investments	\$ -	\$ 5,171	\$ -	\$ 11,169	\$ 16,340
Total revenues	<u>-</u>	<u>5,171</u>	<u>-</u>	<u>11,169</u>	<u>16,340</u>
Expenditures					
Capital outlay					
Sheriff training facility	4,099,147	72,415	-	1,829,915	1,902,330
Total expenditures	<u>4,099,147</u>	<u>72,415</u>	<u>-</u>	<u>1,829,915</u>	<u>1,902,330</u>
Revenues over (under) expenditures	<u>(4,099,147)</u>	<u>(67,244)</u>	<u>-</u>	<u>(1,818,746)</u>	<u>(1,885,990)</u>
Other financing sources (uses)					
Transfers in	4,099,147	2,180,000	-	1,919,147	4,099,147
Total other financing sources	<u>4,099,147</u>	<u>2,180,000</u>	<u>-</u>	<u>1,919,147</u>	<u>4,099,147</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 2,112,756</u>	<u>\$ -</u>	100,401	<u>\$ 2,213,157</u>
Fund balance					
Beginning of year - July 1				<u>2,112,756</u>	
End of year - June 30				<u>\$ 2,213,157</u>	

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
Revenues					
Interest earned on investments	\$ 103,243	\$ 165,362	\$ -	\$ 33,753	\$ 199,115
Total revenues	103,243	165,362	-	33,753	199,115
Expenditures					
Capital outlay					
School bond project	7,676,216	5,371,323	-	1,583,346	6,954,669
Debt service	-	268,699	-	-	268,699
Total expenditures	7,676,216	5,640,022	-	1,583,346	7,223,368
Revenues over (under) expenditures	(7,572,973)	(5,474,660)	-	(1,549,593)	(7,024,253)
Other financing sources (uses)					
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)
Total other financing sources	7,572,973	7,572,973	-	-	7,572,973
Revenues and other financing sources over (under) expenditures	\$ -	\$ 2,098,313	\$ -	(1,549,593)	\$ 548,720
Fund balance					
Beginning of year - July 1				2,098,313	
End of year - June 30				\$ 548,720	

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, 2006

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental revenue	\$ 570,986	\$ 245,208	\$ -	\$ 16,890	\$ 262,098
Interest earned on investments	-	-	-	945	945
Total revenues	<u>570,986</u>	<u>245,208</u>	<u>-</u>	<u>17,835</u>	<u>263,043</u>
Expenditures					
Capital outlay					
Averagesboro Battlefield	577,617	227,445	-	21,066	248,511
Total expenditures	<u>577,617</u>	<u>227,445</u>	<u>-</u>	<u>21,066</u>	<u>248,511</u>
Revenues over (under) expenditures	<u>(6,631)</u>	<u>17,763</u>	<u>-</u>	<u>(3,231)</u>	<u>14,532</u>
Other financing sources (uses)					
Transfers in	6,631	6,631	-	-	6,631
Total other financing sources	<u>6,631</u>	<u>6,631</u>	<u>-</u>	<u>-</u>	<u>6,631</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 24,394</u>	<u>\$ -</u>	<u>(3,231)</u>	<u>\$ 21,163</u>
Fund balance					
Beginning of year - July 1				<u>24,394</u>	
End of year - June 30				<u>\$ 21,163</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

**Year Ended June 30, 2006
(With Comparative Totals for June 30, 2005)**

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Interest earned on investments	\$ 400	\$ 1,089	\$ 689	\$ 572
Burial Fees	3,900	600	(3,300)	1,200
Total revenues	<u>4,300</u>	<u>1,689</u>	<u>(2,611)</u>	<u>1,772</u>
Expenditures				
Capital outlay				
Maintenance	4,300	2,125	2,175	2,710
Total expenditures	<u>4,300</u>	<u>2,125</u>	<u>2,175</u>	<u>2,710</u>
Revenues over (under) expenditures	<u>-</u>	<u>(436)</u>	<u>(436)</u>	<u>(938)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>(436)</u>	<u>\$ (436)</u>	<u>(938)</u>
Fund balance				
Beginning of year - July 1		36,913		37,851
End of year - June 30		<u>\$ 36,477</u>		<u>\$ 36,913</u>

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

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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, 2006
(With Comparative Totals for June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Operating revenues				
Charges for services	\$ 2,153,631	\$ 3,145,847	\$ 992,216	\$ 3,322,283
Contributions	-	94	94	161
Other operating revenue	406,388	451,875	45,487	430,367
Total operating revenues	<u>2,560,019</u>	<u>3,597,816</u>	<u>1,037,797</u>	<u>3,752,811</u>
Nonoperating revenues and other financing sources				
Interest earned on investments	200,000	1,203,069	1,003,069	551,903
Gain (loss) on disposal of capital assets	-	-	-	5,750
Miscellaneous	4,818	170,844	166,026	10,398
Taxes	4,181,662	4,551,491	369,829	4,519,194
Grant revenue	-	21,180	21,180	-
Total Nonoperating revenues and other financing sources	<u>4,386,480</u>	<u>5,946,584</u>	<u>1,560,104</u>	<u>5,087,245</u>
Appropriated fund balance	1,880,203	-	(1,880,203)	-
Total revenues, other financing sources and fund balance appropriations	<u>\$ 8,826,702</u>	<u>\$ 9,544,400</u>	<u>\$ 717,698</u>	<u>\$ 8,840,056</u>
Operating expenditures				
Salaries and employee benefits	\$ 2,284,117	\$ 1,900,400	\$ 383,717	\$ 1,666,458
Medical supplies and related expenses	3,750	414	3,336	-
Other supplies	2,052,608	1,383,273	669,333	1,141,693
Repairs and maintenance	973,482	875,676	97,806	470,792
Utilities	898,300	73,413	824,887	54,470
Administrative costs	2,084,680	433,137	1,651,543	395,989
Landfill closure and postclosure care costs	230,182	436,566	(206,384)	732,330
Total operating expenditures	<u>8,527,117</u>	<u>5,102,879</u>	<u>3,424,238</u>	<u>4,461,732</u>
Other expenditures and financing uses				
Capital outlay	299,585	113,390	186,195	581,466
Transfers out	-	-	-	257,456
Total other expenditures and financing uses	<u>299,585</u>	<u>113,390</u>	<u>186,195</u>	<u>838,922</u>
Total expenditures and other financing uses	<u>\$ 8,826,702</u>	<u>\$ 5,216,269</u>	<u>\$ 3,610,433</u>	<u>\$ 5,300,654</u>
Reconciliation of modified accrual basis to full accrual basis				
Total revenues and other financing sources		\$ 9,544,400		
Total expenditures and other financing uses		<u>5,216,269</u>		
		4,328,131		
Capital outlay		113,390		
Depreciation		<u>(617,355)</u>		
Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Fund Net Assets		<u>\$ 3,824,166</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, 2006
(With Comparative Totals for June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Operating revenues				
Charges for services	\$ 1,970,207	\$ 2,305,165	\$ 334,958	\$ 2,002,713
Total operating revenues	<u>1,970,207</u>	<u>2,305,165</u>	<u>334,958</u>	<u>2,002,713</u>
Nonoperating revenues and other financing sources				
Interest earned on investments	-	36,766	36,766	14,944
Motel occupancy tax	795,283	791,442	(3,841)	802,114
Transfers in	7,636,028	7,767,848	131,820	9,994,907
Total Nonoperating revenues and other financing sources	<u>8,431,311</u>	<u>8,596,056</u>	<u>164,745</u>	<u>10,811,965</u>
Appropriated fund balance	<u>1,562,637</u>	-	<u>(1,562,637)</u>	-
Total revenues, other financing sources and fund balance appropriations	<u>\$ 11,964,155</u>	<u>\$ 10,901,221</u>	<u>\$ (1,062,934)</u>	<u>\$ 12,814,678</u>
Operating expenditures				
Salaries and employee benefits	\$ 1,991,212	\$ 1,872,088	\$ 119,124	\$ 1,632,909
Other supplies	112,436	236,507	(124,071)	412,654
Repairs and maintenance	461,719	245,823	215,896	1,828,371
Utilities	754,154	598,816	155,338	734,908
Administrative costs	1,636,010	1,705,442	(69,432)	1,690,560
Total operating expenditures	<u>4,955,531</u>	<u>4,658,676</u>	<u>296,855</u>	<u>6,299,402</u>
Nonoperating expenditures				
Interest expense	2,421,050	2,905,463	(484,413)	2,908,127
Tax distribution fee	30,000	-	30,000	24,063
Total nonoperating expenditures	<u>2,451,050</u>	<u>2,905,463</u>	<u>(454,413)</u>	<u>2,932,190</u>
Other expenditures and financing uses				
Principal payments	2,365,000	-	2,365,000	-
Capital outlay	2,167,073	1,654,894	512,179	127,826
Transfers out	25,501	25,501	-	-
Total other expenditures and financing uses	<u>4,557,574</u>	<u>1,680,395</u>	<u>2,877,179</u>	<u>127,826</u>
Total expenditures and other financing uses	<u>\$ 11,964,155</u>	<u>\$ 9,244,534</u>	<u>\$ 2,719,621</u>	<u>\$ 9,359,418</u>
Reconciliation of modified accrual basis to full accrual basis				
Total revenues and other financing sources		\$ 10,901,221		
Total expenditures and other financing uses		<u>9,244,534</u>		
		1,656,687		
Capital outlay		1,654,894		
Depreciation		(1,986,237)		
Net transfers		<u>(7,742,347)</u>		
Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Fund Net Assets		<u>\$ (6,417,003)</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, 2006

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

COUNTY OF CUMBERLAND, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Kelly Hills Water and Sewer District Fund
Year Ended June 30, 2006
(With Comparative Totals for June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Operating revenues				
Other operating revenue	\$ -	\$ 238	\$ 238	\$ -
Total operating revenues	<u>-</u>	<u>238</u>	<u>238</u>	<u>-</u>
Nonoperating revenues and other financing sources				
Sales tax	-	1,588	1,588	21,624
Transfers In	130,000	120,932	(9,068)	-
Capital contributions	3,453,400	465,882	(2,987,518)	1,782,725
Total Nonoperating revenues and other	<u>3,583,400</u>	<u>588,402</u>	<u>(2,994,998)</u>	<u>1,804,349</u>
Appropriated fund balance	-	-	-	-
Total revenues, other financing sources and fund balance appropriations	<u>\$ 3,583,400</u>	<u>\$ 588,640</u>	<u>\$ (2,994,760)</u>	<u>\$ 1,804,349</u>
Other expenditures and financing uses				
Capital outlay	\$ 3,583,400	\$ -	\$ 3,583,400	\$ 1,853,120
Total other expenditures and financing uses	<u>3,583,400</u>	<u>-</u>	<u>3,583,400</u>	<u>1,853,120</u>
Total expenditures and other financing uses	<u>\$ 3,583,400</u>	<u>\$ -</u>	<u>\$ 3,583,400</u>	<u>\$ 1,853,120</u>
Reconciliation of modified accrual basis to full accrual basis				
Total revenues and other financing sources		\$ 588,640		
		588,640		
Net transfers		(120,932)		
Capital contributions		(467,470)		
Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Net Assets		<u>\$ 238</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, 2006
(With Comparative Totals for June 30, 2005)

	2006		Variance Positive (Negative)	2005
	Budget	Actual		
Operating revenues				
Charges for services	\$ 124,134	\$ 77,730	\$ (46,404)	\$ 10,224
Total operating revenues	<u>124,134</u>	<u>77,730</u>	<u>(46,404)</u>	<u>10,224</u>
Nonoperating revenues and other financing sources				
Proceeds from bond anticipation note	1,250,000	-	(1,250,000)	1,250,000
Interest earned on investments	-	-	-	5
Miscellaneous	825,000	-	(825,000)	825,000
Transfers in	185,137	-	(185,137)	185,137
Capital contributions	7,432,147	1,272,212	(6,159,935)	5,269,641
Total Nonoperating revenues and other financing sources	<u>9,692,284</u>	<u>1,272,212</u>	<u>(8,420,072)</u>	<u>7,529,783</u>
Total revenues, other financing sources and fund balance appropriations	<u>\$ 9,816,418</u>	<u>\$ 1,349,942</u>	<u>\$ (8,466,476)</u>	<u>\$ 7,540,007</u>
Operating expenditures				
Repairs and maintenance	\$ 143,090	\$ 88,548	\$ 54,542	\$ -
Total operating expenditures	<u>143,090</u>	<u>88,548</u>	<u>54,542</u>	<u>-</u>
Other expenditures and financing uses				
Capital outlay	9,673,328	-	9,673,328	2,839,710
Total other expenditures and financing uses	<u>9,673,328</u>	<u>-</u>	<u>9,673,328</u>	<u>2,839,710</u>
Total expenditures and other financing uses	<u>\$ 9,816,418</u>	<u>\$ 88,548</u>	<u>\$ 9,727,870</u>	<u>\$ 2,839,710</u>
Reconciliation of modified accrual basis to full accrual basis				
Total revenues and other financing sources		\$ 1,349,942		
Total expenditures and other financing uses		<u>88,548</u>		
		1,261,394		
Capital outlay		-		
Depreciation		(118,422)		
Capital contributions		<u>(1,272,212)</u>		
Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Net Assets		<u>\$ (129,240)</u>		

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

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COUNTY OF CUMBERLAND, NORTH CAROLINA

Combining Statement of Net Assets

Internal Service Funds

June 30, 2006

	<u>Group Insurance Fund</u>	<u>Employee Flexible Benefit Fund</u>	<u>Workers' Compensation Fund</u>	<u>General Litigation Fund</u>	<u>Total</u>
Assets					
Current assets					
Sales tax receivable	\$ -	\$ -	\$ 142	\$ 22	\$ 164
Due from other governments	216,911	6,677	27,095	-	250,683
Other receivables, net	11,590	-	25,000	-	36,590
Total current assets	<u>228,501</u>	<u>6,677</u>	<u>52,237</u>	<u>22</u>	<u>287,437</u>
Restricted assets					
Cash and cash equivalents	5,156,316	157,327	1,082,346	440,105	6,836,094
Investments	511,556	-	-	-	511,556
Total noncurrent assets	<u>5,667,872</u>	<u>157,327</u>	<u>1,082,346</u>	<u>440,105</u>	<u>7,347,650</u>
Total assets	<u>5,896,373</u>	<u>164,004</u>	<u>1,134,583</u>	<u>440,127</u>	<u>7,635,087</u>
Liabilities and net assets					
Current liabilities					
Accounts and vouchers payable	1,230	23,277	(3)	-	24,504
Accrued payroll	5,060	-	4,486	-	9,546
Incurred but not reported	1,111,000	-	300,254	5,363	1,416,617
Total current liabilities	<u>1,117,290</u>	<u>23,277</u>	<u>304,737</u>	<u>5,363</u>	<u>1,450,667</u>
Total liabilities	<u>1,117,290</u>	<u>23,277</u>	<u>304,737</u>	<u>5,363</u>	<u>1,450,667</u>
Net assets					
Unrestricted	4,779,083	140,727	829,846	434,764	6,184,420
Total net assets	<u>\$ 4,779,083</u>	<u>\$ 140,727</u>	<u>\$ 829,846</u>	<u>\$ 434,764</u>	<u>\$ 6,184,420</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2006

