

COUNTY OF CUMBERLAND
NORTH CAROLINA

Board of County Commissioners

Talmage S. Baggett, Jr., Chairman

Jeannette M. Council, Vice Chairman
J. Breeden Blackwell
Kenneth S. Edge

John T. Henley, Jr.
Billy R. King
Edward G. Melvin, Jr.

Comprehensive Annual
Financial Report

For the Year Ended June 30, 2003

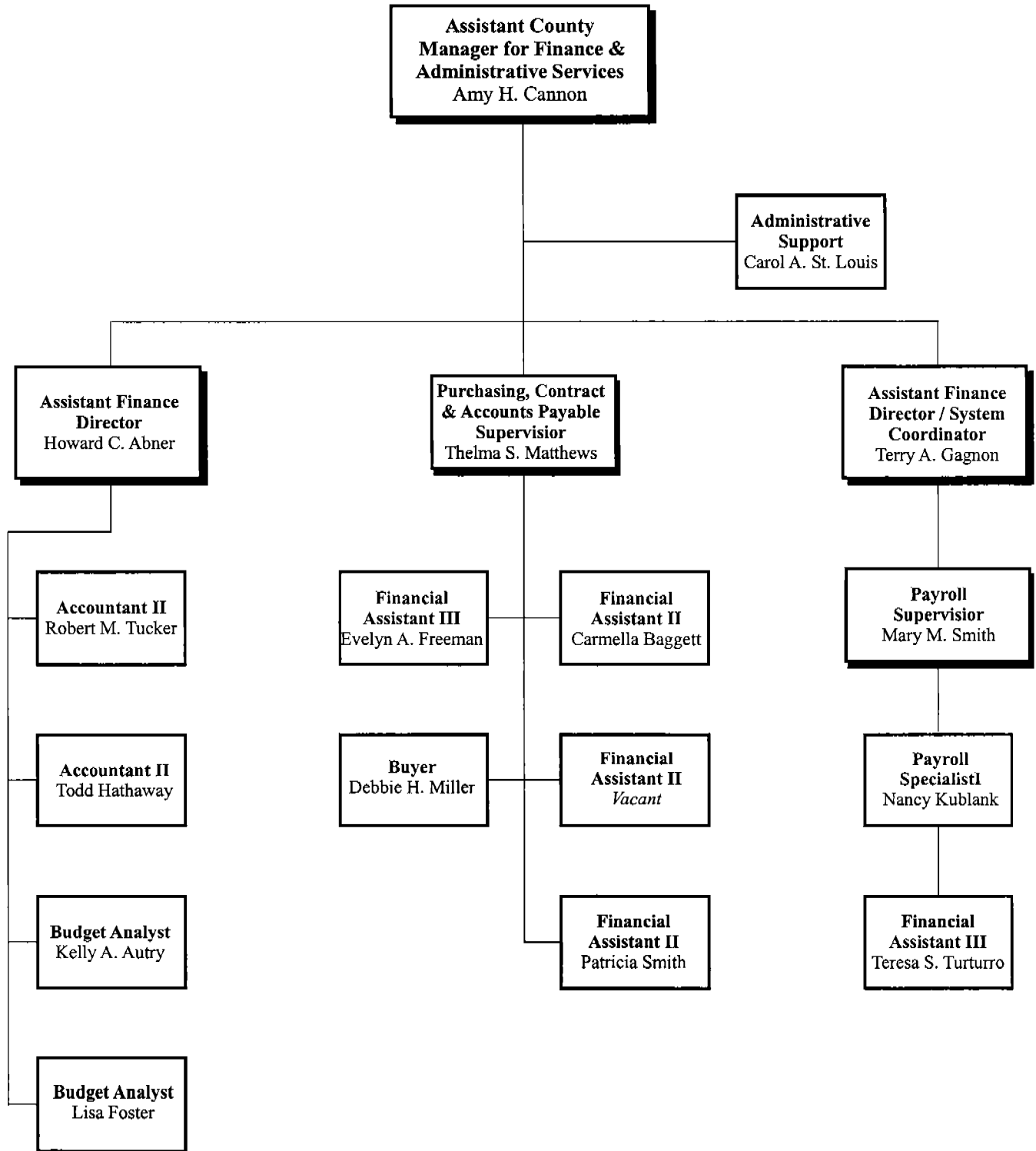
Prepared by:
Cumberland County Finance Department

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, 2003
Prepared by the Finance Department



COUNTY OF CUMBERLAND, NORTH CAROLINA

**Comprehensive Annual Financial Report
Year Ended June 30, 2003**

Table of Contents

	<u>Page No.</u>
INTRODUCTORY SECTION (UNAUDITED)	
TRANSMITTAL LETTER	i - xii
CERTIFICATE OF ACHIEVEMENT	xiii
ORGANIZATIONAL CHART	xiv
FINANCIAL SECTION	
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-14
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	21
Statement of Net Assets – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Comprehensive Annual Financial Report
Year Ended June 30, 2003**

Table of Contents (continued)

FINANCIAL SECTION (continued)

	<u>Page No.</u>
Statement of Fiduciary Net Assets – Fiduciary Funds	25
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	26
Notes to the financial statements	27-70
REQUIRED SUPPLEMENTARY INFORMATION	
Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information - Schedule of Funding Progress	71
Law Enforcement Officers' Special Separation Allowance - Required Supplementary Information - Schedule of Employer Contributions and Notes to Required Schedules	72
Health System Pension Plan - Required Supplementary Information - Schedule of Funding Progress	73
Health System Pension Plan - Required Supplementary Information - Schedule of Employer Contributions and Notes to Required Schedules	74
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
GENERAL FUND	
Comparative Balance Sheets - General Fund	75
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	76-84
NONMAJOR GOVERNMENTAL FUNDS	
Combining Balance Sheet - Nonmajor Governmental Funds	85
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	86
Combining Balance Sheet - Nonmajor Special Revenue Funds	87-88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	89-90

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Comprehensive Annual Financial Report
Year Ended June 30, 2003**

Table of Contents (continued)

FINANCIAL SECTION (continued)

	<u>Page No.</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Prepared Food and Beverage Fund	91
County School Fund	92
911 Emergency Fund	93
Wireless 911 Emergency Fund	94
Jobs Training Fund	95
Industrial Development Fund	96
Water and Sewer Fund	97
Property Revaluation Fund	98
Recreation Fund	99
Juvenile Crime Prevention Fund	100
Transportation Fund	101
Flea Hill Drainage District Fund	102
Community Development Fund	103
Fire Protection Fund	104
Federal Drug Forfeiture Fund	105
Federal Forfeiture Treasury Fund	106
North Carolina Controlled Substance Fund	107
Injured Animal Stabilization Fund	108
Downtown Revitalization Fund	109
Inmate Welfare Fund	110
Combining Balance Sheet – Nonmajor Capital Project Funds	111
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Project Funds	112
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Library Bond Fund	113
Detention Facility Fund	114
Capital Project Bond Fund	115
Social Services/Community Corrections Fund	116
Winding Creek Renovation Fund	117
1998 School Bond Fund	118
Animal Control Building Fund	119
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Cemetery Permanent Fund	120

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Comprehensive Annual Financial Report
Year Ended June 30, 2003**

Table of Contents (continued)

FINANCIAL SECTION (continued)

	<u>Page No.</u>
ENTERPRISE FUNDS	
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP):	
Cumberland County Solid Waste Fund	121
Cumberland County Crown Center Fund	122
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Solid Waste Cell Construction Fund	123
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP):	
Arena Ventures Marketing Fund	124
Kelly Hills Water and Sewer District Fund	125
NORCRESS Water and Sewer District Fund	126
INTERNAL SERVICE FUNDS	
Combining Statement of Net Assets - Internal Service Funds	127
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds	128
Combining Statement of Cash Flows - Internal Service Funds	129
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP):	
Group Insurance Fund	130
Employee Flexible Benefit Fund	131
Workers' Compensation Fund	132
General Litigation Fund	133
AGENCY FUNDS	
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	134
Combining Statement of Changes in Fiduciary Assets and Liabilities - Agency Funds	135-136
Combining Statement of Fiduciary Assets and Liabilities - Agency Fund - City Tax Fund	137

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Comprehensive Annual Financial Report
Year Ended June 30, 2003**

Table of Contents (continued)

FINANCIAL SECTION (continued)

Page No.

DISCRETELY PRESENTED COMPONENT UNIT – EASTOVER SANITARY DISTRICT

Statement of Net Assets	138
Statement of Revenues, Expenses and Changes in Fund Net Assets	139
Statement of Cash Flows	140
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)- Eastover Sanitary District Fund	141
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Eastover Water Capital Project Fund	142

OTHER SUPPLEMENTAL FINANCIAL DATA

Schedule of Current Tax Levy	143
Schedule of Ad Valorem Taxes Receivable	144
Schedule of Transfers	145-146

STATISTICAL SECTION (UNAUDITED)

General Governmental Expenditures by Function - Table 1	147
General Governmental Revenues by Source - Table 2	148
General Governmental Tax Revenues by Source - Table 2A	148
Property Tax Levies and Collections - Table 3	149
Assessed and Estimated Actual Value of Property - Table 4	150
Property Tax Rates - Direct and Overlapping Governments - Table 5	151
Principal Taxpayers - Table 6	152
Special Assessment Billings and Collections - Table 7	153
Computation of Legal Debt Margin - Table 8	154
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita - Table 9	155
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Fund Type Expenditures - Table 10	156

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Comprehensive Annual Financial Report
Year Ended June 30, 2003**

Table of Contents (continued)

FINANCIAL SECTION (continued)

Page No.

STATISTICAL SECTION (UNAUDITED) (continued)

Computation of Direct and Overlapping Bonded Debt - General Obligation Bonds - Table 11	157
Demographic Statistics - Table 12	158
Property Value, Construction and Bank Deposits - Table 13	159
Miscellaneous Statistics - Table 14	160-161

COMPLIANCE SECTION

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	162
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	163-164
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	165-166
Schedule of Findings and Questioned Costs	167-170
Corrective Action Plan	171
Summary Schedule of Prior Audit Findings	172
Schedule of Expenditures of Federal and State Awards	173-179

CONTINUING DISCLOSURE INFORMATION SECTION (UNAUDITED)

Securities Exchange Commission Rule 15c2-12 Reporting	180-189
---	---------

INTRODUCTORY SECTION

- * Transmittal Letter
- * Certificate of Achievement
- * Organizational Chart



COUNTY of CUMBERLAND

Amy H. Cannon
Assistant County Manager

Terry A. Gagnon
Assistant Finance Director

Finance Department

Howard C. Abner
Assistant Finance Director

November 20, 2003

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the County of Cumberland for the fiscal year ended June 30, 2003. The basic financial statements contained herein have been audited by the independent, certified public accounting firm of Cherry, Bekaert & Holland, L.L.P., and that firm's unqualified opinion is included in the Financial Section of this report.

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

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

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

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

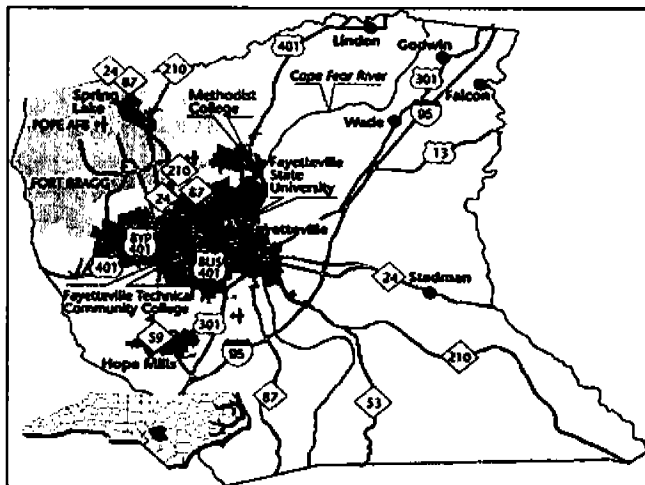
The financial reporting entity includes all funds of the County of Cumberland, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the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

GENERAL INFORMATION

The County of Cumberland began as a settlement in the Upper Cape Fear Valley between 1729 and 1736, by European migrants known as Highland Scots. The area became a vital transportation link to other major settlements. A receiving and distribution center was established in 1730 on the Cape Fear River. This settlement was known as Campbellton.

The Colonial Legislature passed an act in 1754 which resulted in the political division of Bladen County, thus forming Cumberland County. It was named after the Duke of Cumberland (William Augustus), who commanded the English Army. The County continued to grow and prosper as the Scotch-Irish, Germans and Moravians also entered the area. Campbellton was named the County seat during 1778. In 1783, Campbellton was renamed Fayetteville in honor of Marquis De La Fayette, a French general that served in the American Colonies Revolutionary Army.

A devastating fire in 1831, and the invasion of General Sherman in 1865 delayed Fayetteville's growth. One of the factors that boosted this slow recovery period was the transformation of Camp Bragg from an artillery and temporary training facility to a permanent Army post.



The County is located in the southeast coastal plain section of North Carolina and has a land area of approximately 661 square miles. The County is the fifth largest in the State in population, with an estimated 305,861 people. The City of Fayetteville, with an estimated population of 124,319 serves as the County seat. The City is the largest municipality in the County and is the sixth largest municipality in the State. 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., Atlanta, Baltimore and Cincinnati.

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 members are elected from District 1, three members from District 2, and two members at-large. Each member of the Board is elected for a four-year term. The terms are staggered with two members from District 1 and two members at-large elected in a biennial general election, and three members from District 2 elected two years later. The Board members elect their own Chairman and Vice Chairman on an annual basis.

The County Manager is appointed by, and serves at the pleasure of the Board of Commissioners. The Board annually adopts a budget and establishes a tax rate for the support of County programs. The County Manager has the responsibility for administering these programs in accordance with policies and the annual budget adopted by the Board.

The County is the home of two military bases. Fort Bragg and Pope Air Force Base are located approximately six miles northwest of the City of Fayetteville and encompass approximately 160,770 and 262 acres, respectively, of land in the area. They form one of the largest military complexes in the world and contribute to the area economy as well as to the international and cosmopolitan flavor of the community culture.

Pope Air Force Base

Pope Air Force Base has played a leading role in the development of U.S. airpower. Missions at Pope range from providing airlift and close air support to American armed forces to humanitarian missions flown all over the world. Officially established by the War Department in 1919, Pope Air Force Base ranks as one of the oldest installations in the Air Force. It is named after First Lieutenant Harley Halbert Pope who was killed on January 7, 1919, when the JN-Jenny he was flying with Sergeant Walter W. Flemming crashed into the Cape Fear River near Fayetteville.

At the time, Pope Field did not have a runway, just a wide-open field surrounded by a pine forest. Observation planes and balloons occupied Pope Field for the first eight years. Missions of the planes and balloons ranged from mapping terrain, spotting for artillery, detecting forest fires, and carrying the mail.

During the 1940's, the base swelled as a troop carrier training site. With the institution of paratrooper training at Camp Bragg, Pope began putting the "Air" in "Airborne." With the outbreak of World War II, the tempo of activities at Pope Air Force Base quickened.

During the 1950's and 1960's 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 23rd 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. In April 1997, Pope once again saw changes that involved streamlining all stateside airlift operations under the Air Mobility Command – including C-130's.

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.

Fort Bragg

The post came into existence in 1918, when 127,000 acres of desolate sand hills and pine trees were designated as a U.S. Army installation. Adequate water, rail facilities and the Carolina climate lent themselves to Army needs and Camp Bragg emerged as a field artillery site on August 21, 1918. It was named in honor of Confederate General Braxton Bragg, a former artillery officer and North Carolinian.

Because Camp Bragg was the only reservation in the United States with room enough to test the latest in long range artillery, Camp Bragg became a field artillery laboratory where every new item of field artillery equipment could be given a practical field test. Congress decided in February 1922 that all artillery sites east of the Mississippi River would become permanent Army posts. The camp, therefore, was redesignated as Fort Bragg, September 30, 1922.

The fort grew slowly during the next decade, reaching a total of 5,400 soldiers by the summer of 1940. With the threat of World War II and passage of the Selective Service act, a reception station was built here and Fort Bragg exploded to a population of 67,000 soldiers within a year. In 1942, the first airborne units trained here in

preparation for combat. All five World War II airborne divisions, the 82nd, 101st, 11th, 13th, and 17th, trained in the Fort Bragg-Camp MacKall area. The population of the post during the war years reached a peak of 159,000 personnel. The 82nd 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."

One of the major events of the sixties occurred with the activation of the 5th Special Forces Group. This unit was given the mission of training personnel in counterinsurgency for deployment in Southeast Asia. Thus Fort Bragg was in the forefront of the US involvement in the war in Vietnam. More than 200,000 young men underwent basic combat training here during 1966-70. At the peak of the Vietnam War in 1968, Fort Bragg's military population rose to 57,840.

Today, Fort Bragg and Pope Air Force Base form one of the largest military complexes in the world and are essential to the military's crisis response strategy. The mixture of force capabilities is as versatile and lethal as it is deployable and expandible.

ECONOMIC CONDITIONS AND OUTLOOK

Military

Fort Bragg is 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 have a direct effect on the economy.

Military Payroll and Economic Impact		
Year	Payroll	Economic Impact
2002	\$1,579,177,745	\$5,294,579,917
2001	\$1,528,465,423	\$4,954,664,883
2000	\$1,414,275,423	\$4,550,579,112
1999	\$1,402,529,505	\$4,116,455,491
1998	\$1,369,912,996	\$4,015,613,334

Military Personnel at Fort Bragg and Pope Air Force Base			
Year	Fort Bragg	Pope Air Force Base	Total
2002	46,463	5,384	51,847
2001	42,546	4,916	47,462
2000	41,192	5,023	46,215
1999	41,120	4,652	45,772
1998	40,028	4,677	44,705

Civilian Employment at Fort Bragg and Pope Air Force Base		
Year	Number of Employees	Payroll
2002	9,382	\$261,728,596
2001	8,951	\$254,322,867
2000	8,881	\$249,564,526
1999	8,405	\$229,221,397
1998	8,790	\$225,889,389

Military construction projects are programmed according to federal fiscal year and have an on-going status for many years due to required planning, design, and construction phases. For federal fiscal year 2003, Fort Bragg received \$179.4 million in new construction funds. Major projects include: renovation of the old Womack Army Medical Center Building - \$9.4 million, post security projects - \$18 million, 16th Military Police Brigade barracks complex - \$50 million, third phase of the 82nd Airborne Division separate battalions complex - \$50 million, Army Reserve parachute packing building - \$1.6 million, Bryant Hall renovations - \$11.6 million, special operations weapons training complex - \$19.2 million, and additions to elementary school classrooms - \$2.0 million. For federal fiscal year 2004, Fort Bragg is slated to receive \$138.3 million. Projects include: \$47 million for Bastogne Drive barracks, \$38 million for Butner Road barracks, \$17 million for D-Area barracks, \$19.7 million for joint special operations complex, \$8.5 million for a special operations training complex, \$4.2 million for special operations battalion and company headquarters, \$2.4 million for special operations maze and façade and \$1.5 million for a special operations company facility.

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

Local

Over the years, the City of Fayetteville and the County have emerged as a major commercial center, regional shopping center, and a regional medical service center. With Cross Creek Mall Shopping Center's 1.2 million square feet and eight other major shopping centers, Fayetteville and the County serve as the primary retail market in a 15-county trade area. Gross retail sales in the County for the year totaled \$3,017,709,876. While this represents a 1.47% increase from the prior year, it is still \$5,653,315 or .19% below the high recorded in 2001. For 2002, gross sales of \$288,480,120 realized by the commissaries and post exchanges located on Fort Bragg decreased 1.45% compared to a 1.61% decrease countywide.