	Group Insurance Fund	Employee Flexible Benefit Fund	Workers' Compensation Fund	General Litigation Fund	Total
Operating revenues					
Contributions	\$ 11,981,843	\$ 280,371	\$ 1,528,841	\$ -	\$ 13,791,055
Total operating revenues	<u>11,981,843</u>	<u>280,371</u>	<u>1,528,841</u>	<u>-</u>	<u>13,791,055</u>
Operating expenses					
Salaries and employee benefits	11,080,226	272,374	1,302,753	-	12,655,353
Administrative costs	23,927	-	6,351	308,479	338,757
Total operating expenses	<u>11,104,153</u>	<u>272,374</u>	<u>1,309,104</u>	<u>308,479</u>	<u>12,994,110</u>
Operating income (loss)	<u>877,690</u>	<u>7,997</u>	<u>219,737</u>	<u>(308,479)</u>	<u>796,945</u>
Nonoperating revenue (expense)					
Interest earned on investments	94,336	3	28,271	15,799	138,409
Total nonoperating revenue (expense)	<u>94,336</u>	<u>3</u>	<u>28,271</u>	<u>15,799</u>	<u>138,409</u>
Income (loss) before transfers	972,026	8,000	248,008	(292,680)	935,354
Transfers in	1,273,000	-	-	318,905	1,591,905
Change in net assets	<u>2,245,026</u>	<u>8,000</u>	<u>248,008</u>	<u>26,225</u>	<u>2,527,259</u>
Total net assets - beginning	<u>2,534,057</u>	<u>132,727</u>	<u>581,838</u>	<u>408,539</u>	<u>3,657,161</u>
Total net assets - ending	<u>\$ 4,779,083</u>	<u>\$ 140,727</u>	<u>\$ 829,846</u>	<u>\$ 434,764</u>	<u>\$ 6,184,420</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2006

	Group Insurance Fund	Employee Flexible Benefit Fund	Workers' Compensation Fund	General Litigation Fund	Total Internal Service Funds
Operating activities					
Contributions	\$ 11,981,843	\$ 280,371	\$ 1,528,869	\$ -	\$ 13,791,083
Cash paid for goods and services	96,743	5,150	(2,684)	(378,350)	(279,141)
Cash paid for claims	(11,462,853)	(279,508)	(1,161,144)	-	(12,903,505)
Net cash provided by (used in) operating activities	<u>615,733</u>	<u>6,013</u>	<u>365,041</u>	<u>(378,350)</u>	<u>608,437</u>
Noncapital financing activities					
Transfers in	1,273,000	-	-	318,905	1,591,905
Net cash provided (used) by noncapital financing activities	<u>1,273,000</u>	<u>-</u>	<u>-</u>	<u>318,905</u>	<u>1,591,905</u>
Investing activities					
Proceeds from sale of investments	(511,556)	-	-	-	(511,556)
Investment earnings	94,336	3	28,271	15,799	138,409
Net cash provided (used) in investing activities	<u>(417,220)</u>	<u>3</u>	<u>28,271</u>	<u>15,799</u>	<u>(373,147)</u>
Net increase in cash and cash equivalents/investments	<u>1,471,513</u>	<u>6,016</u>	<u>393,312</u>	<u>(43,646)</u>	<u>1,827,195</u>
Cash and cash equivalents/investments					
Beginning of year	3,684,803	151,311	689,034	483,751	5,008,899
End of year	<u>\$ 5,156,316</u>	<u>\$ 157,327</u>	<u>\$ 1,082,346</u>	<u>\$ 440,105</u>	<u>\$ 6,836,094</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 877,690	\$ 7,997	\$ 219,737	\$ (308,479)	\$ 796,945
Change in assets and liabilities					
(Increase) decrease in other receivables	(11,590)	-	28	36	(11,526)
(Increase) decrease in inventories	132,280	5,150	3,670	-	141,080
Increase (decrease) in accounts payable	(381,764)	(7,134)	148,718	(69,907)	(310,087)
Increase (decrease) in deferred revenue	-	-	-	-	-
Increase (decrease) in contract retainage	(863)	-	(7,112)	-	(7,975)
Total adjustments	<u>(261,957)</u>	<u>(1,984)</u>	<u>145,304</u>	<u>(69,871)</u>	<u>(188,508)</u>
Net cash provided by (used in) operating activities	<u>\$ 615,733</u>	<u>\$ 6,013</u>	<u>\$ 365,041</u>	<u>\$ (378,350)</u>	<u>\$ 608,437</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2006
(With Comparative Totals for June 30, 2005)

	2006		Variance Positive (Negative)	2005
	Budget	Actual		
Revenues				
Operating revenues				
Contributions	\$ 11,609,728	\$ 11,981,843	\$ 372,115	\$ 9,006,359
Non-operating revenues				
Interest earned on investments	32,400	94,336	61,936	30,399
Other financing sources				
Transfers in	1,273,000	1,273,000	-	3,862,033
Appropriated fund balance				
		-		-
Total revenues and other financing sources	<u>\$ 12,915,128</u>	<u>\$ 13,349,179</u>	<u>\$ 434,051</u>	<u>\$ 12,898,791</u>
Operating expenditures				
Administrative costs	\$ 15,000	\$ 23,927	\$ (8,927)	\$ 12,533
Salaries and employee benefits	12,900,128	11,080,226	1,819,902	13,683,957
Total expenditures and other financing uses	<u>\$ 12,915,128</u>	<u>\$ 11,104,153</u>	<u>\$ 1,810,975</u>	<u>\$ 13,696,490</u>
Reconciliation of income before transfers				
Total revenues and other financing sources		\$ 13,349,179		
Total expenditures		11,104,153		
Subtotal		2,245,026		
Net transfers		(1,273,000)		
Income (loss) before transfers per the Statement of Revenues, Expenses and Changes in Fund Net Assets		<u>\$ 972,026</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2006
(With Comparative Totals for June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Operating revenues				
Contributions	\$ 400,000	\$ 280,371	\$ (119,629)	\$ 285,522
Non-operating revenues				
Interest earned on investments	-	3	3	3
Total revenues	<u>\$ 400,000</u>	<u>\$ 280,374</u>	<u>\$ (119,626)</u>	<u>\$ 285,525</u>
Operating expenditures				
Salaries and employee benefits	\$ 400,000	\$ 272,374	\$ 127,626	\$ 282,911
Total expenditures	<u>\$ 400,000</u>	<u>\$ 272,374</u>	<u>\$ 127,626</u>	<u>\$ 282,911</u>
Reconciliation of income before transfers				
Total revenues and other financing sources		\$ 280,374		
Total expenditures		<u>272,374</u>		
Subtotal		<u>8,000</u>		
Income (loss) before transfers per the Statement of Revenues, Expenses and Changes in Fund Net Assets		<u>\$ 8,000</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2006
(With Comparative Totals for June 30, 2005)

	2006		Variance Positive (Negative)	2005
	Budget	Actual		
Revenues				
Operating revenues				
Contributions	\$ 1,450,549	\$ 1,528,841	\$ 78,292	\$ 935,775
Non-operating revenues				
Interest earned on investments	9,780	28,271	18,491	14,337
Total revenues	<u>\$ 1,460,329</u>	<u>\$ 1,557,112</u>	<u>\$ 96,783</u>	<u>\$ 950,112</u>
Operating expenditures				
Administrative costs	\$ 10,085	\$ 6,351	\$ 3,734	\$ 7,556
Salaries and employee benefits	1,456,349	1,302,753	153,596	1,263,947
Total expenditures	<u>1,466,434</u>	<u>1,309,104</u>	<u>157,330</u>	<u>1,271,503</u>
Other financing uses				
Transfers in	-	-	-	-
Appropriated fund balance	(6,105)	-	6,105	-
Total expenditures and other financing uses	<u>\$ 1,460,329</u>	<u>\$ 1,309,104</u>	<u>\$ 163,435</u>	<u>\$ 1,271,503</u>
Reconciliation of income before transfers				
Total revenues and other financing sources		\$ 1,557,112		
Total expenditures		<u>1,309,104</u>		
Subtotal		<u>248,008</u>		
Income (loss) before transfers per the Statement of Revenues, Expenses and Changes in Fund Net Assets		<u>\$ 248,008</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2006
(With Comparative Totals for June 30, 2005)

	2006		Variance Positive (Negative)	2005
	Budget	Actual		
Revenues				
Operating revenues				
Litigation settlement	\$ -	\$ -	\$ -	\$ -
Non-operating revenues				
Interest earned on investments	-	15,799	15,799	9,283
Other financing sources				
Transfers in	318,905	318,905	-	292,824
Appropriated fund balance	-	-	-	-
Total revenues and other financing sources	<u>\$ 318,905</u>	<u>\$ 334,704</u>	<u>\$ 15,799</u>	<u>\$ 302,107</u>
Operating expenditures				
Administrative costs	\$ 318,905	\$ 308,479	\$ 10,426	\$ 551,870
Reconciliation of income before transfers				
Total revenues and other financing sources		\$ 334,704		
Total expenditures		<u>308,479</u>		
Subtotal		26,225		
Net transfers		<u>(318,905)</u>		
Income (loss) before transfers per the Statement of Revenues, Expenses and Changes in Fund Net Assets		<u>\$ (292,680)</u>		

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

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COUNTY OF CUMBERLAND, NORTH CAROLINA
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

	City Tax Fund	Payee Account Fund	Inmate Payee Fund	Inter- Governmental Custodial Fund	Stormwater Utility Fund	Vehicle Interest Fund	Totals
Assets							
Taxes receivable	\$ 4,351,088	\$ -	\$ -	\$ -	\$ 88,941	\$ -	\$ 4,440,029
Restricted cash and cash equivalents	70,492	268,034	13,044	200,356	123,321	14,510	689,757
Total assets	\$ 4,421,580	\$ 268,034	\$ 13,044	\$ 200,356	\$ 212,262	\$ 14,510	\$ 5,129,786
Liabilities							
Accounts and vouchers payable	\$ 4,383,229	\$ 268,034	\$ 13,044	\$ 200,356	\$ 212,262	\$ -	\$ 5,076,925
Due to other governments	-	-	-	-	-	14,510	14,510
Due to Cumberland County	38,351	-	-	-	-	-	38,351
Total liabilities	\$ 4,421,580	\$ 268,034	\$ 13,044	\$ 200,356	\$ 212,262	\$ 14,510	\$ 5,129,786

COUNTY OF CUMBERLAND, NORTH CAROLINA
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2006

	July 1, 2005	Additions	Deductions	June 30, 2006
<u>City Tax Fund</u>				
Assets				
Taxes receivable	\$ 4,481,712	\$ 48,335,985	\$ 48,466,609	\$ 4,351,088
Restricted cash and cash equivalents	85,108	47,526,359	47,540,975	70,492
Total assets	\$ 4,566,820	\$ 95,862,344	\$ 96,007,584	\$ 4,421,580
Liabilities				
Accounts and vouchers payable	\$ 4,528,321	\$ 95,823,993	\$ 95,969,085	\$ 4,383,229
Due to Cumberland County	38,499	38,351	38,499	38,351
Total liabilities	\$ 4,566,820	\$ 95,862,344	\$ 96,007,584	\$ 4,421,580
<u>Payee Account Fund</u>				
Assets				
Restricted cash and cash equivalents	\$ 329,904	\$ 1,051,304	\$ 1,113,174	\$ 268,034
Total assets	\$ 329,904	\$ 1,051,304	\$ 1,113,174	\$ 268,034
Liabilities				
Accounts and vouchers payable	\$ 329,904	\$ 1,051,304	\$ 1,113,174	\$ 268,034
Total liabilities	\$ 329,904	\$ 1,051,304	\$ 1,113,174	\$ 268,034
<u>Inmate Payee Fund</u>				
Assets				
Restricted cash and cash equivalents	\$ 12,345	\$ 681,270	\$ 680,571	\$ 13,044
Total assets	\$ 12,345	\$ 681,270	\$ 680,571	\$ 13,044
Liabilities				
Accounts and vouchers payable	\$ 12,345	\$ 681,270	\$ 680,571	\$ 13,044
Total liabilities	\$ 12,345	\$ 681,270	\$ 680,571	\$ 13,044
<u>Intergovernmental Custodial Fund</u>				
Assets				
Restricted cash and cash equivalents	131,467	1,597,696	1,528,807	200,356
Total assets	\$ 131,467	\$ 1,597,696	\$ 1,528,807	\$ 200,356
Liabilities				
Accounts and vouchers payable	\$ 131,467	\$ 1,597,696	\$ 1,528,807	\$ 200,356
Total liabilities	\$ 131,467	\$ 1,597,696	\$ 1,528,807	\$ 200,356
<u>Stormwater Utility Fund</u>				
Assets				
Taxes receivable	\$ 116,552	\$ 2,226,413	\$ 2,254,024	\$ 88,941
Restricted cash and cash equivalents	117,578	2,218,988	2,213,245	123,321
Total assets	\$ 234,130	\$ 4,445,401	\$ 4,467,269	\$ 212,262
Liabilities				
Accounts and vouchers payable	\$ 234,130	\$ 4,445,401	\$ 4,467,269	\$ 212,262
Total liabilities	\$ 234,130	\$ 4,445,401	\$ 4,467,269	\$ 212,262
<u>Vehicle Interest Fund</u>				
Assets				
Restricted cash and cash equivalents	\$ -	\$ 59,685	\$ 45,175	\$ 14,510
Total assets	\$ -	\$ 59,685	\$ 45,175	\$ 14,510
Liabilities				
Due to other governments	-	59,685	45,175	14,510
Total liabilities	\$ -	\$ 59,685	\$ 45,175	\$ 14,510
<u>TOTAL - ALL AGENCY FUNDS</u>				
Assets				
Taxes receivable	\$ 4,598,264	\$ 50,562,398	\$ 50,720,633	\$ 4,440,029
Restricted cash and cash equivalents	676,402	53,135,302	53,121,947	689,757
Total assets	\$ 5,274,666	\$ 103,697,700	\$ 103,842,580	\$ 5,129,786
Liabilities				
Accounts and vouchers payable	\$ 5,236,167	\$ 103,599,664	\$ 103,758,906	\$ 5,076,925
Due to other governments	-	59,685	45,175	14,510
Due to Cumberland County	38,499	38,351	38,499	38,351
Total liabilities	\$ 5,274,666	\$ 103,697,700	\$ 103,842,580	\$ 5,129,786

COUNTY OF CUMBERLAND, NORTH CAROLINA
Combining Statement of Fiduciary Assets and Liabilities
Agency Fund - City Tax Fund
June 30, 2006

	Fayetteville Tax Fund	Downtown Revitalization Tax Fund	Falcon Tax Fund	Godwin Tax Fund	Hope Mills Tax Fund	Linden Tax Fund	Spring Lake Tax Fund	Stedman Tax Fund	Wade Tax Fund	Totals
Assets										
Taxes receivable	\$ 3,847,463	\$ 7,374	\$ 1,570	\$ 1,605	\$ 221,301	\$ 2,451	\$ 251,658	\$ 11,439	\$ 6,227	\$ 4,361,088
Restricted cash and cash equivalents	51,959	-	448	131	7,718	258	5,398	3,665	915	70,492
Total assets	<u>\$ 3,899,422</u>	<u>\$ 7,374</u>	<u>\$ 2,018</u>	<u>\$ 1,736</u>	<u>\$ 229,019</u>	<u>\$ 2,709</u>	<u>\$ 257,056</u>	<u>\$ 15,104</u>	<u>\$ 7,142</u>	<u>\$ 4,421,580</u>
Liabilities										
Accounts and vouchers payable	\$ 3,899,422	\$ (30,705)	\$ 2,011	\$ 1,734	\$ 228,889	\$ 2,705	\$ 256,996	\$ 15,049	\$ 7,128	\$ 4,383,229
Due to Cumberland County	-	38,079	7	2	130	4	80	55	14	38,951
Total liabilities	<u>\$ 3,899,422</u>	<u>\$ 7,374</u>	<u>\$ 2,018</u>	<u>\$ 1,736</u>	<u>\$ 229,019</u>	<u>\$ 2,709</u>	<u>\$ 257,056</u>	<u>\$ 15,104</u>	<u>\$ 7,142</u>	<u>\$ 4,421,580</u>

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

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COUNTY OF CUMBERLAND, NORTH CAROLINA

Discretely Presented Component Unit
Eastover Sanitary District
Statement of Net Assets
June 30, 2006

Assets	
Current assets	
Cash and cash equivalents	\$ 1,664
Sales tax receivable	6,509
Due from other governments	58,700
Total current assets	<u>66,873</u>
Noncurrent assets	
Restricted:	
Cash and cash equivalents	273,245
Accounts receivable	14,849
Capital assets, net of accumulated depreciation	6,142,461
Total noncurrent assets	<u>6,430,555</u>
Total assets	<u><u>6,497,428</u></u>
Liabilities and net assets	
Current liabilities	
Accounts and vouchers payable	48,703
Accrued interest payable	14,255
Other payables	14,904
Current portion of long-term debt and accrued vacation	46,000
Total current liabilities	<u>123,862</u>
Noncurrent liabilities	
Long-term debt	<u>3,771,500</u>
Total noncurrent liabilities	<u>3,771,500</u>
Total liabilities	<u><u>3,895,362</u></u>
Net assets	
Invested in capital assets, net of related debt	2,324,961
Restricted net assets	288,094
Unrestricted	(10,989)
Total net assets	<u><u>\$ 2,602,066</u></u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Discretely Presented Component Unit
Eastover Sanitary District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year Ended June 30, 2006

Operating revenues	
Charges for services	\$ 542,273
Other operating revenue	15
Total operating revenues	<u>542,288</u>
Operating expenses	
Salaries and employee benefits	3,552
Depreciation	159,136
Miscellaneous	17,484
Total operating expenses	<u>180,172</u>
Operating income (loss)	<u>362,116</u>
Nonoperating revenue (expense)	
Interest earned on investments	21,569
Interest expense	(172,866)
Total nonoperating revenue (expense)	<u>(151,297)</u>
Income (loss) before contributions	210,819
Capital contributions	21,834
Change in net assets	<u>232,653</u>
Total net assets - beginning	<u>2,369,413</u>
Total net assets - ending	<u>\$ 2,602,066</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Discretely Presented Component Unit
Eastover Sanitary District
Statement of Cash Flows
Year Ended June 30, 2006

Operating activities	
Cash received from customers	\$ 536,464
Other operating revenue	15
Cash paid to employees	(3,552)
Cash paid for goods and services	<u>(27,700)</u>
Net cash provided by (used in) operating activities	<u>505,227</u>
Capital and related financing activities	
Acquisition and construction of capital assets	(287,589)
Principal paid on long-term debt	(44,000)
Interest paid on bonds	<u>(173,030)</u>
Net cash provided (used) by capital and related financing activities	<u>(504,619)</u>
Investing activities	
Investment earnings	<u>21,569</u>
Net cash provided (used) in investing activities	<u>21,569</u>
Net increase in cash and cash equivalents	<u>22,177</u>
Cash and cash equivalents	
Beginning of year	<u>252,732</u>
End of year	<u>\$ 274,909</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ 362,116
Depreciation	159,136
Change in assets and liabilities	
(Increase) decrease in accounts receivable	(12,274)
(Increase) decrease in inventories	5,705
Increase (decrease) in accounts payable and accrued liabilities	<u>(9,456)</u>
Total adjustments	<u>143,111</u>
Net cash provided by (used in) operating activities	<u>\$ 505,227</u>
Noncash investing, capital, and financing activities:	
Contributed assets	<u>\$ 21,834</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Eastover Sanitary District
Year Ended June 30, 2006
(With Comparative Totals for June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Negative)	
Operating revenues				
Charges for services	\$ 576,342	\$ 542,273	\$ (34,069)	\$ 255,003
Other operating revenue	-	15	15	-
Total operating revenues	<u>576,342</u>	<u>542,288</u>	<u>(34,054)</u>	<u>255,003</u>
Nonoperating revenues and other financing sources				
Interest earned on investments	5,000	21,569	16,569	7,114
Capital contributions	2,825,286	21,834	(2,803,452)	56,560
Total Nonoperating revenues and other financing sources	<u>2,830,286</u>	<u>43,403</u>	<u>(2,786,883)</u>	<u>63,674</u>
Appropriated fund balance	7,243	-	(7,243)	-
Total revenues, other financing sources and fund balance appropriations	<u>\$ 3,413,871</u>	<u>\$ 585,691</u>	<u>\$ (2,828,180)</u>	<u>\$ 318,677</u>
Operating expenditures				
Salaries and employee benefits	\$ 5,168	\$ 3,552	\$ 1,616	\$ 4,171
Miscellaneous	331,887	17,484	314,403	22,353
Total operating expenditures	<u>337,055</u>	<u>21,036</u>	<u>316,019</u>	<u>26,624</u>
Nonoperating expenditures				
Debt Service	217,030	172,866	44,164	174,774
Proprietary nonoperating expense	-	-	-	-
Total nonoperating expenditures	<u>217,030</u>	<u>172,866</u>	<u>44,164</u>	<u>174,774</u>
Other expenditures and financing uses				
Capital outlay	2,859,786	287,589	2,572,197	-
Total other expenditures and financing uses	<u>2,859,786</u>	<u>287,589</u>	<u>2,572,197</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 3,413,871</u>	<u>\$ 481,491</u>	<u>\$ 2,932,380</u>	<u>\$ 201,298</u>
Reconciliation of modified accrual basis to full accrual basis				
Total revenues and other financing sources		\$ 585,691		
Total expenditures and other financing uses		<u>481,491</u>		
		104,200		
Capital outlay		287,589		
Depreciation		(159,136)		
Capital contributions		<u>(21,834)</u>		
Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes In Fund Net Assets		<u>\$ 210,819</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, 2006

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental revenue	\$ 663,053	\$ 663,054	\$ -	\$ -	\$ 663,054
Interest earned on investments	47,183	53,408	-	-	53,408
Miscellaneous	100,959	101,538	-	-	101,538
Total revenues	811,195	818,000	-	-	818,000
Expenditures					
Capital outlay					
Water and sewer	6,699,398	6,469,195	-	-	6,469,195
Total expenditures	6,699,398	6,469,195	-	-	6,469,195
Revenues over (under) expenditures	(5,888,203)	(5,651,195)	-	-	(5,651,195)
Other financing sources (uses)					
Proceeds of refunding bonds	3,908,803	-	-	-	-
Capital contributions (USDA)	1,926,000	1,926,000	-	-	1,926,000
Transfers in	127,248	127,248	-	-	127,248
Payment of primary government	(218,111)	(218,110)	-	-	(218,110)
Appropriated fund balance	144,263	-	-	-	-
Total other financing sources	5,888,203	1,835,138	-	-	1,835,138
Revenues and other financing sources over (under) expenditures	\$ -	\$ (3,816,057)	\$ -	-	\$ (3,816,057)
Fund balance					
Beginning of year - July 1				(3,816,057)	
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, 2006

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Restricted intergovernmental revenue	\$ 500,000	\$ -	\$ -	\$ -	\$ -
Sales and services	34,500	-	-	1,664	1,664
Miscellaneous	-	-	-	15	15
Total revenues	534,500	-	-	1,679	1,679
Expenditures					
Capital outlay					
Water and sewer	2,859,786	103,556	-	-	103,556
Total expenditures	2,859,786	103,556	-	-	103,556
Revenues over (under) expenditures	(2,325,286)	(103,556)	-	1,679	
Other financing sources (uses)					
Capital contributions (USDA)	2,325,286	103,556	-	21,834	125,390
Total other financing sources	2,325,286	103,556	-	21,834	125,390
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	23,513	\$ 125,390
Fund balance					
Beginning of year - July 1				-	
End of year - June 30				\$ 23,513	

COUNTY OF CUMBERLAND, NORTH CAROLINA
 Schedule of Current Tax Levy
 Year Ended June 30, 2006

	County-wide			Total Levy		
	Total Property Valuation	Rate	Amount of Levy		Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy						
County wide	\$ 15,310,035,261	0.00880	\$ 134,728,311			
Late listing penalties		0.10000	<u>126,984</u>	\$ 134,855,295	\$ 116,691,093	\$ 18,164,202
Discoveries						
County wide	116,737,707	0.00880	1,027,292			
Late listing penalties		0.10000	<u>162,952</u>	1,190,244	1,138,740	51,505
Abatements						
County wide	(239,531,513)	0.00880	(2,107,877)			
Late listing penalties		0.10000	<u>(45,830)</u>	<u>(2,153,707)</u>	<u>(483,030)</u>	<u>(1,670,678)</u>
Adjusted tax levy				133,891,832	117,346,803	16,545,029
Uncollected taxes at June 30, 2006				<u>(4,790,468)</u>	<u>(1,937,675)</u>	<u>(2,852,793)</u>
Current year's taxes collected				<u>\$ 129,101,364</u>	<u>\$ 115,409,128</u>	<u>\$ 13,692,236</u>
Percent of current year's taxes collected				<u>96.42%</u>	<u>98.35%</u>	<u>82.76%</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable

June 30, 2006

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2005</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2006</u>
2005-2006	\$ -	\$ 133,891,832	\$ 129,101,364	\$ 4,790,468
Prior years	13,223,795	-	5,425,056	7,798,739
	<u>\$ 13,223,795</u>	<u>\$ 133,891,832</u>	<u>\$ 134,526,420</u>	12,589,207
Less allowance for uncollectible ad valorem taxes receivable				<u>(7,817,978)</u>
				<u>\$ 4,771,229</u>

RECONCILIATION OF COLLECTIONS AND CREDITS WITH REVENUES

Collections and credits per above	\$ 134,526,420
Interest	1,204,529
Processing fees	262,581
Other	372,563
Releases from prior years	<u>(442,897)</u>
Ad Valorem Taxes - General Fund (per report)	<u>\$ 135,923,196</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Transfers

Year Ended June 30, 2006

<u>Operating Transfers From/To Other Funds/Component Units</u>	<u>Transfers In (From)</u>	<u>Transfers Out (To)</u>
General Fund		
<u>Nonmajor governmental funds</u>		
Special Revenue Funds		
County School Fund	\$ 4,188,658	\$ 429,571
Prepared Food and Beverage Fund	41,020	
Workforce Development Administration		15,000
Industrial Development Fund		556,104
Water and Sewer		3,200,000
Juvenile Crime Prevention		293,852
Property Revaluation Fund		505,252
Community Development		18,669
Community Development Home		46,524
Transportation Funds		
Elderly and Handicapped Transportation		7,093
Capital Projects		
Animal Control Facility		774,045
 <u>Internal Service Funds</u>		
Group Insurance		1,273,000
General Litigation Fund		318,905
 <u>Major Enterprise Funds</u>		
Cumberland County Crown Center Fund		4,167,573
Solid Waste Fund	25,501	
 <u>Nonmajor governmental funds</u>		
Special Revenue Funds		
Prepared Food and Beverage Fund		
General Fund		41,020
Enterprise Fund		
Cumberland County Mem. Aud. Fund		3,600,275
County School Fund		
General Fund	429,571	4,188,658
Workforce Development Administration		
General Fund	15,000	
Industrial Development Fund		
General Fund	556,104	
Federal Forfeiture - Justice		
Capital Project		
Sheriff's Training Facility		1,781,297

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Transfers

Year Ended June 30, 2006

<u>Operating Transfers From/To Other Funds/Component Units</u>	<u>Transfers In (From)</u>	<u>Transfers Out (To)</u>
State Drug Forfeiture		
Capital Project		
Sheriff's Training Facility		137,850
Water & Sewer		
General Fund	3,200,000	
Enterprise Fund		
Kelly Hills		120,932
Property Revaluation Fund		
General Fund	505,252	
Juvenile Crime Prevention		
General Fund	293,852	
Community Development		
General Fund	18,669	
Special Revenue Fund		
Community Development Support Housing	4,952	
Community Development Home		
General Fund	46,524	
Community Development Support Housing		
Special Revenue Fund		
Community Development		4,952
Handicapped and Elderly Transportation		
General Fund	7,093	
Capital Project Funds		
Animal Control Building		
General Fund	774,045	
Sheriff's Training Facility		
Special Revenue Fund		
Federal Forfeiture - Justice	1,781,297	
Special Revenue Fund		
State Drug Forfeiture	137,850	
Major Enterprise Funds		
Cumberland County Crown Center Fund		
General Fund	4,167,573	
Special Revenue Fund		
Prepared Food and Beverage Fund	3,600,275	
Solid Waste Fund		
General Fund		25,501
Kelly Hills		
Special Revenue Fund		
County Water & Sewer	120,932	

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Transfers

Year Ended June 30, 2006

	<u>Transfers In (From)</u>	<u>Transfers Out (To)</u>
<u>Operating Transfers From/To Other Funds/Component Units</u>		
<u>Internal Service Funds</u>		
General Litigation Fund		
General Fund	318,905	
Group Insurance Fund		
General Fund	<u>1,273,000</u>	
	\$ <u>21,506,073</u>	\$ <u>21,506,073</u>

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

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County of Cumberland, North Carolina
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental Activities					
Invested in capital assets, net of related debt	\$ 35,805,126	\$ 33,445,127	\$ 30,253,418	\$ 13,374,791	\$ 22,117,158
Restricted	700,730	10,650,586	26,985,138	35,261,376	45,860,075
Unrestricted	5,287,236	12,017,934	4,321,365	19,674,642	23,995,634
Total governmental activities net assets	<u>\$ 41,793,092</u>	<u>\$ 56,113,647</u>	<u>\$ 61,559,921</u>	<u>\$ 68,310,809</u>	<u>\$ 91,972,867</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 20,537,487	\$ 21,071,073	\$ 20,708,795	\$ 29,393,382	\$ 31,693,900
Restricted		1,073,253	1,489,089	1,432,349	1,625,492
Unrestricted	14,603,390	16,352,815	19,301,119	23,840,995	28,226,868
Total business-type activities net assets	<u>\$ 35,140,877</u>	<u>\$ 38,497,141</u>	<u>\$ 41,499,003</u>	<u>\$ 54,666,726</u>	<u>\$ 61,546,260</u>
Primary Government					
Invested in capital assets, net of related debt	\$ 56,342,613	\$ 54,516,200	\$ 50,962,213	\$ 42,768,173	\$ 53,811,058
Restricted	700,730	11,723,839	28,474,227	36,693,725	47,485,567
Unrestricted	19,890,626	28,370,749	23,622,484	43,515,637	52,222,502
Total primary government net assets	<u>\$ 76,933,969</u>	<u>\$ 94,610,788</u>	<u>\$ 103,058,924</u>	<u>\$ 122,977,535</u>	<u>\$ 153,519,127</u>

Note: The County of Cumberland implemented GASB Statement 34 in Fiscal Year 2002. In the future, up to nine (9) prior years will be presented with the current year to illustrate the County's financial performance over time.