Retail Sales						
	Cumberland County	% Change	Fort Bragg Commissaries & Exchanges	% Change	Total	% Change
2003	\$3,017,709,876	1.47	Not Available	---	---	---
2002	\$2,974,131,160	-1.63	288,480,120	-1.45	\$3,262,611,280	-1.61
2001	\$3,023,363,191	0.15	\$292,716,965	13.83	\$3,316,080,156	1.23
2000	\$3,018,719,246	3.75	\$257,152,541	23.30	\$3,275,871,787	5.06
1999	\$2,909,512,926	2.00	\$208,552,777	-3.56	3,118,065,703	1.60

Since 1990, the Fayetteville Metropolitan Statistical Area (MSA) (Cumberland County) has grown at a rate below the state average. Based on state estimates for the next 7 years (2003-2015), the Fayetteville MSA population is expected to increase by 9.2% compared to the state average of 15.9%. However, from 2010 to 2015, the Fayetteville MSA population is only expected to increase by 3.0% compared to the state average of -3.6%.

	1990		2000		2003		2010		2015	
	Population	% Change	Population	% Change	Population	% Change	Population	% Change	Population	% Change
Fayetteville MSA	291,897	--	302,963	3.8%	305,851	.9%	334,040	9.2%	344,186	3.0%
North Carolina	7,657,934	--	8,019,313	4.9%	8,188,008	2.1%	9,491,374	15.9%	9,146,959	-3.6%

The civilian labor force in the County of Cumberland has grown by 13,524 over the last five years, an 11.67% increase compared to the state average of 8.78%.

	Total Labor Force	Number Employed	Number Unemployed	Fayetteville MSA Unemployment Rate	State Unemployment Rate
June 2003	129,424	121,623	7,801	6.0%	6.8%
June 2002	119,300	111,200	8,100	6.8%	6.9%
June 2001	120,900	114,600	6,300	5.2%	5.1%
June 2000	118,400	114,000	5,400	4.6%	3.6%
June 1999	115,900	111,700	4,200	3.6%	3.0%

Over the past two years, the local unemployment rate has been lower than the state average. Statewide, several North Carolina manufacturers, particularly in furniture and textiles have been adversely affected by the slow economy and some manufacturers have had to close permanently. Being a retail based economy, the Fayetteville MSA is somewhat insulated from these economic conditions. Even still, the current unemployment rate of 6.0% is 14.5% higher than the five-year average of 5.24% and 18.1% higher than the state's five-year average of 5.08%. The Fayetteville Employment Security Commission reached only 61 percent of its goal of employing 9,690 people during FY2003. The office met nearly 82 percent of the previous fiscal year's mark, which was to employ 8,022 people. In 1999 with a soaring economy, the office exceeded its goal by 34 percent. The local ESC director said he does not expect employment to begin improving until at least next spring.

A number of area business were affected by the economic downturn. Cedar Creek Fibers LLC, home of the revived Wellman Inc. closed in February 2003 leaving 96 employees unemployed. The company cited rising cost of raw materials and the weak demand for textiles as the reason for closing. Wellman Inc. announced in January 2002 that it would sell or close its 26-year old operation in Fayetteville because of poor performance in its polyester yarn business. The plant closed May 10, 2002, but reopened June 4 as Cedar Creek fibers.

Carolina Converting, a puzzle maker, closed in March after losing its largest contract that provided 60% of its business. Carolina Converting was designed for long runs and large volume and was inefficient for smaller jobs. Approximately 70 employees lost their jobs.

Plant closings in surrounding counties also have an impact on Cumberland County. Robeson County-manufactured house maker Fleetwood Enterprises Inc. closed its Lumberton plant in March costing 120 people their jobs. The manufactured housing industry as a whole has seen year-to-year declines in shipments for the past 44 months and the trend is expected to continue. Phelps Dodge Corp., a maker of magnet wire used in electric motors, closed in December. The closing was attributed to the drop in demand due to the weak economy. Aluminum patio furniture maker Woodard LLC closed this spring putting 120 people out of work. Embrex, a company that manufactures pharmaceutical products for the poultry industry, broke ground in March. The company plans to build a \$12.8 million plant that will employ 21 people. Scotland County has added about 490 jobs through new business and expansions since 1997, but it lost nearly 1,760 jobs during the same period.

The Kelly-Springfield plant in Fayetteville, which makes consumer replacement tires, has been thus far unaffected by the slow economy in 2003. The plant, however, has made cuts during the last two years. About 475 workers have been laid off at Kelly since October 2001 and the schedule has been reduced to six days a week from seven. Union leaders and members said Kelly management has told them of plans to eliminate between 200 and 250 jobs in the next 12 months through attrition.

On the bright side, Micropower Computer Institute opened in February in the Fayetteville Business Center near the Fayetteville State University campus. The institute's course offerings include web development, A+ certification, Cisco certification and medical billing and coding. When students finish their courses, the institute places them with businesses for eight to 10 weeks to get on-the-job training with the potential to become full-time employees.

The Cape Fear region ended calendar year 2002 with its second year of strong housing sales. The number of houses sold in 2002 will only be around 5 percent higher than 2001 – but sales will have jumped by about 20 percent since 2000. During the past two years, the war against terrorism has had little effect on the area's house sales. In 2002, Fayetteville had its best housing market since 1993. Sales for the first half of 2003 continue to be strong. The housing market for FY2003 is being fueled by record low mortgage interest rates. In addition, many investors pulled money out of the stock market and invested in real estate.

The surge in residential construction hasn't crossed over to commercial projects, therefore, forcing some contractors to lay off employees and cut back on expenses because of a lack of work. Since the recession started in March 2001, demand has dropped for offices, industrial plants and stores, causing the number of those construction projects to decrease. According to building permits, 2002 was a terrible year for commercial contractors in Cumberland County and the first half of 2003 has not seen much improvement.

One factor that is not driving the market, is people moving to Cumberland County from other parts of the state or the country. Cumberland County's population is not expected to grow by any substantial amount because the county has not attracted many new employers. The last time Fayetteville had an influx of new companies building plants was 30 years ago, when Black & Decker, Kelly-Springfield Tire Co. and Purolator opened.

Army reservists have spared the Fayetteville area from a national slump in the hotel industry. Since the aftermath of the September 11 attacks on the World Trade Center, reservists have been arriving to fill hotels in Fayetteville. The reservists are performing missions and filling in for deployed soldiers. In December 2002, the Army contracted with 13 hotels to provide up to 1,500 rooms valued at \$25 million through November of this year. Reservists are helping to offset the loss of business due to deployments of Fort Bragg and Pope AFB personnel.

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 70% and 7%, respectively, of the operating budget for the Cumberland County School Administrative Unit. The County appropriation budgeted from General Fund Revenues is \$57,150,000 for current operations and \$13,733,345 for capital outlay for the fiscal year ending June 30, 2003. For the fiscal year ending June 30, 2004 the County appropriations budgeted from General Fund Revenues are \$58,775,000 for current operations and \$9,200,000 for capital outlay.

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. 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. It is estimated that the Public School Building Capital Fund will provide \$2.0 million to the Cumberland County School Administrative Unit for the fiscal year ending June 30, 2003. The County had received approximately \$31.8 million from the Public School Building Capital Fund since its inception in 1987.

Charter and Religious Schools

There are two charter schools and 18 religious schools in the County serving more than 2,900 students.

Colleges and Universities

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

FTCC, a two-year public institution, offers associate degrees, diplomas and certificates in more than 112 academic programs. 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 an average year, hundreds of classes teach new skills and improve quality of life.

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 ending June 30, 2003 total \$5,775,962. The County also appropriated funds in the amount of \$1,264,409 for maintenance and renovation to the Horace Sisk Building.

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 offers over 39 baccalaureate degrees and master's

degrees in 20 programs, including the MBA and one (1) doctoral program in educational leadership. The Weekend and Evening College provides an opportunity for education to non-traditional students who are ready to make a career change. The Center for Continuing Education offers outreach and public service activities and a program of higher education to military personnel and their dependents through FSU military education centers. The Center provides specialized technical and management training.

Methodist College. Methodist College ("Methodist") is a private, senior co-educational college of liberal arts and sciences established in 1956. Methodist offers bachelor's degrees in 57 fields of study, including arts management, computer science, business administration, elementary and secondary education, social work and a physician assistant master's level degree program. The Charles M. Reeves School of Business offers special concentrations in professional golf and tennis management. New majors recently added include management information systems, resort management and computer information technology.

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

	Total Enrollment
Fayetteville State University Undergraduate Graduate	4,159 753
Methodist College	2,029
Fayetteville Technical Community College Curriculum Students Continuing Education Students	13,901 28,175

MAJOR INITIATIVES

Current Year. In February 2003, a new \$48.7 million Detention Facility opened. The new facility has 568 beds and nearly five times the space of the old jail, which was built in 1975 and had 288 beds. The new detention facility can be expanded to house 1,000 inmates.

For the Coming Years. For FY2004, the County has fully funded the design and construction of a new animal shelter. Construction for the \$2.8 million project had been on hold for several years due to lack of available funding. In addition, a \$2.18 million Sheriff's Training Facility, co-located with the animal shelter, is scheduled to be built at the same time.

The Cumberland County Board of Commissioners and the Fayetteville City Council have embarked on a cooperative effort that could lead to more effective and efficient government. With the details still to be worked out, the County and the City of Fayetteville have agreed to consolidate their parks and recreation departments. The County will contract with the City of Fayetteville to run the parks and recreation programs. The merged programs will create a department with 150 full-time employees with one set of rules and fees.

In addition, the two governing bodies have also agreed on a sales tax revenue sharing agreement that will partially reimburse the County for lost sales tax revenue due to annexations.

FINANCIAL INFORMATION

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

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

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

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

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

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

Debt Administration. At June 30, 2003, the County's General Obligation Bond debt was \$123,510,000 and Capital Lease Obligations amount to \$182,226.

In July 2002, the North Carolina Municipal Council upgraded its debt rating for the County from 85 to 86. In September 1999, Standard and Poor's Rating Group upgraded the County's Bond Rating from A+ to AA-. Their decision was based upon the County's improved financial performance due to prudent fiscal management coupled with an expanded economic base. In addition, Moody's upgraded the County's debt rating from A1 to Aa3 in February 2000. 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, 2003, the General Obligation Debt of \$123,510,000 was significantly less than the legal limit of \$1,017,749,000.