County of Cumberland, North Carolina
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses					
Governmental Activities					
General Government	\$ 14,511,956	\$ 17,978,478	\$ 17,855,161	\$ 20,761,217	\$ 20,483,697
Public Safety	34,549,771	35,710,422	38,908,990	41,207,126	42,301,225
Economic & physical development	9,121,126	8,903,243	10,852,650	12,357,831	13,586,698
Human Services	95,809,025	97,860,270	99,736,931	107,506,798	111,115,841
Cultural & Recreational	10,490,154	9,670,353	10,426,819	13,865,651	15,058,981
Education	92,708,505	81,385,988	78,521,977	83,763,840	80,402,833
Interest on long-term debt	10,334,809	10,411,524	9,933,650	9,180,661	8,755,303
Total governmental activities expenses	\$ 267,523,346	\$ 261,920,278	\$ 286,236,178	\$ 288,653,124	\$ 291,704,578
Business-type activities					
Crown Center	\$ 8,671,608	\$ 8,922,890	\$ 9,346,520	\$ 11,172,781	\$ 8,550,376
Solid Waste	5,044,548	4,495,079	4,389,462	5,123,756	5,720,234
Arena Ventures		166,670			
NORCRESS Water and Sewer District					206,970
Total business-type activities	\$ 13,716,156	\$ 13,584,639	\$ 13,735,982	\$ 16,296,537	\$ 15,477,580
Total primary government expenses	\$ 281,239,502	\$ 275,504,917	\$ 279,972,160	\$ 304,949,661	\$ 307,182,158
Program Revenues					
Governmental Activities					
Charges for services					
General Government	\$ 2,618,449	\$ 3,664,933	\$ 3,856,357	\$ 3,839,955	\$ 3,082,335
Public Safety	2,624,124	2,047,995	2,135,055	2,420,801	2,633,124
Economic & physical development	325,529	958,151	933,363	1,205,185	923,979
Human Services	15,550,592	16,011,106	17,149,531	18,407,219	16,755,278
Cultural & Recreational	616,202	609,054	597,101	316,072	323,425
Operating grants and contributions					
General Government	791,001	1,218,686	577,627	534,074	1,248,637
Public Safety	748,080	498,287	893,109	1,711,447	1,148,872
Economic & physical development	6,400,074	5,437,693	7,070,855	8,573,974	8,651,204
Human Services	50,143,089	50,307,721	50,144,930	53,756,844	56,882,715
Cultural & Recreational	834,503	964,885	602,585	1,117,610	964,879
Capital grants and contributions					
General Government	2,000,000	171,876	2,000,000	2,400,000	3,141,493
Public Safety	386,534	811,942	1,209,212	543,895	739,188
Economic & physical development	1,354,400	260,569	327,215	266,840	267,545
Human Services					311,987
Cultural & Recreational	4,500	2,131			
Education	13,783,008	485,385	1,466,722		
Total governmental activities program revenues	\$ 98,180,085	\$ 83,468,514	\$ 89,183,662	\$ 95,094,016	\$ 97,074,641
Business-type activities:					
Charges for services					
Crown Center	\$ 1,699,357	\$ 2,160,252	\$ 2,079,161	\$ 2,002,713	\$ 2,305,165
Solid Waste	2,539,516	2,513,065	2,444,999	3,752,650	3,597,816
Arena Ventures		100,002			
NORCRESS Water and Sewer District			14,208	10,224	77,730
Kelly Hills Water and Sewer District		39,200			238
Operating grants and contributions					
Solid Waste	67,001				21,180
Capital grants and contributions					
NORCRESS Water and Sewer District		150,480	263,472	5,269,641	1,272,212
Kelly Hills Water and Sewer District		372,700	84,321	1,782,725	465,882
Total business-type activities program revenues	\$ 4,305,874	\$ 5,335,699	\$ 4,868,161	\$ 12,817,953	\$ 7,740,223
Total primary government program revenues	\$ 102,485,959	\$ 88,804,213	\$ 94,049,823	\$ 107,911,969	\$ 104,814,864
Net (expense)/revenue					
Governmental activities	\$ (169,343,261)	\$ (178,451,764)	\$ (177,072,516)	\$ (193,559,108)	\$ (194,629,937)
Business-type activities	(9,410,282)	(8,248,940)	(8,849,821)	(3,478,584)	(7,737,357)
Total primary government net expense	\$ (178,753,543)	\$ (186,700,704)	\$ (185,922,337)	\$ (197,037,692)	\$ (202,367,294)
General Revenues and Other Changes in Net Assets					
Governmental activities					
Ad valorem taxes	\$ 127,204,019	\$ 128,145,164	\$ 135,015,932	\$ 138,418,541	\$ 143,158,737
Other taxes	42,898,340	46,897,032	41,353,221	58,376,570	66,407,107
Unrestricted grants and contributions	3,046,773	1,265,058	4,739,443	4,592,341	5,109,038
Investment earnings	3,057,855	1,649,334	1,267,506	3,048,858	5,667,165
Miscellaneous	5,774,764	7,872,953	6,082,715	5,796,274	5,813,227
Transfers	(7,628,289)	(6,119,464)	(6,343,569)	(9,822,588)	(7,863,279)
Total governmental activities	\$ 174,351,462	\$ 179,610,077	\$ 182,115,248	\$ 200,309,896	\$ 218,291,995
Business-type activities:					
Other taxes	\$ 4,978,178	\$ 5,142,538	\$ 5,239,545	\$ 5,321,308	\$ 5,342,933
Investment earnings	553,833	328,113	285,346	568,852	1,239,835
Miscellaneous	90,113	17,089	(16,777)	835,559	170,844
Transfers	7,628,289	6,119,464	6,343,569	9,822,588	7,863,279
Total business-type activities	\$ 13,250,413	\$ 11,605,204	\$ 11,851,683	\$ 16,648,307	\$ 14,616,891
Total primary government	\$ 187,601,875	\$ 191,215,281	\$ 193,966,931	\$ 216,956,303	\$ 232,908,886
Change in Net Assets					
Governmental activities	\$ 5,008,201	\$ 1,058,313	\$ 5,042,732	\$ 6,750,888	\$ 23,882,058
Business-type activities	3,840,131	3,358,264	3,001,862	13,187,723	6,879,534
Total primary government	\$ 8,848,332	\$ 4,416,577	\$ 8,044,594	\$ 19,938,611	\$ 30,541,592

Note: The County implemented GASB Statement 34 in Fiscal Year 2002. In the future, up to nine (9) prior years will be presented with the current year to illustrate the County's financial performance over time.

County of Cumberland, North Carolina
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved for:										
Inventories	\$ -	\$ -	\$ -	\$ -	\$ 76,630	\$ 184,238	\$ 202,908	\$ 204,886	\$ 265,955	\$ 246,003
Register of Deeds					460,148	130,055	111,146	140,680	137,081	233,127
Mental health programs	1,592,393	2,040,809	5,023,077	4,919,318	3,790,742	458,591	60,230	60,230		
Encumbrances	7,680,894	9,671,094	7,820,182	7,790,876	8,903,550	3,458,701	1,770,338	4,435,564	3,962,466	10,170,114
State statute	671,567				9,387,422		8,740,114	19,947,496	22,374,474	21,868,108
Recreation										
Unreserved	9,088,629	16,515,143	22,846,877	23,892,466	8,362,179	8,761,401	11,337,226	11,380,770	17,502,451	15,407,911
Designated for subsequent year's expenditures										150,000
Designated for revaluation										1,161,950
Designated for tax office software										752,234
Designated for renovations and maintenance								3,904,050	3,984,050	3,166,150
Designated for health department renovations									2,500,000	2,704,163
Designated for Courthouse/plaza renovations										1,227,898
Designated for current year's expenditures	3,459,082	871,211	2,744,071		1,449,658	1,898,633	2,979,503	2,018,754	2,861,997	3,065,833
Designated for other purposes										453,000
Designated for technology										
Designated for school buses										
Undesignated	13,650,111	20,033,540	18,671,738	19,248,256	23,634,427	25,795,383	31,465,137	36,360,701	36,557,371	38,481,266
Total General Fund	\$ 36,142,676	\$ 49,131,797	\$ 57,105,945	\$ 55,848,916	\$ 46,677,334	\$ 50,074,424	\$ 56,666,502	\$ 81,315,228	\$ 90,598,845	\$ 98,634,757
All other governmental funds										
Reserved for:										
Encumbrances	\$ 1,327,047	\$ 4,732,801	\$ 3,778,353	\$ 3,548,356	\$ 1,884,414	\$ 1,032,705	\$ 1,602,208	\$ 1,957,387	\$ 427,951	\$ 3,152,903
State statute	1,120,243	6,038,100	8,255,535	5,757,659	3,027,233	906,813	1,545,192	3,617,379	3,561,323	6,066,361
Inmates						207,604	180,831	284,724	310,054	231,064
Cemetery						34,535	34,082	34,251	36,913	36,477
Unreserved	17,853,340	3,159,840	3,621,411	1,970,529	3,124,377	4,073,588	9,311,953	3,958,056	4,190,146	4,538,462
Designated for subsequent year's expenditures	914,691								200,000	
Designated for other purposes										
Undesignated										
2004 School Bonds										
Special Revenue	9,034,222	9,661,463	12,963,694	12,153,903	16,101,941	16,990,355	16,126,852	16,908,782	17,047,045	16,728,673
Capital Projects	85,495,224	85,495,224	36,483,070	72,252,259	30,878,557	18,727,617	8,420,384	10,657,459	8,418,369	6,984,593
Total all other governmental funds	\$ 30,249,543	\$ 109,087,428	\$ 65,092,063	\$ 95,682,706	\$ 55,016,522	\$ 41,973,217	\$ 37,221,502	\$ 37,418,038	\$ 36,290,114	\$ 37,738,533

County of Cumberland, North Carolina
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Ad valorem taxes	\$ 87,054,467	\$ 92,141,780	\$105,396,023	\$110,633,523	\$120,090,162	\$124,363,995	\$126,501,055	\$135,256,367	\$139,296,709	\$144,301,591
Other taxes	40,579,448	40,734,041	42,727,017	44,041,811	44,480,156	42,896,340	44,187,050	54,188,271	61,258,764	66,196,673
Unrestricted Intergovernmental	4,995,654	5,513,877	4,220,223	4,162,351	4,076,568	3,046,773	1,265,058	4,857,430	4,592,341	5,272,501
Restricted Intergovernmental	48,810,749	59,081,248	89,783,663	76,092,018	68,360,688	76,445,189	60,157,275	64,547,056	68,928,744	73,145,402
Licenses and permits	2,428,896	2,527,608	2,641,073	2,397,716	2,560,655	2,847,757	4,062,976	4,432,579	5,231,307	3,616,805
Sales and services	13,024,781	13,488,690	16,776,353	15,344,765	15,418,729	18,885,329	19,248,263	20,066,040	20,938,883	20,175,715
Investment earnings	4,767,820	7,098,378	8,384,623	12,730,972	10,757,185	3,417,439	1,568,762	1,225,854	2,994,836	5,528,796
Other general revenues	1,876,238	2,595,288	5,761,570	6,375,175	6,938,772	5,748,604	7,585,811	6,221,854	6,801,754	5,898,692
Total revenues	\$203,538,053	\$223,180,910	\$275,690,545	\$271,778,331	\$272,682,915	\$277,651,426	\$264,576,250	\$290,795,451	\$310,043,338	\$324,136,135
Expenditures										
General government	\$ 13,004,267	\$ 13,413,521	\$ 15,469,569	\$ 17,531,741	\$ 16,715,906	\$ 14,434,601	\$ 16,190,889	\$ 15,865,618	\$ 20,448,388	\$ 19,573,002
Public safety	27,836,661	30,053,656	32,231,820	34,722,359	35,347,039	33,042,128	34,149,908	36,729,376	38,385,258	40,308,572
Economic and physical development	10,753,721	8,479,056	12,194,523	10,836,007	9,299,668	9,092,224	9,330,336	10,387,592	11,442,987	13,190,720
Human services	74,508,708	76,363,237	84,325,747	93,199,215	96,391,139	94,276,944	97,284,634	97,944,667	105,115,297	110,306,464
Cultural and recreational	8,571,310	10,328,854	10,256,806	11,065,295	10,894,944	9,653,351	9,166,754	10,602,235	13,396,711	14,343,093
Education	46,410,845	48,415,445	56,763,115	64,840,316	70,145,351	82,555,828	80,398,479	78,169,718	83,763,840	80,402,772
Capital outlay	7,927,917	31,567,580	81,712,347	63,758,095	53,043,613	16,248,607	4,673,700	488,141	4,236,462	8,576,837
Debt Service										
Principal	4,010,750	4,503,710	9,200,202	11,986,539	13,205,035	11,873,262	10,958,755	11,758,005	12,100,187	13,888,769
Interest and fees	3,678,482	4,321,439	7,661,546	9,303,024	11,055,103	10,490,911	10,274,436	10,093,789	9,477,155	8,961,568
Debt issuance cost									268,699	
Total expenditures	\$196,602,661	\$227,446,498	\$309,815,675	\$317,242,591	\$316,097,798	\$281,667,866	\$272,407,891	\$272,039,141	\$298,634,984	\$309,551,797
Revenues over (under) expenditures	\$ 6,935,392	\$ (4,265,588)	\$ (34,125,130)	\$ (45,464,260)	\$ (43,414,883)	\$ (4,016,440)	\$ (7,831,641)	\$ 18,756,310	\$ 11,408,354	\$ 14,584,338
Other financing sources (uses)										
Debt issuance	\$ 6,310,905	\$ 93,358,180		\$ 81,612,300	50,760,000		\$ 238,125	\$ 15,818,195	\$ 9,862,080	\$ 4,300,000
Refunding debt issuance					122,536				35,505,000	
Premium on refunding bonds					(49,980,680)				2,713,376	
Payment to refund bond escrow agent									(37,669,214)	
Lease purchase proceeds	3,330,000	2,400,000	2,734,487	97,689	41,882	65,728				55,177
Sale of capital assets	590,979	197,950	568,140	97,689	41,882	65,728				
Transfers in	9,301,074	10,414,204	8,437,167	11,239,682	6,369,356	6,995,004	19,114,050	7,995,786	10,358,015	12,025,388
Transfers out	(11,841,672)	(17,697,141)	(13,386,640)	(17,678,532)	(13,776,418)	(13,828,913)	(25,547,383)	(16,307,387)	(24,435,460)	(21,480,572)
Payment from component unit						(73,847)	287,142			
Total other financing sources (uses)	\$ 7,691,286	\$ 88,673,193	\$ (1,646,846)	\$ 75,271,139	\$ (6,443,324)	\$ (6,603,903)	\$ 9,672,004	\$ (8,311,601)	\$ (3,656,203)	\$ (5,100,007)
Net change in fund balances	\$ 14,626,678	\$ 84,407,605	\$ (35,771,976)	\$ 29,806,879	\$ (49,858,207)	\$ (10,620,343)	\$ 1,840,363	\$ 10,444,709	\$ 7,752,151	\$ 9,484,331
Debt service as a percentage of noncapital expenditures	4.02%	4.51%	7.39%	8.40%	9.22%	8.43%	7.93%	8.05%	7.42%	7.59%