Revenue bonds have been issued to finance the construction of facilities utilized in the operation of the Health System and to purchase Highsmith-Rainey Memorial Hospital. Cape Fear Valley Medical Center issued \$59,998,914 in revenue bonds in June 1991, \$29,168,199 in May 1993, and \$116,005,000 in May 1999. The principal and interest on the bonds are payable from the net revenues of the Hospital and not the County. Cape Fear Valley Medical Center's outstanding debt at September 30, 2002, was \$141,178,000.

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 \$2,725,189 on all investments for the year ended June 30, 2003. The General Fund's share of the revenue was \$858,362 which represents an equivalent tax rate of .75 cents.

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

OTHER INFORMATION

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

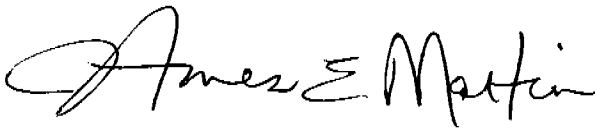
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Cumberland for its comprehensive annual financial report for the fiscal year ended June 30, 2002. This was the eleventh 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

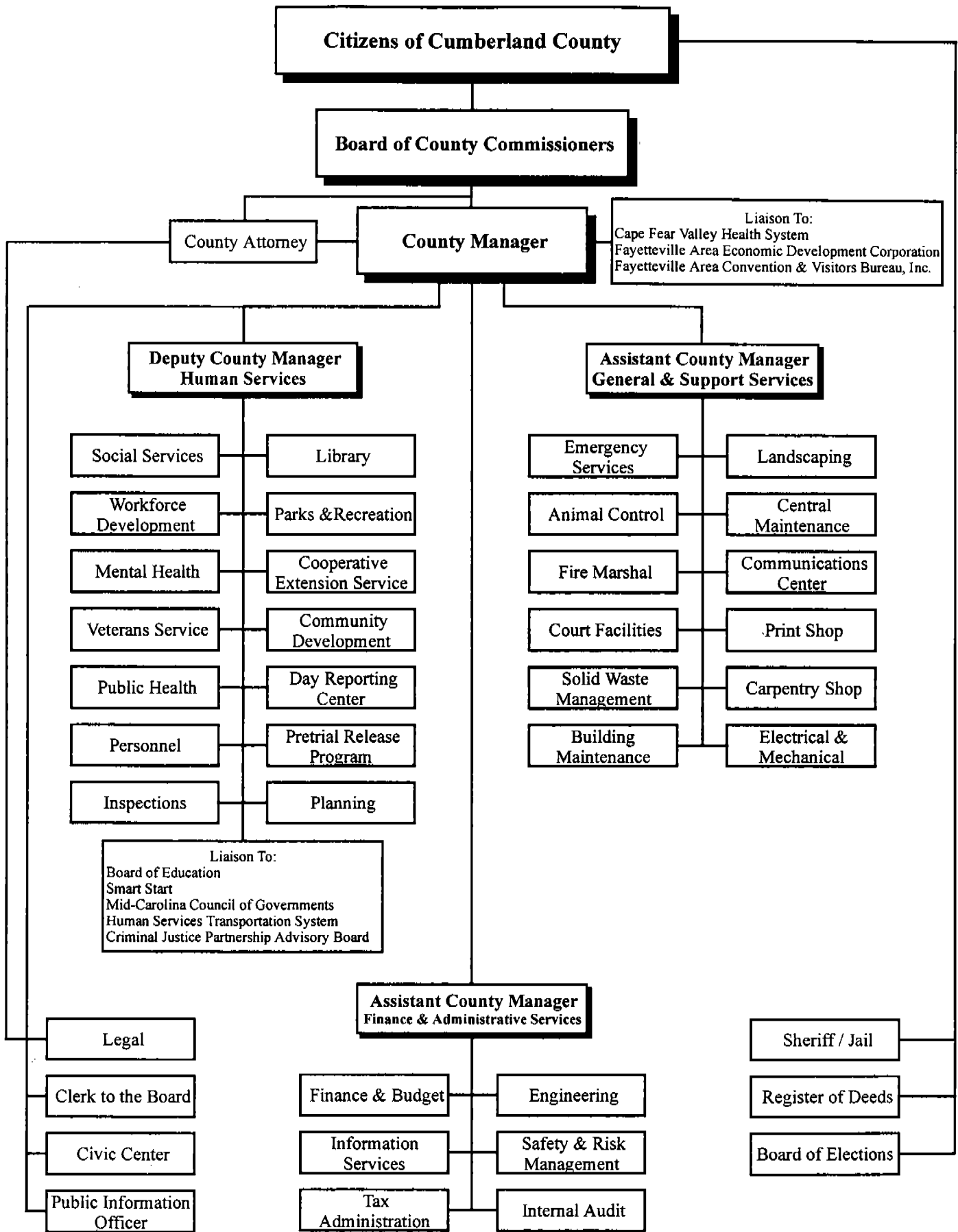
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

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



President

Executive Director



FINANCIAL SECTION

- * Report of Independent Certified Public Accountants
- * Management's Discussion and Analysis
- * Basic Financial Statements
- * Notes to the Financial Statements



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of County Commissioners
County of Cumberland, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Eastover Sanitary District discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Cumberland, North Carolina as of June 30, 2003 and for the year then ended, which collectively comprise the County of Cumberland's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County of Cumberland, North Carolina's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Cumberland County Hospital Systems, Inc. or the Cumberland County ABC Board. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cumberland County Hospital Systems, Inc. and the Cumberland County ABC Board, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the basic 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 of Cumberland, North Carolina as of June 30, 2003, and the respective changes in financial position and cash flows, where appropriate, and the respective budgetary position of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the schedules of funding progress and employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation Allowance and the Cumberland County Hospital Plan are not a required part of the basic financial statements but is 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 this information and express no opinion thereon.

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2003 on our consideration of the County of Cumberland, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the County of Cumberland, North Carolina, taken as a whole. The combining and individual fund statements and schedules for the years ended June 30, 2003 and 2002, 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, 2003, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We did not audit the data included in the introductory, statistical or continuing disclosure sections of this report and, accordingly, we express no opinion on such data.

Cherry, Bekart & Holland LLP

Fayetteville, North Carolina
November 20, 2003

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, 2003. 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

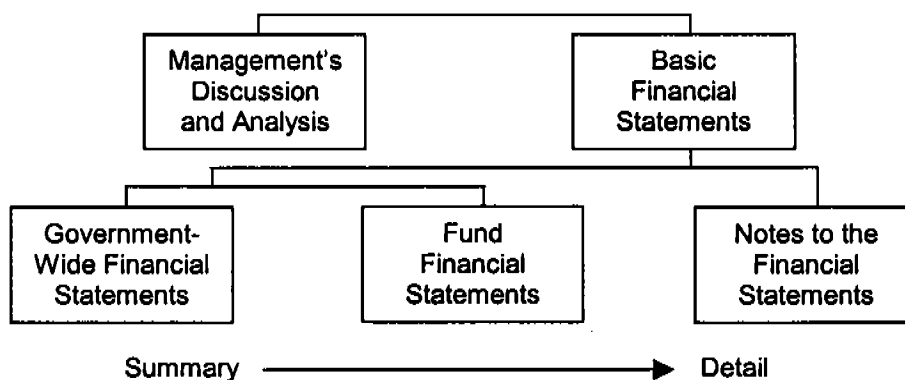
- The assets of the County of Cumberland exceeded its liabilities at the close of the fiscal year by \$81,348,546 (*net assets*). In accordance with North Carolina law, liabilities of the county include approximately \$115,110,000 in long-term debt associated with assets belonging to the Cumberland County 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 \$4,414,577 (5.7%), due to continuing cost reduction efforts by the County that began last year.
- As of the close of the current fiscal year, the County of Cumberland's governmental funds reported combined ending fund balances of \$93,888,004 an increase of \$1,840,363 from the prior year. Approximately 84.8 percent of this total amount, or \$79,641,055, 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 \$45,781,866 or 19.18 percent of total general fund expenditures for the fiscal year. Of this amount, \$14,316,729 has been designated for subsequent year's expenditures and other purposes leaving \$31,465,134 or 13.19 percent of total general fund expenditures as undesignated.
- The County of Cumberland's total debt increased by \$3,328,194 (1.32%) during the current fiscal year. This increase was due to the issuance of \$14,875,000 in general obligation school bonds and the issuance of a note payable for \$931,000 and the continuing reduction in outstanding principal.
- The County of Cumberland has maintained an AA- bond rating from Standard and Poor's Rating Group and a Aa3 rating from Moody's Investor Service.

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 15 and 16) 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 17 through 26) 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 gage the County's financial condition.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Cumberland, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of the County of Cumberland can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash and the amount of funds left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County of Cumberland adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting (which is modified accrual) 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.

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County of Cumberland has seven fiduciary funds, one pension trust fund and six 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 27 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 71 of this report.

Government-Wide Financial Analysis

Last year, the County implemented GASB 34, which began a new era in financial reporting for the County of Cumberland, and many other units of government across the United States. Prior to last year, the County of Cumberland maintained governmental, proprietary, and fiduciary fund groups as separate and very distinct types of accounting without any type of consolidated statement that reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the County. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Government Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the County of Cumberland's financial reports as well as those of many other units of government. While the County was required to implement these changes last fiscal year, other units may not be required to implement until this year or 2004.

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 \$81,348,546 as of June 30, 2003.