County of Cumberland, North Carolina
Tax Revenues by Source - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

Sources of Governmental Funds Tax Revenues

Fiscal Year	Ad Valorem	Sales	Beer and Wine	Other	Cable	Room	Real Estate	Dog and Cat	Prepared Food and Beverage	Total
	Tax	Tax	Tax ¹	Tax ²	Franchise Tax	Occupancy Tourism Tax	Transfer Tax	Registration Tax	Tax	Tax
1997	\$ 87,054,464	\$ 33,944,410	\$ 673,205	\$ 2,105,339	\$ 831,489	\$ -	\$ 598,447	\$ 163,378	\$ 2,488,814	\$ 127,859,546
1998	92,141,749	34,310,881	668,027	2,137,445	741,190	605,239	600,411	166,332	2,850,806	134,222,080
1999	105,395,538	36,177,934	639,938	2,144,568	776,985	611,971	636,742	155,620	2,972,075	149,511,371
2000	110,633,525	37,475,155	629,898	2,115,858	831,489	641,019	573,025	153,494	3,094,256	156,147,719
2001	120,090,159	37,831,655	623,332	2,113,397	883,967	618,062	585,671	149,207	3,178,154	166,073,604
2002	124,363,964	36,844,336		2,001,983	702,280	774,919	661,865	189,881	3,198,637	168,737,865
2003	126,501,048	39,241,600	657,645	2,431	925,456	1,173,035	734,497	172,981	3,380,003	172,788,696
2004	135,256,382	48,414,740	658,219	2,557	965,053	1,538,270	1,069,746	441,763	3,601,634	191,948,364
2005	139,296,712	53,103,181	686,819	3,026	1,313,954	2,092,077	1,131,223	405,668	3,836,771	201,869,431
2006	144,301,591	55,674,521	695,840	2,443	595,574	3,259,120	1,477,071	381,637	4,110,467	210,498,264

¹ Tax was withheld in FY 2002 from local governments due to State budget crisis.

² Other Tax for FY 2002 and prior fiscal years includes the Intangibles Tax and the NC Elderly Exemption Tax which are now repealed.

County of Cumberland, North Carolina
Assessed Value of Taxable Property
Last Ten Fiscal Years
(Dollars in Thousands)
Unaudited

Fiscal Year Ended June 30	Real Property			Public Service ¹		Motor Vehicle		Personal Property		Less: Tax Exempt Property ³	Total Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value ⁴	Assessed Value as a Percentage of Actual Value ⁵
	Real Property	Public Service ¹	Motor Vehicle	Other ²	Other ²	Other ²								
1997	\$ 9,256,162	\$ 280,420	\$ -	\$ 2,199,190	\$ 888,176	\$ 10,847,596	0.750	\$ 10,847,596	100.00%					
1998	9,657,453	295,334	-	2,243,185	893,552	11,302,420	0.750	11,302,420	100.00%					
1999	10,049,812	300,831	-	2,324,845	989,476	11,686,012	0.840	11,933,026	97.93%					
2000	10,520,476	316,779	-	2,475,285	1,079,812	12,232,728	0.840	12,633,200	96.83%					
2001	10,737,544	328,454	-	2,614,139	1,164,207	12,515,930	0.900	13,061,918	95.82%					
2002	11,052,096	342,024	1,694,491	890,618	1,234,469	12,744,760	0.925	13,746,910	92.71%					
2003	11,138,599	319,378	1,743,025	1,064,738	1,452,708	12,813,032	0.925	13,626,536	94.03%					
2004	12,860,438	326,351	1,774,855	1,042,375	1,830,639	14,173,380	0.880	14,173,380	100.00%					
2005	13,156,842	336,616	1,767,131	1,075,944	1,847,915	14,488,618	0.880	14,734,687	98.33%					
2006	13,497,036	366,205	2,017,935	1,086,581	1,780,516	15,187,241	0.880	16,425,742	92.46%					

¹ Public service companies' property includes real and personal property of utilities, railroad and buslines, etc. These assessments are made by the North Carolina Department of Revenue with no distinction between real and personal property.

² Other includes motor vehicles for FYE 1997 - 2001

³ Exempt properties are not reported in the year-to-year levy. The information presented for FYE 1997 - 2001 was compiled from current system information due to scrolls not being available.

⁴ Estimated actual taxable value reflects an increase in real and exempt property. Estimated Actual Taxable Value was computed by using Real Estate Assessment Sales Ratio Study Percentages from the North Carolina Department of Revenue.

⁵ 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.

⁶ Denotes the year in which a revaluation was effective on the January 1st preceding the beginning of the fiscal year.

Source: Cumberland County Tax Department

Note: A revaluation of real property is required by North Carolina General Statutes at least every eight years. Assessed valuations are established by the Board of Commissioners at 100% of market value as of the year of the revaluation. The last revaluation was effective January 1, 2003 and is reflected beginning in Fiscal Year 2004.

County of Cumberland, North Carolina
Property Tax Rates - Direct and Overlapping Governments
(Per \$100 of Assessed Value)
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30	County of Cumberland Direct Rates				Overlapping Rates Levied by Municipalities									
	County Direct Rate	County Recreation Rate	Fire Protection Districts (1)	Special Fire District (2)	Fayetteville (3)	City of Fayetteville (3)	Fayetteville Revitalization District	Hope Mills	Town of Spring Lake (3)	Falcon	Godwin	Linden (3)	Town of Stedman	Town of Wade
1997	\$ 0.750	\$ 0.050	\$ 0.100	\$ 0.005	\$	0.495	0.063	\$ 0.380	\$ 0.550	\$ 0.150	\$ 0.150	\$ 0.150	\$ 0.370	\$ 0.210
1998	0.750	0.050	0.100	0.005	0.495	0.063	0.380	0.550	0.150	0.150	0.150	0.370	0.210	
1999	0.840	0.050	0.100	0.005	0.510	0.100	0.380	0.550	0.150	0.170	0.150	0.370	0.210	
2000	0.840	0.050	0.100	0.005	0.510	0.100	0.380	0.550	0.150	0.170	0.150	0.370	0.210	
2001	0.900	0.050	0.100	0.005	0.530	0.100	0.410	0.550	0.150	0.170	0.150	0.370	0.235	
2002	0.925	0.050	0.100	0.005	0.530	0.100	0.410	0.660	0.150	0.170	0.150	0.370	0.235	
2003	0.925	0.050	0.100	0.005	0.530	0.100	0.410	0.660	0.150	0.170	0.150	0.370	0.235	
2004	0.880	0.050	0.100	0.005	0.530	0.100	0.410	0.660	0.150	0.170	0.150	0.370	0.235	
2005	0.880	0.050	0.100	0.005	0.530	0.100	0.410	0.660	0.150	0.170	0.150	0.370	0.235	
2006	0.880	0.050	0.100	0.005	0.530	0.100	0.410	0.660	0.150	0.170	0.150	0.370	0.235	

(1) Cumberland County has seventeen fire protection districts

(2) Established in FY 1990 to assist fire departments that have limited resources available for funding

(3) Municipalities that are excluded from paying the County Recreation Tax

Source: Cumberland County Tax Department

**County of Cumberland, North Carolina
Principal Property Taxpayers
Ten Year Comparison
(Dollars in Thousands)
Unaudited**

Taxpayer	Fiscal Year 2006			Fiscal Year 1997		
	2005 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	1996 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Goodyear Tire & Rubber Co.	\$ 129,295	1	0.85%	\$ 112,889	1	1.04%
Carolina Telephone	128,531	2	0.85%	112,596	2	1.04%
Wal-Mart	109,604	3	0.72%			
Cross Creek Mall, LLC	72,651	4	0.48%			
Carolina Power & Light	68,173	5	0.45%	62,199	5	0.57%
Purolator Product NA Inc.	57,675	6	0.38%	18,972	9	0.17%
Piedmont Natural Gas Co., Inc.	53,475	7	0.35%			
Black & Decker	50,445	8	0.33%	54,441	6	0.50%
Dak Americas, LLC	48,518	9	0.32%			
Centurion Aviation Services	43,787	10	0.29%			
ICI Americas Inc.				80,440	3	0.74%
Cumberland Associates				75,624	4	0.70%
Fiber Industries				46,114	7	0.43%
N C Natural Gas				30,527	8	0.28%
South River Electric Membership				18,357	10	0.17%
	<u>\$ 762,154</u>		<u>5.02%</u>	<u>\$ 612,159</u>		<u>5.64%</u>

Source: Cumberland County Tax Department

County of Cumberland, North Carolina
Property Tax Levies and Collections - General Fund
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30	Collected within the Fiscal Year of the Levy				Total Collections to Date	
	Total Tax Levy	Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Net Levy
1997 ¹	\$ 81,443,668	\$ 77,662,345	95.36%	\$ 2,031,831	\$ 79,694,176	97.85%
1998	84,858,034	81,448,767	95.98%	3,081,102	84,529,869	99.61%
1999	98,459,530	94,720,009	96.20%	3,204,180	97,924,189	99.46%
2000	102,930,868	99,452,736	96.62%	3,820,093	103,272,829	100.33%
2001	113,019,985	108,502,502	96.00%	2,324,904	110,827,406	98.06%
2002	118,105,428	112,530,100	95.28%	3,808,148	116,338,248	98.50%
2003	118,669,185	112,620,429	94.90%	4,513,742	117,134,171	98.71%
2004 ¹	124,909,702	119,126,328	95.37%	5,448,456	124,574,784	99.73%
2005	127,699,476	122,645,671	96.04%	5,552,494	128,198,165	100.39%
2006	133,891,832	129,101,364	96.42%	5,425,056	134,526,420	100.47%

FY 2006 Reconciliation of Collections and Credits with Revenues

Collections and credits per above	\$ 134,526,420
Interest	1,204,529
Processing fees	262,581
Other	372,563
Releases from prior years	<u>(442,897)</u>
Ad Valorem Taxes - General Fund (per report)	<u>\$ 135,923,196</u>

¹ Denotes the year in which a revaluation was effective on the January 1st preceeding the beginning of the fiscal year.

Source: Cumberland County Tax Department

County of Cumberland, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (2)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Installment Purchase	General Obligation Bonds	Certificates of Participation	Capital Leases	Installment Purchase			
1997	\$ 55,500,000	\$ -	\$ 6,048,909	\$ 4,829,847	\$ -	\$ 55,113,781	\$ 210,626	\$ -	\$ 121,703,163	1.90%	403
1998	112,235,000	37,350,000	4,734,010	4,635,246	-	55,088,781	-	400,000	214,443,037	3.25%	714
1999	106,120,000	36,570,000	6,108,675	4,960,006	-	59,753,784	-	1,395,513	214,907,978	3.15%	715
2000	130,055,000	84,980,000	2,175,982	6,829,410	-	58,948,781	-	997,785	283,986,958	3.92%	938
2001	122,915,000	83,120,000	1,362,753	4,847,602	-	57,938,781	-	586,150	270,770,286	3.62%	895
2002	115,775,000	80,785,000	533,786	3,516,433	-	56,658,781	-	240,000	257,509,000	3.22%	842
2003	123,510,000	77,955,000	182,226	3,810,237	-	55,083,781	-	87,305	260,628,549	3.07%	844
2004	115,895,000	74,570,000	-	3,234,457	-	53,183,781	-	-	246,883,238	2.70%	795
2005	114,140,000	70,635,000	4,537,080	2,999,271	1,250,000	51,058,781	-	-	244,620,132	NA	802
2006	106,165,000	66,475,000	4,562,232	5,631,302	1,250,000	48,693,781	-	-	232,777,315	NA	761

(1) Percentage of Personal Income: Total debt of the primary government divided by personal income (See Schedule 13 for personal income).

(2) Per Capita: Total debt of the primary government divided by the population for that fiscal year (See Schedule 13 for population information).

NA: Information not available

County of Cumberland, North Carolina
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

<u>Fiscal Year</u>	<u>Total General Obligation Bonds</u>	<u>Percentage of Personal Income (1)</u>	<u>Percentage of Actual Taxable Value of Property (2)</u>	<u>Per Capita (1)</u>
1997	\$ 55,500,000	0.87%	0.51%	\$ 184
1998	112,235,000	1.70%	0.99%	374
1999	106,120,000	1.56%	0.89%	353
2000	130,055,000	1.80%	1.03%	429
2001	122,915,000	1.64%	0.94%	406
2002	115,775,000	1.45%	0.84%	378
2003	123,510,000	1.45%	0.91%	400
2004	115,895,000	1.27%	0.82%	373
2005	115,390,000	NA	0.78%	378
2006	107,415,000	NA	0.65%	351

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

(1) See Schedule 13 for personal income and population data.

(2) See Schedule 6 for property value data.