The County of Cumberland's Net Assets

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and other	\$ 142,937,420	\$ 139,903,849	\$ 24,313,089	\$ 21,059,410	\$ 167,250,509	\$ 160,963,259
Capital	130,346,919	129,314,394	71,746,332	72,783,774	202,093,251	202,098,168
Total assets	273,284,339	269,218,243	96,059,421	93,843,184	369,343,760	363,061,427
Liabilities						
Long-term outstanding	209,836,143	205,009,987	55,686,140	56,817,907	265,522,283	261,827,894
Other	20,596,791	22,415,164	1,876,140	1,884,400	22,472,931	24,299,564
Total liabilities	230,432,934	227,425,151	57,562,280	58,702,307	287,995,214	286,127,458
Net assets:						
Invested in capital, net						
Of related debt	34,583,438	35,805,126	21,071,073	20,537,487	55,654,511	56,342,613
Restricted	10,650,586	700,730	1,073,253		11,723,839	700,730
Unrestricted	(2,382,619)	5,287,236	16,352,815	14,603,390	13,970,196	19,890,626
Total net assets	\$ 42,851,405	\$ 41,793,092	\$ 38,497,141	\$ 35,140,877	\$ 81,348,546	\$ 76,933,969

One of the largest portions of net assets, \$55,654,511 (68.4%), 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, \$11,723,839 (14.4%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$13,970,196 (17.2%) 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 \$115,110,000 of the outstanding debt on the County's financial statements was related to assets included in the school systems' financial statements. However, since the majority of this school systems related debt is general obligation debt; it is collateralized by the full faith, credit, and taxing power of the County. Accordingly, the County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, as may be necessary to pay the debt service on its general obligation bonds. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

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

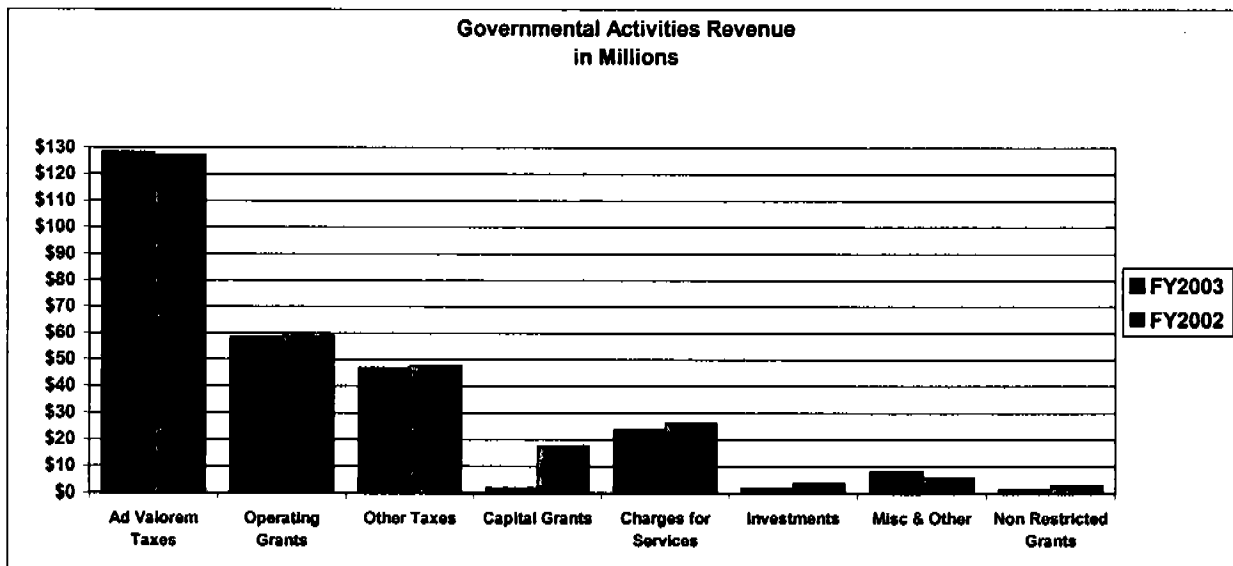
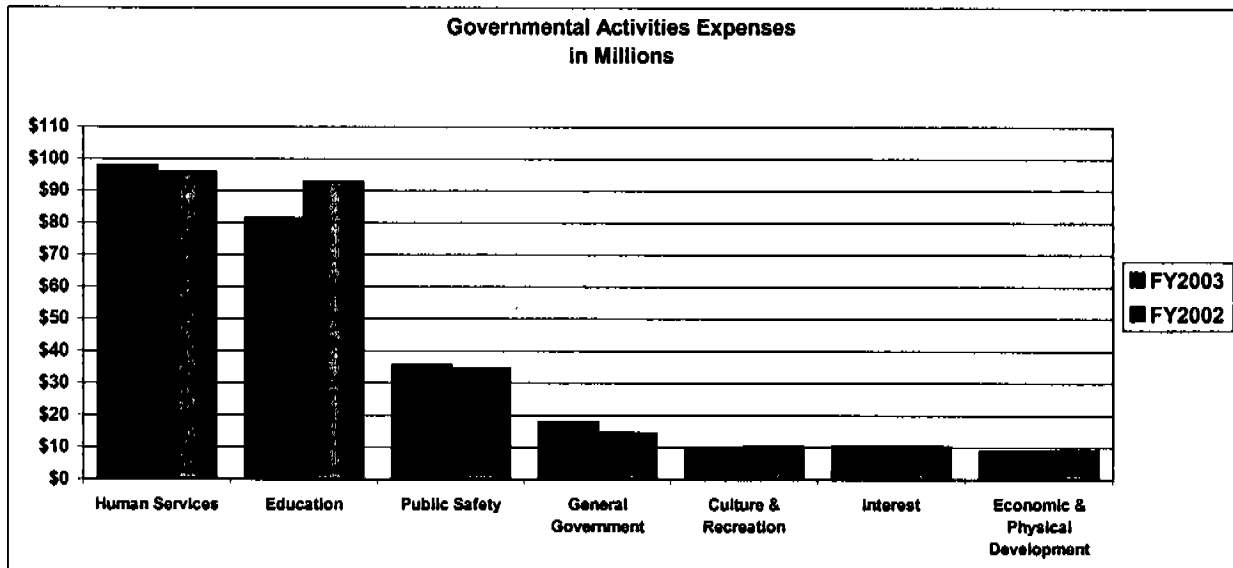
- Continued diligence in the collection of property taxes by maintaining a collection percentage of 97.05% for real and personal property and 79.82% for motor vehicles.
- Continued low cost of debt due to the County's high bond rating.

The County of Cumberland Changes in Net Assets
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues:						
Charges for services	\$ 23,311,239	\$ 21,734,896	\$ 4,812,519	\$ 4,238,873	\$ 28,123,758	\$ 25,973,769
Operating grants and contributions	58,425,272	58,916,747		67,001	58,425,272	58,983,748
Capital grants and contributions	1,732,003	17,528,442	523,180		2,255,183	17,528,442
General revenues:						
Property taxes	128,145,164	127,204,019			128,145,164	127,204,019
Other taxes	46,697,032	42,896,340	5,142,538	4,978,178	51,839,570	47,874,518
Grants and contributions not restricted to specific programs	1,265,058	3,046,773			1,265,058	3,046,773
Unrestricted investment earnings	1,649,334	3,067,855	326,113	553,833	1,975,447	3,611,688
Gain on sale of assets		65,728				65,728
Payments from component units	287,142				287,142	
Miscellaneous	7,585,811	5,709,036	17,089	90,113	7,602,900	5,799,149
Total revenues	269,098,055	280,159,836	10,821,439	9,927,998	279,919,494	290,087,834
Expenses:						
General government	17,978,478	14,511,956			17,978,478	14,511,956
Public safety	35,710,422	34,549,771			35,710,422	34,549,771
Economic and physical development	8,903,243	9,121,126			8,903,243	9,121,126
Human services	97,860,270	95,809,025			97,860,270	95,809,025
Culture and recreation	9,670,353	10,490,154			9,670,353	10,490,154
Education	81,385,988	92,706,505			81,385,988	92,706,505
Interest on long-term debt	10,411,524	10,334,809			10,411,524	10,334,809
Crown center			8,922,890	5,426,073	8,922,890	5,426,073
Solid waste			4,495,079	8,290,083	4,495,079	8,290,083
Arena Ventures			166,670		166,670	
Norcross Water and Sewer District						
Total expenses	261,920,278	267,523,346	13,584,639	13,716,156	275,504,917	281,239,502
Increase in net assets before transfers	7,177,777	12,636,490	(2,763,200)	(3,788,158)	4,414,577	8,848,332
Transfers	(6,119,464)	(7,628,289)	6,119,464	7,628,289		
Increase in net assets	1,058,313	5,008,201	3,356,264	3,840,131	4,414,577	8,848,332
Net assets, July 1	41,793,092	36,784,891	35,140,877	31,300,746	76,933,969	68,085,637
Net assets, June 30	\$ 42,851,405	\$ 41,793,092	\$ 38,497,141	\$ 35,140,877	\$ 81,348,546	\$ 76,933,969

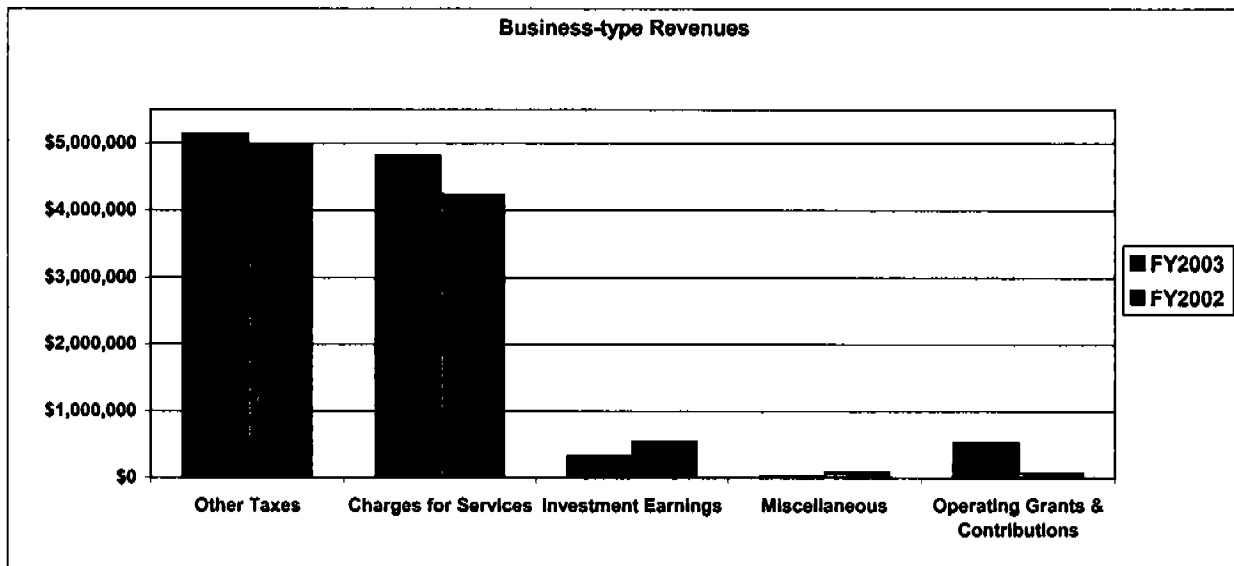
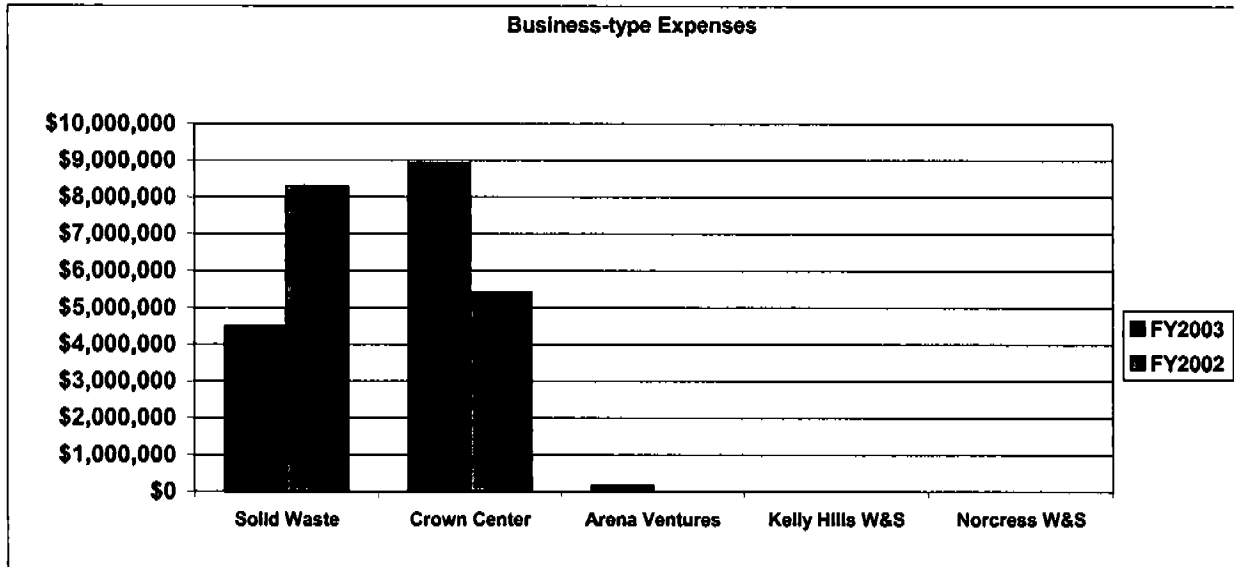
Governmental activities. Governmental activities increased the County's net assets by \$1,058,313. Key elements of this decrease are as follows:

- Spending on salaries and related benefits increased by \$1,698,469 from FY2002 due largely to a \$900 stipend for all full-time and a pro-rata share for most part-time employees.
- Operating expenses increased by \$2,140,267. The largest increase, \$919,394, was for department supplies and miscellaneous furniture and equipment.
- Other charges and services increased \$5,444,384. Major changes for FY2003 included: \$1,054,275 for the Tourism Development Authority, \$2,243,340 for current expense increase for county schools and FTCC, and a \$2,307,295 increase for daycare.
- Funding for Education decreased \$11,320,517 as a result of completing capital projects, funded by the State Bond Fund, in FY2002.
- Unrestricted intergovernmental revenues decreased \$1,781,715 as a result of the elimination of \$1,433,647 of state shared revenue by the Governor.
- Restricted intergovernmental revenue decreased \$2,288,037 due to a reduction in state grants and allocations.
- Unrestricted investment earnings decreased by \$1,408,521 during the year. This decrease is due in part to an overall lower rate of return on investments during the year and less cash on hand for investment purposes due to school capital funding, and a slow down in the economy.



Business-type activities: Business-type activities increased the County of Cumberland's net assets by \$3,356,264 accounting for all the total growth in the government's net assets. Key elements of this increase are as follows:

- The Solid Waste Fund reported an increase in net assets of \$2,553,775. This increase was due to stabilization of the household user and commercial fees coupled with a decline in 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.

At June 30, 2003, the governmental funds of the County of Cumberland reported a combined fund balance of \$93,888,004, a 2.0 percent increase over last year. The primary reason for the increase is directly related to the strong performance of the General Fund, 13.2% increase, compared to an 11.3% decrease for other governmental funds. The large changes were caused by transferring unexpended funds from the capital project funds into the general fund.

The general fund is the chief operating fund of the County of Cumberland. As a measure of the general fund's liquidity, it may be useful to compare both undesignated and designated fund balance to total fund expenditures for the year. At the end of the current fiscal year, undesignated and designated fund balance of the General Fund was \$45,781,866 or 19.18 percent of total general fund expenditures for the fiscal year. Of this amount, \$11,337,226 has been designated for subsequent year expenditures and \$2,979,503 for other purposes leaving \$31,465,137 or 13.19 percent of total general fund expenditures as undesignated.

General Fund Budgetary Highlights: During fiscal year 2003, the County was still feeling the effects of the downturn in the national, State of North Carolina and the local economies caused by the continuing hostilities in Iraq.

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 \$16,525,374 or 6.69 percent. Of this amount, \$3,555,257 represents additional/and or adjustments to federal, state, and local funding estimates. \$8,303,413 is from increased transfers of \$3,056,462 from the DSS Capital Project Fund to reimburse the General Fund for upfront interest payments and \$4,899,690 to reallocate unspent funds from the Detention Facility Capital Project Fund. The remaining \$4,666,704 or 1.85% of increase is from fund balance. \$2,687,700 of this amount was appropriated to fund prior year expenditures and \$1,979,004, 0.78%, was for new initiatives.

The actual operating revenues for the General Fund were less than the budgeted amount by \$5,048,038. The major contributing factor in this shortfall of revenue was the loss of \$3,048,451 of state reimbursements that were withheld by the Governor in order to balance the State's budget. The County was able to offset the shortfall through reductions in expenditures in various departments including human services, general government and public safety. As a result, actual operating expenditures were less than the budgeted amount by \$24,941,146. For the year, actual revenue exceeded actual expenditures by \$509,799.

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 \$16,515,622, and those for the Cumberland County Crown Complex equaled \$(165,751). The other three new proprietary funds had combined unrestricted net assets of \$2,944. The total growth in net assets for Solid Waste and the Crown Center were \$2,553,775 and \$306,777 respectively.

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, 2003, totals \$202,093,251 (net of accumulated depreciation). Capital assets include land, land improvements, buildings and improvements, vehicles and heavy equipment, furniture,

machinery, and other equipment, and construction in progress. Capital assets are reported in the government-wide financial statements and in the enterprise fund financial statements. Governmental funds treat capital acquisitions as expenditures in the period in which they are purchased. The only significant change was the \$40,178,437 increase in Governmental Activities-Building and Improvements, net of depreciation expense, resulting from the completion of the County's Detention Facility that transferred \$39,477,381 from Construction in Progress to Buildings and Improvements.

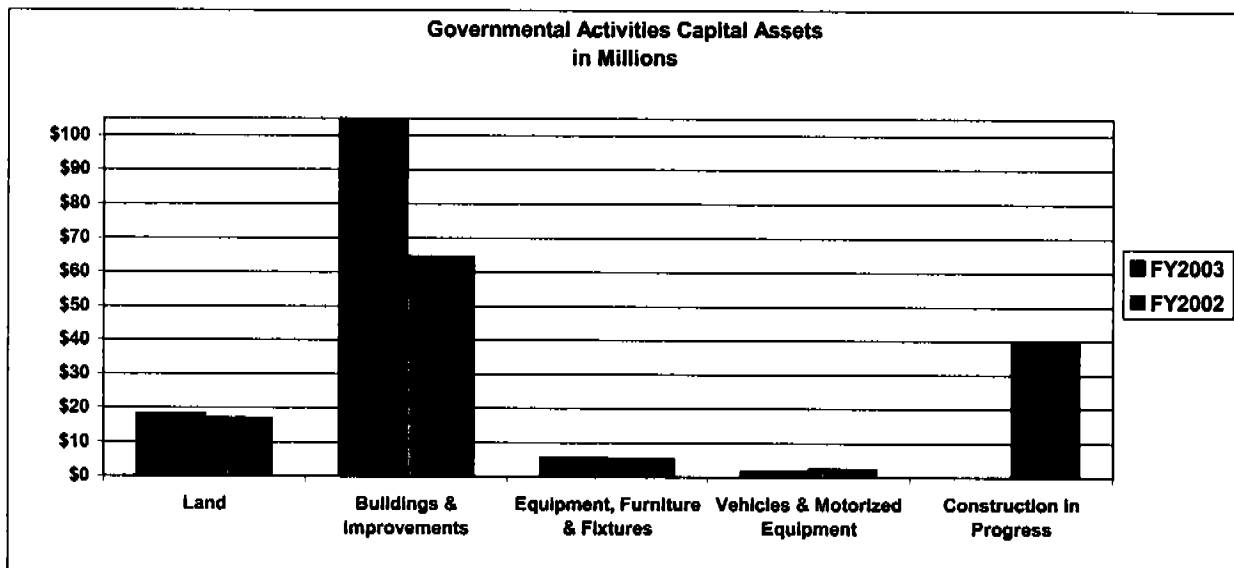
The County of Cumberland's Capital Assets