NA: Information not available

Cumberland County, North Carolina
Computation of Legal Debt Margin
Last Ten Fiscal Years
(Dollars in Thousands)
Unaudited

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	\$ 938,862	\$ 975,678	\$ 1,014,039	\$ 1,065,003	\$ 1,094,411	\$ 1,118,338	\$ 1,141,259	\$ 1,280,322	\$ 1,306,923	\$ 1,357,421
Total net debt applicable to limit	55,500	112,235	106,120	130,055	122,915	115,775	123,510	115,895	114,140	106,165
Legal debt margin	\$ 883,362	\$ 863,443	\$ 907,919	\$ 934,948	\$ 971,496	\$ 1,002,563	\$ 1,017,749	\$ 1,164,427	\$ 1,192,783	\$ 1,251,256
Total net debt applicable to the limit as a percentage of debt limit	5.91%	11.50%	10.47%	12.21%	11.23%	10.35%	10.82%	9.05%	8.73%	7.82%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed Property Value	\$ 15,187,241
Plus : Exempt Property	1,780,516
Total Assessed Value	<u>16,967,757</u>
Debt Limit (8% of total assessed value)	1,357,421
Debt applicable to limit:	
Total Bonded debt	231,514
Authorized and unissued debt	<u>14,101</u>
	245,615
Less: Statutory deductions	
Authorized and unissued debt	14,101
Revenue bonds	<u>125,349</u>
	139,450
Total amount of debt applicable to debt limit	106,165
Legal debt margin	<u>\$ 1,251,256</u>

County of Cumberland, North Carolina
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30	Population ¹	Personal Income	Per Capita Income ²	Median Age ¹	School Enrollment ³	Unemployment Rate ⁴
1997	301,948	\$ 6,392,239,160	\$ 21,170	28.8	50,870	4.1%
1998	300,266	6,604,350,670	21,995	29.1	50,965	4.1%
1999	300,603	6,818,277,246	22,682	29.4	51,315	3.8%
2000	302,887	7,239,302,187	23,901	29.6	51,349	4.5%
2001	302,618	7,477,388,162	24,709	30.0	51,243	6.1%
2002	305,968	7,997,391,584	26,138	30.2	51,725	7.0%
2003	308,735	8,493,608,585	27,511	30.4	52,223	6.5%
2004	310,549	9,137,904,325	29,425	30.6	53,092	5.6%
2005	305,173	NA	NA	30.8	53,399	5.7%
2006	305,829	NA	NA	N/A	53,403	5.8%

Sources:

1. North Carolina State Office of Demographics
2. Bureau of Economic Analysis
3. Cumberland County Board of Education
4. Bureau of Labor Statistics

NA: Information not available

**County of Cumberland, North Carolina
Principal Employers
Current Year and Nine Years Ago
Unaudited**

<u>Employer</u>	<u>Fiscal Year 2006</u>			<u>Fiscal Year 1997</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Fort Bragg/Pope AFB Civilians	8,857	1	27.83%	8,790	1	29.64%
Cumberland County Schools	6,500	2	20.42%	5,500	2	18.55%
Cape Fear Valley Health System	5,000	3	15.71%	3,169	3	10.69%
Goodyear Tire and Rubber Company	2,650	4	8.33%	3,000	4	10.12%
Cumberland County Government	2,486	5	7.81%	2,380	5	8.03%
City of Fayetteville	1,419	6	4.46%	1,229	9	4.14%
U.S. Postal Service	1,312	7	4.12%	1,360	8	4.59%
Fayetteville Technical Community College	1,250	8	3.93%			
Wal-Mart Distribution Center	1,200	9	3.77%			
Purolator, Inc.	1,150	10	3.61%	1,225	10	4.13%
Black & Decker Manufacturing Company				1,400	7	4.72%
Fayetteville State University				1,600	6	5.40%
	<u>31,824</u>		<u>100.00%</u>	<u>29,653</u>		<u>100.00%</u>

County of Cumberland, North Carolina
Full-Time County Government Employees by Function
Last Ten Fiscal Years
Unaudited

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government	236	244	249	247	252	206	224	234	236	234
Public Safety										
Sheriff	370	389	401	400	405	402	364	367	369	379
Detention Facility	91	93	93	92	92	129	173	182	181	187
Other	46	47	49	53	59	50	51	26	34	35
Human Services										
Public Health	258	280	318	302	303	262	212	224	226	233
Mental Health	395	399	422	403	435	426	448	455	469	407
Social Services	575	613	615	661	651	620	606	609	602	608
Other	25	25	28	27	28	25	21	22	22	23
Cultural & Recreation										
Library	135	166	199	190	178	148	145	154	162	169
Other	29	39	39	42	48	49	50	50		
Economic and Physical Development	113	106	106	108	116	101	97	104	110	108
Crown Center	28	32	32	32	32	32	36	40	41	39
Solid Waste	79	68	69	69	68	72	55	54	52	64
Total	2,380	2,501	2,620	2,626	2,667	2,522	2,482	2,521	2,504	2,486

County of Cumberland, North Carolina
 Operating Indicators by Function
 Last Ten Fiscal Years
 Unaudited

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Number of persons voting in elections	70,327	72,179	53,809	55,017	22,619	58,723	18,963	97,792	32,258	NA
Number of registered voters	132,558	141,319	148,012	155,844	* 77,112	156,807	159,479	179,370	171,030	NA
Number of birth certificates processed	7,508	7,488	7,643	7,404	7,390	7,206	7,202	7,535	8,051	7,943
Number of death certificates processed	2,167	2,217	2,465	2,468	2,399	2,441	2,428	2,506	2,355	2,533
Number of land record instruments	55,751	62,326	67,879	54,229	53,254	58,208	64,737	70,475	61,356	63,862
Number of marriage licenses issued	3,256	3,239	3,539	3,794	3,524	3,866	3,677	3,667	4,044	3,828
Number of pieces of mail handled	761,247	1,088,048	861,527	831,051	668,322	681,169	659,014	712,856	737,929	793,048
* List Maintenance every 4 years (non-voters removed)										
Public Safety										
Number of fire calls answered	10,567	10,800	10,913	9,650	10,495	13,516	9,432	9,515	9,904	7,562
Number fire permits issued	667	443	455	432	500	550	708	452	820	266
Number of emergency calls dispatched	49,888	51,758	52,524	56,713	56,568	60,046	60,761	60,832	58,446	NA
Number of sheriff calls answered	85,688	64,361	66,346	72,187	91,326	91,340	87,623	87,454	94,698	144,381
Number of civil court papers handled	NA	NA	NA	38,097	41,729	39,665	40,281	40,132	40,542	38,237
Average daily inmate population	376	375	368	373	371	392	485	464	504	518
Number of inmates admitted	12,208	12,511	10,868	9,927	9,135	9,762	9,996	9,202	9,983	10,640
Number of animals impounded (dogs and cats)	11,472	11,258	11,598	11,753	12,561	11,516	12,357	11,779	10,907	11,953
Number of animal investigations	14,536	13,903	12,918	13,016	13,897	13,862	14,895	15,018	14,482	15,767
Human Services										
Number of health dept. clinical services	40,614	41,459	38,561	22,598	29,203	25,707	27,550	30,523	32,143	31,010
Number of health dept. lab tests processed	NA	80,974	74,902	65,285	41,808	38,955	38,081	40,181	43,057	39,165
Number of health dept. prescriptions filled	NA	NA	NA	NA	NA	NA	6,781	17,995	29,302	38,119
Number of WIC Clients	NA	NA	NA	NA	44,628	45,420	42,552	40,212	38,496	36,456
Number of food stamp ave monthly households	NA	NA	NA	NA	9,368	10,179	11,713	13,016	13,928	15,623
Average active Medicaid family & children's cases	6,164	8,114	9,486	11,943	14,971	14,668	15,656	15,620	17,802	19,402
Average active Medicaid adult cases	2,874	2,981	3,476	3,481	3,746	3,983	4,089	4,448	4,654	4,941
Average TANF active cases	5,647	4,713	3,856	3,278	2,683	2,530	2,435	2,448	2,301	2,140
Number of protective services referrals	4,180	4,149	3,805	3,858	3,983	4,373	4,736	4,864	4,957	4,853
Number of veterans claims processed	NA	NA	NA	NA	NA	NA	1,214	2,364	2,845	2,692
Number of veterans served in office	NA	NA	NA	NA	NA	NA	6,966	9,209	8,618	8,384

County of Cumberland, North Carolina
Operating Indicators by Function
Last Ten Fiscal Years
Unaudited

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Human Services (continued)										
Number of veterans served by telephone	NA	NA	NA	NA	NA	NA	10,529	19,429	16,496	16,198
Number of mental health days of service (24 hrs)	65,905	57,708	63,239	75,461	67,470	69,121	67,758	66,784	70,219	81,879
Number of mental health outpatients served	6,658	6,711	6,760	5,052	6,871	7,253	7,239	7,361	8,055	8,607
Number of mental health inpatients served	510	472	532	465	648	936	750	500	417	429
Number of workforce development applicants	5,906	6,201	6,511	6,576	1,039	988	971	1,803	2,061	993
Economic and Physical Development										
Number of inspections performed	30,704	39,813	37,738	30,453	28,080	31,211	37,659	NA	54,606	70,487
Number of permits issued	NA	NA	1,217	1,241	1,412	1,574	1,407	2,024	2,169	NA
Culture and Recreation										
Number of library books	423,734	463,695	507,695	514,295	503,831	503,799	509,173	512,031	513,922	595,462
Number of materials circulated	1,925,785	2,117,338	2,249,213	2,184,923	2,117,520	1,986,546	1,884,249	1,325,999	1,365,396	1,446,477
Number of public visits	1,352,557	1,518,415	1,525,773	1,491,763	1,327,742	1,254,195	1,221,211	1,246,265	1,278,154	1,284,143
Business Activities										
Number of civic center event days	360	448	636	647	792	378	335	335	326	328
Number in attendance	396,912	668,009	604,204	600,227	617,802	487,813	506,003	549,456	513,658	545,409
Number of solid waste tonnages processed	237,374	237,514	257,937	273,883	252,265	230,731	205,062	209,810	265,464	282,679

Source: Information provided by various County departments.

NA: Information not available

**County of Cumberland, North Carolina
Capital Asset Statistics by Function
Last Ten Fiscal Years
Unaudited**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Fire										
Number of volunteer stations	22	22	21	21	21	21	21	21	21	19
Sheriff										
Number of stations	5	5	4	3	4	5	5	5	6	6
Number of patrol vehicles	NA	NA	NA	NA	NA	NA	325	325	325	325
Detention facility beds	365	365	365	365	365	568	568	568	568	568
Culture and Recreation										
Number of libraries	8	9	9	8	8	8	8	8	8	8
Library collections	423,734	463,695	507,695	514,295	503,831	503,799	509,173	512,031	513,922	595,462
Number of parks	2	2	2	2	2	2	2	3	3	3
Park acreage	130	130	130	162	162	174	174	189	189	189
Number of ball fields	12	14	14	14	14	14	33	103	107	67
Number of tennis courts	8	8	8	10	10	10	10	41	40	40
Facilities and services not included in primary government										
Education:										
Number of schools	71	71	73	73	76	79	79	80	80	80
Number of students	50,010	50,043	50,317	51,349	50,979	51,725	52,223	53,089	53,326	52,565
Colleges & universities	2	2	2	2	2	2	2	2	2	2
Community colleges	1	1	1	1	1	1	1	1	1	1
Hospitals:										
Number of county hospitals	1	1	1	1	1	1	1	1	1	1
Number of patient beds	695	695	800	933	933	909	909	426	447	447

Source: Information provided by various county departments and local hospital administration department.

NA: Information not available.

COMPLIANCE SECTION

- * Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*
- * Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act.
- * Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act.
- * Schedule of Findings and Questioned Costs
- * Corrective Action Plan
- * Summary Schedule of Prior Audit Findings
- * Schedule of Expenditures of Federal and State Awards



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of County Commissioners
County of Cumberland, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the Eastover Sanitary District discretely presented component unit, 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, 2006, which collectively comprises the County's basic financial statements, and have issued our report thereon dated November 3, 2006. 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition noted is described in the accompanying schedule of findings and questioned costs as item 06-01.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness. However, we do not consider the reportable conditions described above to be a material weakness.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 06-02.

We have also noted other matters that we reported to management of the County, in a separate letter dated November 3, 2006.

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, L.L.P.

Cherry, Bekaert & Holland LLP

Fayetteville, North Carolina
November 3, 2006



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, 2006. 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; 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, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133, and the State Single Audit Implementation Act, and which is described in the accompanying schedule of findings and questioned costs as item 06-03.

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.

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, BEKAERT & HOLLAND, L.L.P.

Cherry, Bekaert & Holland LLP

Fayetteville, North Carolina
November 3, 2006



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, 2006. 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; 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, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act, and which is described in the accompanying schedule of findings and questioned costs as item 06-03.

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, BEKAERT & HOLLAND, L.L.P.

Cherry, Bekavert + Holland, LLP

Fayetteville, North Carolina
November 3, 2006

**COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

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
14.218	Community Development Block Grants/Entitlement Grants
93.959	Treatment Alternative for Street Crime
Fostercare Cluster	
93.658	Title IV-E Foster Care
93.659	Adoption Assistance – Direct Benefit Payments

COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2006

Childcare Cluster

93.596 Childcare Development Fund – Administration
 93.575 Childcare Development Fund - Discretionary
 93.667 Social Services Block Grant
 93.558 Temporary Assistance for Needy Families
 State Smart Start
 State State Appropriation

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

Auditee qualified as low-risk auditee? X Yes No

State Awards

Internal control over major State programs:

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

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

Any audit findings disclosed that are
 required to be reported in accordance
 with the State Single Audit
 Implementation Act X Yes No

Identification of major State programs:

Program Name

Mental Health Cluster
 Block Grants for Community Mental Health Services (CFDA# 93.958)
 State appropriations
 Substance Abuse Cluster
 Block Grant for Prevention and Treatment of Substance Abuse (CFDA# 93.959)
 State appropriations
 Comprehensive Treatment Services Grant (Willie M)
 Mental Retardation/Mental Illness (Thomas S)
 Developmental Disability Services - Adult
 Unsewered Communities Grant

COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (concluded)
Year Ended June 30, 2006

II. Financial Statement Findings

REPORTABLE CONDITION

FINDING: 06-01

Criteria: Internal controls are enhanced when the responsibility of executing a transactions, recording the transaction and maintaining custody of the assets resulting from the transaction are assigned to different individuals.

Condition: In reviewing internal control procedures within the Civic Center, we noticed a lack of segregation of duties. One employee had access to checks, and the authority to sign and cash checks made payable to the Civic Center. Another employee had the authority to cash checks made payable to the Civic Center, open mail containing payments, and maintain the accounts receivable subsidiary ledger.

Effect: While it may be convenient to have one person authorized to handle multiple phases of a transaction, such a situation may lead to misstatements within the financial statements, which does not provide the ideal internal control structure.

Cause: Vacant positions within the Civic Center, along with centralized functions being performed in a single department, make it difficult to achieve an adequate segregation of duties.

Recommendation: We recommend that the cash receipting function be centralized to on individual who does not have any other check writing, signing, endorsing authorities. As the mail is opened, each check should be immediately and clearly marked "for deposit only". A log of check and cash receipts would be maintained by the individual opening the mail. The log would be reconciled and reviewed by the Civic Center Finance department. Further, the County should segregate the check writing and cash advancing procedures within the Civic Center. Such procedures would include limiting the number of authorized signatures and requiring that the functions of writing the checks, signing the checks and cashing the checks should be segregated among three different individuals.

III. Financial Statement Findings

NONMATERIAL NONCOMPLIANCE

FINDING: 06-02

Criteria: In accordance with G.S. 143-131 "the informal bid procedure must be following on contracts for purchases of apparatus, supplies, material or equipment when expenditures of \$5,000 to \$90,000 are involved." G.S. 143-133 specifically states that dividing contracts or purchases to avoid these provisions is prohibited.

Condition: WorkForce Development purchases promotional type items to give away at job fairs. Periodically they purchase items to reward clients for successful completion of program requirements. In June, the department purchased \$32,074 of promotional items from one vendor. Each of the invoices was under the \$999.99 purchase order requirement.

COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (concluded)
Year Ended June 30, 2006

Effect: It appears that the department violated the local County purchase order policy and the State's informal bidding process. The result of not issuing purchase orders for the purchasing of items would result in an unfair advantage to one vendor.

Cause: Multiple employees with access to requesting payments for invoices make it difficult to achieve an adequate purchasing policy. The employees may not be aware of the requirements of County and State purchasing requirements.