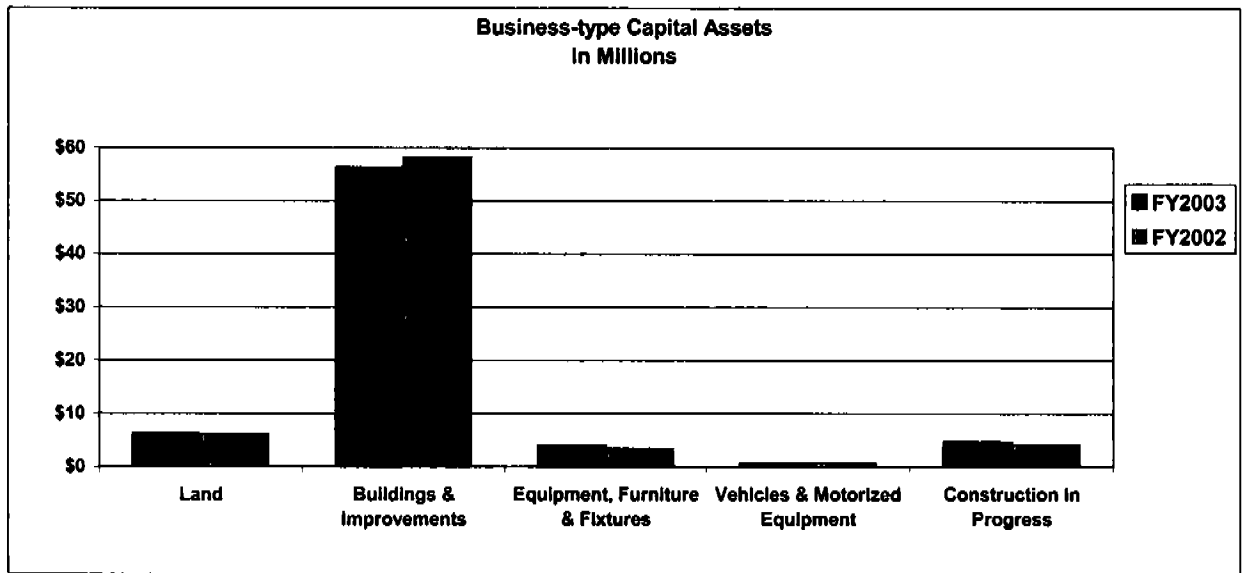
Figure 4

(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 18,134,211	\$ 17,103,211	\$ 6,224,324	\$ 6,224,324	\$ 24,358,535	\$ 23,327,535
Buildings and Improvements	104,933,119	64,754,882	56,335,970	58,225,659	161,269,089	122,980,341
Equipment, furniture and fixtures	5,560,862	5,458,880	3,950,471	3,469,658	9,511,333	8,928,538
Vehicles and motorized equipment	1,718,727	2,520,240	585,188	738,934	2,303,915	3,257,174
Construction in progress		39,477,381	4,650,379	4,127,199	4,650,379	43,604,580
Total	\$ 130,346,919	\$ 129,314,394	\$ 71,746,332	\$ 72,783,774	\$ 202,093,251	\$ 202,098,168

Additional information on the County's capital assets can be found in note 4 of the basic financial statements.



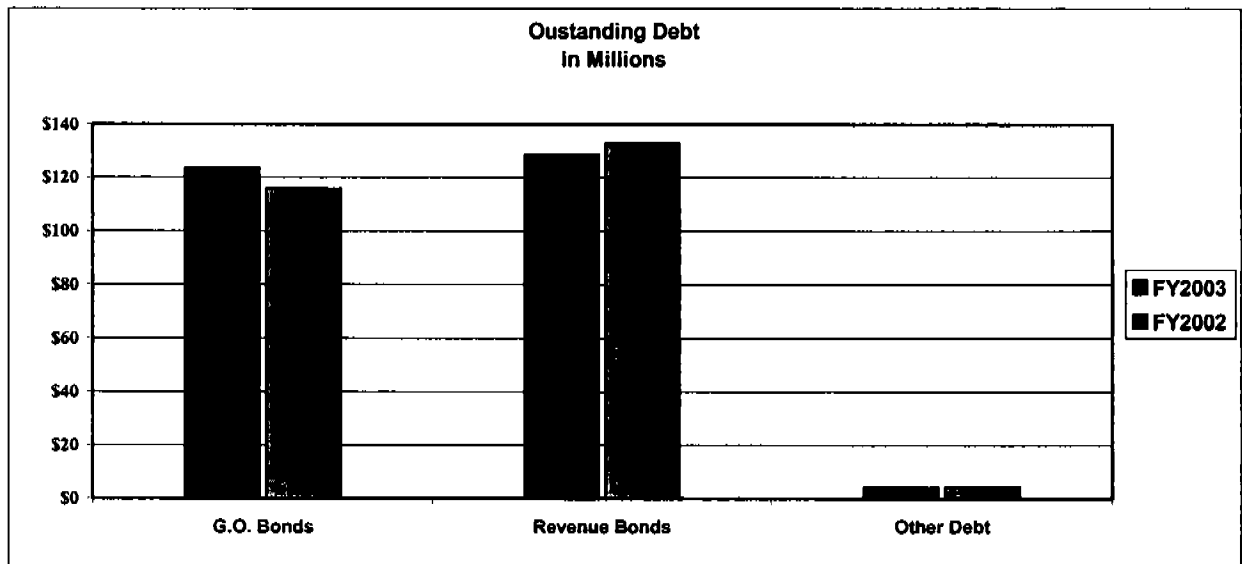


Long-term Debt. As of June 30, 2003, the County of Cumberland had total bonded debt outstanding of \$123,510,000 all of which is backed by the full faith and credit of the County.

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

Figure 5

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2003	2002	2003	2002	2003	2002
General Obligation bonds	\$ 123,510,000	\$ 115,775,000	\$ -	\$ -	\$ 123,510,000	\$ 115,775,000
Revenue bonds	77,955,000	80,785,000	50,639,933	\$52,006,288	128,594,933	132,791,288
Other debt	3,992,463	4,050,219	87,305	240,000	4,079,768	4,290,219
Total debt	<u>\$ 205,457,463</u>	<u>\$ 200,610,219</u>	<u>\$ 50,727,238</u>	<u>\$ 52,246,288</u>	<u>\$ 258,184,701</u>	<u>\$ 252,856,507</u>



The County of Cumberland's total debt of \$256,184,701 (net of amortization of refunding gain) increased \$3,328,194 (1.32%) during the past fiscal year, primarily due to principal payments on existing debt and issuance of \$14,875,000 in new School G.O. Bonds and a note payable for \$931,000.

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

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the County is \$1,017,749,000.

Additional information regarding the County of Cumberland's long-term debt can be found in note 10 beginning on page 54 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 6.0%, significantly lower than the state average of 6.8%.
- Due to a countywide revaluation of property values, the ad valorem tax rate was reduced 4½ cents to 88.0 cents per \$100 of valuation.

Budget Highlights for the Fiscal Year Ending June 30, 2004

The County has approved a \$261,800,237 General Fund budget for FY2004, which represents a \$10,154,237 (4.04%) increase over FY2003. *Ad Valorem Taxes* will increase \$2,291,535 (1.95%). Because this was a revaluation year, the General Fund tax rate was lowered from 92.5 cents to 88.0 cents to approximate a revenue neutral ad valorem tax rate. *Other Taxes* will increase \$3,973,933 (12.46%) due to the additional ½-cent sales tax and reductions in intangibles and sales taxes. *Unrestricted Intergovernmental* revenue will decrease only \$79,409 (2.09%) due primarily to the loss of \$2,655,384 in various state reimbursements, gains of \$2,100,000 in reimbursements from the City of Fayetteville and a \$350,000 increase in profits from the County's ABC Board. *Restricted Intergovernmental* revenue increased only \$678,420 (1.30%) based on a budget of \$53,432,299. *Licenses and Permits* revenue will increase a total of \$839,153 (28.91%) due mainly to the increase in the Register of Deeds fees and new fees on single-family dwelling construction. *Sales and Service* fees increased \$999,422 (5.62%) due to increases in Mental Health fees and reductions in indirect costs. *Miscellaneous* revenue will decrease \$973,899 (14.03%) due to a loss of a \$1,000,000 balloon payment on a lease received in the prior year. *Other Financing Sources* will increase a total of \$2,415,762 (13.51%) due to increases in fund balance appropriated.

Budgeted expenditures in the General Fund are expected to rise \$10,154,237 (4.04%) to \$261,800,674. *Personnel Services* will increase \$3,887,584 (4.38%) due to the addition of 48 new positions and a 3½ % cost-of-living increase. *Operating Expenditures* will increase \$3,332,826 (14.15%) due to an increase of \$2,309,538 in contracted and other services. *Other Charges and Services* increased \$1,913,581 (1.79%) Current expense funding for county schools increased \$1,625,000, which includes \$482,000 to open a new high school. Smart Start day care and childcare decreased \$572,863. *Capital Outlay* increased \$1,493,663 (254.42%). This large increase was the result of purchasing 45 new vehicles versus none for last year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

COUNTY OF CUMBERLAND, NORTH CAROLINA
Financial Statements and Schedules

(This page intentionally left blank)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COUNTY OF CUMBERLAND, NORTH CAROLINA
Financial Statements and Schedules

(This page intentionally left blank)