Recommendation: We recommend that the Cumberland County WorkForce Development agency adhere to the County's policy for purchase orders and the State's policy for informal bidding procedures.

III. Federal Award Findings and Questioned Costs

Administration for Children and Families

Passed through the NC Department of Health and Human Services: Division of Child Development
Program Name: Subsidized Child Care Cluster
CFDA# 93.575, 93.596, 93.667, 93.558
Smart Start (State Funds), State Appropriations

FINDING: 06-03
NONMATERIAL NONCOMPLIANCE
Eligibility

Criteria: The North Carolina Department of Health and Human Services, Division of Child Development Subsidized Child Care Manual requires that both a parent/guardian and social worker must sign the application for redetermination of child care payments and parent fees.

Condition: Our testing revealed one case file that did not have the appropriate signatures during the one-year certification period by the parent.

Questioned Costs: None

Context: Of the fifteen cases we examined, only one case was found to not have the appropriate signatures on the application.

Effect: Signatures verify that both the parent and/or guardian have the correct information in regards to income so that a proper parent fee (if necessary) can be determined and the child would still be eligible to receive these services.

Cause: This is a control breakdown in the review process; the lack of a signature was not caught.

Recommendation: We recommend that the staff makes certain that the application is signed while the applicant is at social services or within 24 hours after leaving.

Views of the responsible officials and planned corrective actions:
The County agrees with the finding and will implement adequate checks and balances to ensure that this problem does not occur.

COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (concluded)
Year Ended June 30, 2006

IV. State Award Findings and Questioned Costs

Administration for Children and Families

Passed through the NC Department of Health and Human Services: Division of Child Development

Program Name: Subsidized Child Care Cluster

CFDA# 93.575, 93.596, 93.667, 93.558

Smart Start (State Funds), State Appropriations

FINDING: 06-03

NONMATERIAL NONCOMPLIANCE

Eligibility

See detail of finding 06-03 in Section III – Federal Award Findings and Questioned Costs

**COUNTY OF CUMBERLAND, NORTH CAROLINA
CORRECTIVE ACTION PLAN
Year Ended June 30, 2006**

Section II - Financial Statement Findings

Finding: 06-01

A. Name of Contact Person: Lisa Foster, Crown Center Director of Finance
B. Corrective Action: The Civic Center will work to fill vacant positions and will work with the County Finance Office and Internal Auditor to reevaluate current internal control policies and procedures
C. Proposed Completion: February 2007

Finding: 06-02

A. Name of Contact Person: Patrick Hurley, WorkForce Development Director
B. Corrective Action: The Agency implemented a new policy for the purchase orders. One employee is now responsible for adhering to the County's purchasing policy and if any questions arise, she will contact the County purchasing agent for answers.
C. Proposed Completion: The action was implemented October 16, 2006

Section III - Federal Award Findings and Questioned Costs

Finding: 06-03

A. Name of Contact Person: Della Sweat, Social Work Supervisor II
B. Corrective Action: The County faxed the application to the parent for signature.
C. Proposed Completion: The action was completed on July 7, 2006

Section IV - State Award Findings and Questioned Costs

Finding: 06-03

A. Name of Contact Person: Della Sweat, Social Work Supervisor II
B. Corrective Action: The County faxed the application to the parent for signature.
C. Proposed Completion: The action was completed on July 7, 2006

**COUNTY OF CUMBERLAND, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2006**

There were no audit findings in the prior period.

COUNTY OF CUMBERLAND, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2006

Grantor/Pass-through Grantor/Program Title 1(a)	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal Awards:					
<u>U.S. Dept. of Agriculture</u>					
<u>Food and Consumer Service</u>					
Passed-through N.C. Dept. of Agriculture:					
Food Distribution	10.550		\$ 5,583	\$	\$
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		40,025,480		
State Administrative Matching Grants for the Food Stamp Program	10.561		1,772,644		1,772,644
Total Food Stamp Cluster			41,798,124		1,772,644
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		1,592,309		
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		7,899,050		
AGRI-SFP Food Program Meal	10.559		2,076		
Water and Waste Disposal Systems for Rural Communities	10.760		1,172,212		
Total U.S. Dept. of Agriculture			52,469,353	-	1,772,644
<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		6,666		6,666
Direct Program:					
Community Development Block Grants/Entitlement Grants	14.218		1,443,591		
Supportive Housing Program	14.235		91,540		
HOME Investment Partnerships Program	14.239		469,184		
Total U.S. Dept. of Housing and Urban Development			2,010,981		6,666
<u>U.S. Dept. of Justice</u>					
<u>Bureau of Justice Assistance</u>					
Direct Program:					
Edward Byrne Memorial Justice Assistance Grant	16.738		96,303		
Gang Resistance Education and Training	16.737		43,949		
Total U.S. Dept. of Justice			140,252		

COUNTY OF CUMBERLAND, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2006

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
<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		\$ 248,255	\$ -	\$ 51,389
<u>WorkForce Investment Act Cluster</u>					
Direct Program:					
National Emergency Grant	17.260		1,745,023		
Passed-through the N.C. Department of Commerce:					
Division of Employment and Training:					
WIA Adult Program	17.258		929,933		
WIA Youth Activities	17.259		573,724		
WIA Dislocated Workers	17.260		799,730		
			<hr/>		
Total U.S. Dept. of Labor			<hr/> 4,296,665	<hr/> -	<hr/> 51,389
<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		225,587		1,137
Governor's Highway Safety Program	20.604		9,081		
			<hr/>		
<u>Federal Transit Administration</u>					
Passed-through the N.C. Department of Transportation:					
Federal Transit - Metropolitan Planning Grants	20.505		46,216	5,777	5,777
			<hr/>	<hr/>	<hr/>
Total U.S. Dept. of Transportation			<hr/> 280,884	<hr/> 5,777	<hr/> 6,914
<u>Office of Library Services</u>					
Passed-through the N.C. Department of Cultural Resources:					
State Library Program	45.310		38,646		1,354
			<hr/>		<hr/>
<u>Federal Emergency Management Agency</u>					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Division of Emergency Management:					
Emergency Management Performance Grants	83.552		65,130		908,452
			<hr/>		<hr/>
<u>U.S. Department of Education</u>					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Mental Health, Developmental Disabilities and Substance Abuse Services					
<u>Infants and Toddlers with Disabilities Cluster:</u>					
Governors Substance Abuse and Violence Prevention Program	84.186		13,573		
			<hr/>		
<u>U.S. Election Assistance Commission</u>					
Passed-through the N.C. State Board of Elections:					
Board of Elections Voting Booth Grant	90.401		754,230		
			<hr/>		
<u>U.S. Dept. of Health & 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		228,952		
			<hr/>		

COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2006

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
Administration for Children and Families					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Social Services:					
Workfirst/Temporary Assistance for Needy Families (TANF)	93.558		\$ 6,132,213	\$ -	\$ 6,075,882
WorkFirst/TANF - Direct					
Benefit Payments	93.558		6,610,157	(4,427)	9,204
N.C. Child Support Enforcement Section	93.563		36,274		18,686
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568		50,033		
Crisis Intervention Program	93.568		224,902	50,755	
Energy Assistance Payments-Direct Benefit Payments	93.568		884,553		235
Permanency Planning - Families for Kids	93.645		106,198	28,189	72,342
Family To Family	93.645		(2,121)		6,906
SSBG - Other Services and Training	93.667		1,373,029	136,290	1,091,531
LINKS (formerly Independent Living Grant)	93.674		99,168	24,792	3,118
Foster Care and Adoption Cluster:					
Title IV-E Foster Care	93.658		1,777,520	860,774	897,606
Adoption Assistance - Direct Benefit Payments	93.659		954,670	275,536	275,536
Title IV-E Foster Care HIV	93.658			3,000	
Total Foster Care and Adoption Cluster			2,732,090	1,139,310	1,173,142
Division of Aging:					
Division of Social Services:					
SSBG-Adult Day Care	93.667		75,436	47,074	20,359
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		582,713		236,461
Division of Child Development:					
Child Care Development Fund - Discretionary	93.575		5,709,386		
Child Care Development Fund - Mandatory	93.596		2,866,558		
Child Care Development Fund - Match	93.596		1,841,555	1,055,589	
Total Child Care Development Fund Cluster			11,000,212	1,055,589	236,461
Social Services Block Grant					
TANF	93.667		118,894		
TANF - MOE	93.558		1,898,563	3,286,063	
Smart Start				177,109	
State Appropriations				1,239,902	
Total Subsidized Child Care Cluster			13,017,669	5,758,663	236,461
Substance Abuse and Mental Health Administration					
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		100,645		
MAJORS Substance Abuse/Juvenile Justice Initiative	93.959			29,626	
Perinatal and Maternal Substance Abuse Initiative	93.959		135,401		
Substance Abuse Training	93.959		1,250		
Treatment Alternatives to Street Crime	93.959		836,484	687,042	
Mental Health Cluster:					
Block Grants for Community Mental Health Services	93.958		161,453		
State Appropriations - Child				124,288	
- Adults				1,832,353	
- Other				58,396	
Total Mental Health Cluster			161,453	2,015,037	

COUNTY OF CUMBERLAND, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2006

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ 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	\$ -	\$ 7,498	\$ -
Total Developmental Disabilities Waiting List Cluster				7,498	
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		289,923		
State Appropriations - Child				7,923	
- Adults				766,289	
- Others				70	
Total Substance Abuse Cluster			289,923	774,282	
<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		14,702		
Direct Benefit Payments:					
Medical Assistance Program	93.778		147,219,339	72,563,492	12,737,802
Division of Social Services:					
Medical Assistance Program Administration	93.778		2,752,353	341,485	2,247,572
Health Choice	93.767		164,652	10,802	45,693
Adolescent Parenting	93.778		47,081	19,174	29,860
<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	37,746		
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	5452, 5465	42,612		
Statewide Health Promotion Program	93.991	5503	30,846		
Family Planning Services	93.217		150,517		
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		49,770		
Bioterrorism Grant	93.283		552,065		
<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	146,804		
Cardiovascular Health Program	93.945	5528	500		
Maternal and Child Health Services Block Grant	93.994		770,863		
Temporary Assistance for Needy Families	93.558		40,956		
Total U.S. Dept. of Health and Human Services			185,290,851	83,629,084	23,768,793
<u>Department of Homeland Security</u>					
Passed-through the N.C. Dept. of Crime Control & Public Safety:					
Division of Emergency Management:					
State Domestic Preparedness Equipment Support Program	97.004		41,122		
Clitizen Corps	97.053		5,500		
Homeland Security Grants	97.067		396,498		
LETPP Law Enforcement Grant	97.074		147,906		
Total U.S. Department of Homeland Security			591,026		

COUNTY OF CUMBERLAND, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2006

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
Human Services: Division of Medical Assistance: Medicaid At-Risk	93.778		\$ 103,678	\$ -	\$ -
Total Federal awards			<u>246,055,269</u>	<u>83,634,861</u>	<u>26,516,212</u>
State Awards:					
<u>N.C. Dept. of Health and Human Services</u>					
Division of Social Services:					
State/County Special Assistance for Adults - Direct Benefit Payments				2,077,467	2,077,467
State Foster Care Benefits Program				93,707	93,706
Adoption Subsidy - Direct Benefit				805,889	213,259
Energy Assistance - CP&L Energy Program				40,106	15
State Aid Payments				208,957	
Temporary Assistance for Needy Families Incentives				12,934	
Special Links				11,135	
AFDC Incentives				1,590	
Adult Protective Services				68,062	220,955
Smart Start Administration				248,670	2,421
Family Violence Prevention Grant				26,236	6,559
Division of Child Development:					
Smart Start Read to Me				248,131	
Smart Start Motherread				63,667	
Smart Start - Mental Health				177,850	
Division of Public Health:					
General		4110		170,180	
Epilepsy		5555		7,365	
TB Medical Services		4554		4,969	
Communicable Disease		4510		25,762	
Risk Reduction/Health Promotion		5503		3,591	
Maternal Health		5746		4,098	
Tuberculosis		4551		82,608	
Vector Control		4801		5,870	
AIDS-State		4536		25,000	
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:					
Systems Management Transition				5,842,833	
Developmental Disability Services - Child				270,580	
Developmental Disability Services - Adult				1,089,076	
Mental Retardation / Mental Illness				1,055,840	
Comprehensive Treatment Services Program (At Risk Children)				829,119	
Crisis Services				100,000	
Emergency Services				25,614	
Total N. C. Department of Health and Human Services				<u>13,626,906</u>	<u>2,614,382</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2006

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Local Expenditures
<u>N.C. Dept. of Environment & Natural Resources</u>					
Division of Environmental Health:					
Environmental Health				\$ 37,854	
Lead Paint Hazard				3,609	
Mobile Source Emissions Reduction Grant				30,975	
Division of Water and Soil Conservation:					
Agriculture Cost Share Program				20,587	27,646
Soil and Water District Projects				4,000	45,168
Total N.C. Department of Environment & Natural Resources				97,025	72,814
<u>N.C. Department of Veteran's Affairs</u>					
Veteran's Services Grant				2,000	217,310
<u>Office of State Budget and Management</u>					
Public School Building Capital Fund				241,493	1,047,164
<u>Department of Juvenile Justice & Delinquency Prevention</u>					
Gang Prevention				3,500	
Juvenile Crime Prevention Program				1,003,782	497,007
<u>N.C. Rural Economic Development Center</u>					
Unsewered Communities Grant				382,368	
<u>N.C. Dept. of Crime Control and Public Safety</u>					
Governor's Crime Commission:					
Community Monitoring Program				8,375	5,984
<u>N.C. Dept. of Cultural Resources</u>					
State Aid to Public Libraries				395,883	6,989,780
Planning Grant				9,485	
Total N.C. Department of Cultural Resources				405,368	6,989,780
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program Cluster:					
Elderly and Disabled Transportation Assistance Program (E&DTAP)				113,300	
Rural General Program				85,997	
Community Transportation Program				33,973	4,903
Work First Transitional/Employment Trans. Assistance				27,877	
Total Rural Operating Assistance Program Cluster				261,147	4,903
Total N.C. Department of Transportation				261,147	4,903

COUNTY OF CUMBERLAND, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2006

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>N.C. Dept. of Administration</u>					
Board of Elections Maintenance Grant				\$ 45,907	\$ 11,477
Domestic Violence Program					
Total N.C. Department of Administration				45,907	11,477
<u>N.C. Dept. of Corrections</u>					
Criminal Justice Partnership Program				226,225	(302)
Total State awards				16,304,096	11,460,519
Total Federal and State awards			\$ 246,055,269	\$ 99,938,957	\$ 37,976,731

COUNTY OF CUMBERLAND, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 Year Ended June 30, 2006

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

1. Basis of Presentation
 The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the County of Cumberland and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations 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	\$ 225,567	
Supportive Housing Program	14.235	\$ 91,540	

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.

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, 2006 have not yet been compiled and are not due until April 30, 2007. Continuing disclosures for the year ended September 30, 2005 are currently on file with the Nationally Recognized Municipal Securities Information Repositories.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Financial Statements and Schedules

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COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2006

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, 2006 were approximately \$282 million. General Fund revenues are derived from various sources, including property taxes (approximately 48.2%), sales taxes, and intergovernmental revenues. The County's property tax rate is \$0.88 per \$100 of assessed value. A rate of \$.01 per \$100 of assessed value presently generates approximately \$1,450,000 annually. The State Constitution permits counties to impose property taxes of up to \$1.50 per \$100 of assessed value without the requirement of a voter referendum.

Based upon the N.C. General Statutes, the net debt for any county may not exceed 8 percent of the total assessed value of real and personal property. General obligation debt at June 30, 2006 is \$106,165,000 which is significantly less than the legal limit of approximately \$1 billion. Debt service payments represent 4.75% of total actual expenditures for FY 2006 and 4.83% of total budgeted expenditures for FY 2007. In fiscal year 2006, the County transferred \$683,000 from the General Fund to pay operating expenses of the Crown Center and \$2,945,623 to pay debt service on the Crown Coliseum. For FY2007, the County budgeted transfers from the General Fund of \$683,000 for Crown Center operating and \$2,881,623 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, 2006 and the forecasted receipts from the Food and Beverage Tax, net of administrative expenses, for the five fiscal years ending June 30, 2011:

Fiscal Year <u>Ended June 30 (1)</u>	Historical <u>Receipts (2)</u>
2002	\$ 3,162,000
2003	3,341,000
2004	3,564,000
2005	3,797,000
2006	4,064,000
Fiscal Year <u>Ended June 30</u>	Forecasted <u>Receipts (3)</u>
2007	\$ 4,186,000
2008	4,311,000
2009	4,441,000
2010	4,574,000
2011	4,711,000

- (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 \$36,462 to \$42,070 per year.
- (3) Forecasted receipts assume 3% annual growth in tax revenue and 3.5% growth in the cost of collection for FY 2007 and 3% thereafter.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2006

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 previously 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 Civic Center Commission may use the proceeds of the Occupancy Tax received by it only to finance renovations and expansions of the Cumberland County Crown (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 Civic Center Commission from the Occupancy Tax, net of administrative expenses, for the five fiscal years ended June 30, 2006 and the forecasted receipts from the Occupancy Tax, net of administrative expenses, for the five fiscal years ending June 30, 2011:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Historical</u> <u>Receipts (1)</u>
2002	\$ 634,000
2003	684,000
2004	759,000
2005	778,000
2006	768,000
<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Forecasted</u> <u>Receipts (2)</u>
2007	\$ 783,000
2008	799,000
2009	815,000
2010	831,000
2011	848,000

- (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

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

DEBT INFORMATION

Prior Years' Defeasance of General Obligation Debt

In prior years, the County has defeased various general obligation bond issues by creating separate irrevocable trust funds with various escrow agents. 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 had been considered defeased and therefore removed from the County's liabilities. As of June 30, 2006, the amount of prior year defeased debt outstanding and removed from the County's liabilities amounted to \$38,320,000.

Outstanding General Obligation Debt

	Principal Outstanding as of			
	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>
General Obligation Bonds				
School	\$ 111,500,000	\$ 104,835,000	\$ 104,115,000	\$ 97,150,000
Community College Facilities	3,610,000	3,260,000	2,875,000	2,480,000
Library Facilities	<u>8,400,000</u>	<u>7,800,000</u>	<u>7,150,000</u>	<u>6,535,000</u>
Total G.O. Debt	<u>\$ 123,510,000</u>	<u>\$ 115,895,000</u>	<u>\$ 114,140,000</u>	<u>\$ 106,165,000</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 (\$124,099,000), the Eastover Sanitary District (\$3,817,500), 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 \$1,251,256,000 as of June 30, 2006.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
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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>
2002	\$ 115,775,000	\$12,744,760,000	0.91%	305,968	\$ 378.39
2003	123,510,000	12,813,032,000	0.96%	308,735	400.05
2004	115,895,000	14,173,380,000	0.82%	310,549	373.19
2005	114,140,000	14,488,618,000	0.79%	305,173	374.02
2006	106,165,000	15,187,241,000	0.70%	305,829	347.14

(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>(Including Related 2004 Refunding)</u>		<u>(Including Related 2004 Refunding)</u>	
	<u>Principal</u>	<u>Principal & Interest</u>	<u>Principal</u>	<u>Principal & Interest</u>	<u>Principal</u>	<u>Principal & Interest</u>
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 @ 6/30/06	<u>\$ 97,150,000</u>	<u>\$ 131,467,204</u>	<u>\$ 6,535,000</u>	<u>\$ 8,312,150</u>	<u>\$ 2,480,000</u>	<u>\$ 2,935,550</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2006

General Obligation Bonds Authorized and Unissued

<u>Purpose</u>	<u>Date Approved</u>	<u>Authorized and Unissued</u> ⁽¹⁾
School Refunding	February 16, 1998	\$ 6,605,000
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 & Interest Repayment/Requirements</u>	<u>FY2007 Principal And Interest Requirements</u>	<u>Balance June 30, 2006</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 - 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.	4,911,550	47,265,000
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	2,954,770	27,150,000

COUNTY OF CUMBERLAND, NORTH CAROLINA
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June 30, 2006

<u>Purpose</u>	<u>Original Amount/Costs</u>	<u>Principal & Interest Repayment/Requirements</u>	<u>FY2007 Principal and Interest Requirements</u>	<u>Balance June 30, 2006</u>
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	4,469,870	39,325,000
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	497,321	4,562,232
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 Fund	187,802	600,000
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	124,270	550,661
Promissory Note-Yarborough (Advance Auto Property)	250,000	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	56,464	180,641
Promissory Note-FTCC Local Match on State Bonds	<u>4,300,000</u>	Quarterly payments of \$238,158 including interest of 3.65% beginning August 24, 2006 and ending April 24, 2011; payable from the General Fund.	<u>944,633</u>	<u>4,300,000</u>
	<u>\$ 207,751,861</u>		<u>\$ 14,146,680</u>	<u>\$ 125,362,315</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2006

The County's payment obligations under the installment financing arrangements described above at June 30, 2006 are as follows:

<u>Fiscal Year</u> <u>Ending</u> <u>June 30</u>	<u>Civic Center</u> <u>Certificates</u> <u>Debt Service (1)</u>	<u>DSS</u> <u>Certificates</u> <u>Debt Service</u>	<u>Jail/ WC</u> <u>Certificates</u> <u>Debt Service</u>	<u>Other</u> <u>Agreements</u> <u>Debt Service</u>	<u>Total</u> <u>Non G.O.</u> <u>Debt</u>
2007	4,911,550	2,954,770	4,469,870	1,810,490	14,146,680
2008	5,039,175	2,955,570	4,358,495	2,129,907	14,483,147
2009	5,168,175	2,956,288	4,232,120	1,664,628	14,021,211
2010	5,307,550	2,951,660	3,806,420	1,625,095	13,690,725
2011	5,441,425	2,956,190	3,697,750	1,441,955	13,537,320
2012	3,546,485	2,954,365	3,596,000	497,321	10,594,171
2013	3,544,898	2,955,760	3,489,000	497,322	10,486,980
2014	3,546,750	2,956,015	3,377,000	497,322	10,377,087
2015	3,542,375	2,951,100	3,265,250	497,321	10,256,046
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	2,953,518	2,923,531	248,661	9,673,960
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	3,546,500				3,546,500
	75,498,633	35,452,592	58,496,355	11,904,664	181,352,244
Amortization					
Refund Gain	(3,736,086)				(3,736,086)
	\$ 71,762,547	\$ 35,452,592	\$ 58,496,355	\$ 11,904,664	\$ 177,616,158

(1) Partially paid from food and beverage and occupancy taxes. (Coliseum Series 1998 Refunding)

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 NC Local Government Commission may not approve the use of lottery proceeds to service the debt at this time since there is only a limited lottery revenue history to rely upon. The County anticipates issuing this debt in FY 2007 and will use general revenues to service the debt, if required.

Currently, the County has no plans to issue other debt in FY 2007.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2006

TAX INFORMATION

General Information

	<u>Fiscal Year Ended or Ending June 30,</u>		
	<u>2005</u>	<u>2006</u>	<u>2007⁽³⁾</u>
	(Amounts in thousands)		
Assessment Ratio ⁽¹⁾	100%	100%	100%
Real Property	\$ 11,321,601	\$ 11,721,957	\$ 12,373,162
Personal Property	1,063,270	1,081,144	1,139,066
Vehicles	1,767,131	2,017,935	1,988,422
Public Service Companies ⁽²⁾	<u>336,616</u>	<u>366,205</u>	<u>368,900</u>
Total Assessed Valuation	\$ 14,488,618	\$ 15,187,241	\$ 15,869,550
Rate per \$100	<u>.880</u>	<u>.880</u>	<u>.880</u>
County-wide Levy	<u>\$ 127,500</u>	<u>\$ 133,648</u>	<u>\$ 139,652</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, 2006 for the fiscal year ending June 30, 2007.

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>2005</u>	<u>2006</u>	<u>2007⁽¹⁾</u>
County-wide	\$ 127,499,838	\$ 133,647,721	\$ 139,652,040
Recreation District	3,403,042	2,908,351	2,720,195
Special Fire Districts	<u>6,429,377</u>	<u>5,351,785</u>	<u>4,982,160</u>
Total Levy	<u>\$ 137,332,257</u>	<u>\$ 141,907,857</u>	<u>\$ 147,354,395</u>

Levy is a projection based on assessed valuation.

(1) Estimated as of September 30, 2006 for the fiscal year ending June 30, 2007.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2006

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>
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
2006	5,425,000	129,101,000	96.42

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 2005-06 (Tax Year 2004-05)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>TY2005 Assessed Valuation*</u>	<u>% of Total Assessed Valuation</u>
Goodyear Tire & Rubber	Tire Manufacturer	\$ 129,295	0.85%
Sprint (Embarq)	Telephone Utility	128,531	0.85
Wal-Mart	Retail/Distribution	109,604	0.72
Cross Creek Mall, LLC	Retail Mall	72,651	0.48
Progress Energy	Electric Utility	68,173	0.45
Purolator Products	Auto Filter Manufacturer	57,675	0.38
Piedmont Natural Gas	Gas Utility	53,475	0.35
Black & Decker	Power Tool Manufacturer	50,445	0.33
DAK Americas	Textiles	48,518	0.32
Centurion Aviation Services	Aviation Maintenance	43,787	0.29
TOTAL		<u>\$ 762,154</u>	<u>5.02%</u>

* Amounts expressed in thousands.

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

	General Fund	Special Revenue Funds	Enterprise Funds
Estimated revenues:			
Ad valorem taxes	129,091,374	9,605,487	4,181,812
Other taxes	47,679,301	15,776,704	795,133
Unrestricted intergovernmental	4,833,294	132,840	
Restricted intergovernmental	62,132,693	17,251,591	395,000
Licenses and permits	4,110,783		11,388
Sales and services	22,159,966	356,032	4,058,588
Interest earned on investments	757,409	106,268	200,000
Miscellaneous	4,628,452	1,112,389	70,068
Total estimated revenues	275,393,272	44,341,311	9,711,989
Appropriations:			
General government	27,276,817	546,182	
Public safety	36,683,468	7,450,923	
Economic and physical development	4,776,368	25,638,861	
Human services	123,240,032	1,707,145	
Cultural and recreation	8,713,458	6,955,561	
Education	76,453,126	13,824,142	
Salaries and employee benefits			4,275,329
Other supplies			1,142,703
Repairs and maintenance			1,435,201
Contracted services			1,597,123
Utilities			923,938
Administrative costs			1,472,905
Landfill closure and postclosure			763,089
Tax Distribution fee			30,000
Other Operating		130,000	132,669
Contingency			259,010
Capital outlay			4,080,008
Debt service:			
Principal retirement	13,738,770	150,000	2,365,000
Interest and fees	8,973,675	48,504	2,421,050
Total appropriations	299,855,714	56,451,318	20,898,025
Estimated revenues over (under) appropriations	(24,462,442)	(12,110,007)	(11,186,036)
Other financing sources (uses):			
Transfers from other funds:			
General Fund		5,440,727	4,167,573
Special Revenue Fund	4,229,678		3,601,124
Enterprise Funds	25,501		
Internal Service Fund			
Transfers to other funds:			
General Fund		(4,229,678)	(25,501)
Capital Projects	(774,045)	(1,919,147)	
Special Revenue Fund	(5,440,727)		
Enterprise Fund	(4,167,573)	(3,601,124)	
Internal Service Fund	(1,591,905)		
Sale of fixed assets	30,714		
Proceeds of general long term debt	4,300,000		
Appropriated fund balances	27,850,799	16,419,229	3,442,840
Total other financing sources	24,462,442	12,110,007	11,186,036
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 budget at June 30, 2006.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Compiled Budget - Annually Budgeted Funds
For the Fiscal Year Ending June 30, 2007
(Unaudited)

	General Fund	Special Revenue Funds	Enterprise Funds
Estimated revenues:			
Ad valorem taxes	135,822,224	7,836,603	34,905
Other taxes	43,180,698	15,988,503	5,091,676
Unrestricted intergovernmental	6,716,885	132,840	
Restricted intergovernmental	58,858,636	9,745,869	336,255
Licenses and permits	4,114,051		11,388
Sales and services	18,230,681	306,634	5,683,991
Interest earned on investments	1,362,585	141,330	595,157
Miscellaneous	4,632,834	378,299	5,957
Total estimated revenues	272,918,594	34,530,078	11,759,329
Appropriations:			
General government	20,828,594	565,430	
Public safety	37,021,169	5,905,673	
Economic and physical development	4,573,728	17,393,278	
Human services	119,605,124	1,547,786	
Cultural and recreation	8,913,284	2,606,755	
Education	73,587,489	5,094,192	
Salaries and employee benefits			4,455,436
Other supplies			1,204,699
Repairs and maintenance			1,483,503
Contracted services			1,722,983
Utilities			819,657
Administrative costs			1,264,071
Landfill closure and postclosure			839,532
Tax Distribution fee			30,000
Other Operating			75,892
Contingency			375,560
Capital outlay			1,951,500
Debt service:			
Principal retirement	13,435,631	150,000	2,615,000
Interest and fees	8,535,161	37,802	2,296,550
Total appropriations	286,500,180	33,300,916	19,134,383
Estimated revenues over (under) appropriations	(13,581,586)	1,229,162	(7,375,054)
Other financing sources (uses):			
Transfers from other funds:			
General Fund		2,105,706	3,639,485
Special Revenue Fund	4,082,578		3,790,762
Enterprise Funds	55,193		
Internal Service Fund			
Transfers to other funds:			
General Fund		(4,082,578)	(55,193)
Special Revenue Fund	(2,105,706)		
Enterprise Fund	(3,639,485)	(3,790,762)	
Internal Service Fund	(218,905)		
Proceeds of general long term debt			
Appropriated fund balances	15,407,911	4,538,472	
Total other financing sources	13,581,586	(1,229,162)	7,375,054
Estimated revenues and other sources over appropriations and other uses	0	0	0

Compiled by staff of the Cumberland County finance department from the FY2007 adopted budget ordinance at July 1, 2006.

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

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