COUNTY OF CUMBERLAND, NORTH CAROLINA

Statement of Net Assets

June 30, 2003

	Governmental Activities	Business Type Activities	Total Primary Government	Cumberland County ABC Board	Cumberland County Hospital Systems, Inc.	Eastover Sanitary District
Assets						
Cash and cash equivalents	\$ 40,604,423	\$ 9,575,861	\$ 50,180,284	\$ 2,846,139	\$ 30,352,000	\$ 138,666
Investments	45,193,371	12,693,981	57,887,352	-	31,510,000	-
Taxes receivable, net	8,408,443	307,012	8,715,455	-	-	-
Accounts receivable, net	26,354,375	668,299	27,022,674	-	66,818,000	62,709
Internal balances	57,296	(57,296)	-	-	-	-
Due from component unit	125,884	-	125,884	-	-	-
Inventories	202,808	-	202,808	1,312,879	6,178,000	-
Prepaid expenses	-	-	-	11,810	3,394,000	-
Restricted cash and cash equivalents	10,265,929	1,125,232	11,391,161	33,464	26,537,000	-
Restricted investments	11,653,429	-	11,653,429	-	76,735,000	-
Restricted accounts receivable	63,234	-	63,234	-	-	580
Capital assets:						
Nondepreciable	18,134,211	10,874,703	29,008,914	421,810	25,763,000	-
Depreciable, net	112,212,708	60,871,629	173,084,337	878,042	153,925,000	6,157,321
Other assets	8,228	-	8,228	-	18,854,000	-
Total assets	273,284,339	96,059,421	369,343,760	5,504,144	440,066,000	6,359,276
Liabilities						
Accounts payable	16,186,116	1,876,140	18,062,256	1,005,739	62,784,000	10,029
Due to agencies	-	-	-	-	14,930,000	-
Unearned revenues	4,410,675	-	4,410,675	-	-	-
Long-term liabilities:						
Due in less than one year	15,274,456	2,123,305	17,397,761	-	5,451,783	-
Due in more than one year	194,561,687	53,562,835	248,124,522	-	135,728,217	3,904,000
Total liabilities	230,432,934	57,562,280	287,995,214	1,005,739	218,892,000	3,914,028
Net assets						
Invested in capital assets net of related debt	34,583,438	21,071,073	55,654,511	1,299,852	56,040,000	2,497,813
Restricted	10,650,586	1,073,253	11,723,839	3,198,552	13,367,000	580
Unrestricted	(2,382,619)	16,352,815	13,970,196	1	151,767,000	(53,145)
Total net assets	\$ 42,851,405	\$ 38,497,141	\$ 81,348,546	\$ 4,498,405	\$ 221,174,000	\$ 2,445,248

COUNTY OF CUMBERLAND, NORTH CAROLINA
Statement of Activities
Year Ended June 30, 2003

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Cumberland County		Eastover Sanitary District
					Governmental Activities	Business-type Activities	ABC Board	Hospital Systems, Inc.	
Primary government:									
General government:									
General government	\$ 17,978,478	\$ 3,684,933	\$ 1,218,686	\$ 171,976	\$ (12,902,883)	\$ -	\$ -	\$ -	\$ -
Public safety	35,710,422	2,047,995	486,287	811,942	(32,354,198)	-	-	-	-
Economic and physical development	8,903,243	958,151	5,437,693	260,569	(2,246,830)	-	-	-	-
Human services	97,860,270	16,011,106	50,307,721	-	(31,541,443)	-	-	-	-
Cultural and recreational	9,670,353	609,054	964,885	2,131	(8,094,283)	-	-	-	-
Education	81,385,988	-	-	485,385	(80,900,603)	-	-	-	-
Interest on long-term debt	10,411,524	-	-	-	(10,411,524)	-	-	-	-
Total governmental activities	<u>261,820,278</u>	<u>23,311,239</u>	<u>58,425,272</u>	<u>1,732,003</u>	<u>(178,451,764)</u>	-	-	-	-
Business-type activities:									
Crown center	8,322,890	2,160,252	-	-	(6,762,638)	-	-	-	-
Solid waste	4,495,079	2,513,065	-	-	(1,982,014)	-	-	-	-
Arena Ventures	166,670	100,002	-	-	(66,668)	-	-	-	-
Kelly Hills Water and Sewer District	-	39,200	-	372,700	411,900	-	-	-	-
NORCRESS Water and Sewer District	-	-	-	150,480	150,480	-	-	-	-
Total business-type activities	<u>13,584,639</u>	<u>4,812,519</u>	<u>-</u>	<u>523,180</u>	<u>(8,248,940)</u>	-	-	-	-
Total primary government	<u>\$ 275,504,917</u>	<u>\$ 28,123,758</u>	<u>\$ 58,425,272</u>	<u>\$ 2,255,183</u>	<u>(178,451,764)</u>	<u>(8,248,940)</u>	<u>(186,700,704)</u>	<u>-</u>	<u>-</u>
Component unit:									
ABC Board	\$ 10,338,507	\$ 10,925,168	\$ -	\$ -	-	-	586,661	-	-
Cumberland County Hospital System	383,373,000	380,623,000	-	-	-	-	-	7,250,000	(318,022)
Eastover Sanitary District	640,809	244,087	-	78,700	-	-	586,661	7,250,000	(318,022)
Total component unit	<u>\$ 394,352,316</u>	<u>\$ 401,792,255</u>	<u>\$ -</u>	<u>\$ 78,700</u>	<u>-</u>	<u>-</u>	<u>586,661</u>	<u>7,250,000</u>	<u>(318,022)</u>
General revenues:									
Property taxes	-	-	-	128,145,164	-	-	-	-	-
Other taxes	-	-	-	46,697,032	-	-	-	-	-
Grants and contributions not restricted to specific programs	-	-	-	5,142,538	-	-	-	-	-
Unrestricted investment earnings	-	-	-	1,265,058	-	-	24,589	-	994
Gain on sale of capital assets	-	-	-	1,649,334	-	-	-	-	-
Miscellaneous	-	-	-	7,585,811	-	-	(171)	3,447,000	-
Contributions	-	-	-	287,142	-	-	-	132,000	-
Payment from component units	-	-	-	(6,119,464)	-	-	-	-	-
Transfers	-	-	-	179,510,077	-	-	24,418	3,579,000	994
Total general revenues and transfers				<u>1,059,313</u>	<u>3,356,264</u>	<u>4,414,577</u>	<u>611,079</u>	<u>10,829,000</u>	<u>(317,028)</u>
Change in net assets									
Net assets - beginning				41,793,092	35,140,877	76,933,969	3,887,326	210,345,000	2,762,276
Net assets - ending				<u>\$ 42,851,405</u>	<u>\$ 38,497,141</u>	<u>\$ 81,348,546</u>	<u>\$ 4,498,405</u>	<u>\$ 221,174,000</u>	<u>\$ 2,445,248</u>

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

FUND FINANCIAL STATEMENTS

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Balance Sheet
Governmental Funds
June 30, 2003**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 22,789,881	\$ 17,814,542	\$ 40,604,423
Investments	39,613,356	5,580,015	45,193,371
Taxes receivable, net	6,587,442	757,802	7,345,244
Accounts receivable, net	22,160,015	3,716,627	25,876,642
Due from other funds	439,088	-	439,088
Due from component units	125,884	-	125,884
Inventories	202,808	-	202,808
Restricted assets:			
Cash and cash equivalents	187,630	4,583,298	4,770,928
Investments	-	10,159,012	10,159,012
Accounts receivable	-	63,234	63,234
Total assets	\$ 92,106,104	\$ 42,674,530	\$ 134,780,634
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 10,456,612	\$ 2,147,603	\$ 12,604,215
Due to other funds	-	312,954	312,954
Deferred revenue	24,982,990	2,992,471	27,975,461
Total liabilities	35,439,602	5,453,028	40,892,630
Fund balances:			
Reserved:			
Reserved for inventories	202,808	-	202,808
Reserved for register of deeds	111,146	-	111,146
Reserved for mental health programs	60,230	-	60,230
Reserved for encumbrances	1,770,338	1,602,208	3,372,546
Reserved by State statute	8,740,114	1,545,192	10,285,306
Reserved for inmates	-	180,831	180,831
Reserved for cemetery	-	34,082	34,082
Unreserved:			
Designated for subsequent year's expenditures	11,337,226	-	11,337,226
Designated for other purposes	2,979,503	-	2,979,503
Undesignated	31,465,137	-	31,465,137
Unreserved, reported in nonmajor:			
Designated for subsequent year's expenditures			
Special revenue	-	3,941,127	3,941,127
Capital projects	-	5,370,826	5,370,826
Undesignated			
Special revenue	-	16,126,852	16,126,852
Capital projects	-	8,420,384	8,420,384
Total fund balances	56,666,502	37,221,502	93,888,004
Total liabilities and fund balances	\$ 92,106,104	\$ 42,674,530	\$ 134,780,634

COUNTY OF CUMBERLAND, NORTH CAROLINA
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2003

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

Ending fund balance - governmental funds	\$ 93,888,004
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	130,346,919
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	22,115,202
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.	6,337,423
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(209,836,143)
Net assets of governmental activities	<u>\$ 42,851,405</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2003**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Ad valorem taxes	\$ 117,717,323	\$ 8,783,732	\$ 126,501,055
Other taxes	31,824,801	12,362,249	44,187,050
Unrestricted intergovernmental revenue	1,265,058	-	1,265,058
Restricted intergovernmental revenue	51,769,726	8,387,549	60,157,275
Licenses and permits	4,062,976	-	4,062,976
Sales and services	18,674,517	573,746	19,248,263
Interest earned on investments	1,036,927	531,835	1,568,762
Miscellaneous	5,927,608	1,658,203	7,585,811
Total revenues	<u>232,278,936</u>	<u>32,297,314</u>	<u>264,576,250</u>
Expenditures			
Current:			
General government	15,634,517	556,372	16,190,889
Public safety	27,083,262	7,066,646	34,149,908
Economic and physical development	2,952,027	6,378,309	9,330,336
Human services	95,799,633	1,465,001	97,264,634
Cultural and recreational	6,313,630	2,853,124	9,166,754
Education	62,983,449	17,415,030	80,398,479
Capital outlay	-	4,673,700	4,673,700
Debt service:			
Principal payments	10,808,755	150,000	10,958,755
Interest and fees	10,193,864	80,572	10,274,436
Total expenditures	<u>231,769,137</u>	<u>40,638,754</u>	<u>272,407,891</u>
Excess (deficiency) of revenues over (under) expenditures	<u>509,799</u>	<u>(8,341,440)</u>	<u>(7,831,641)</u>
Other financing sources (uses)			
Debt issuance	-	15,818,195	15,818,195
Transfers in	12,947,592	6,166,458	19,114,050
Transfers out	(6,865,313)	(18,682,070)	(25,547,383)
Payment from component unit	-	287,142	287,142
Total other financing sources (uses)	<u>6,082,279</u>	<u>3,589,725</u>	<u>9,672,004</u>
Net change in fund balances	6,592,078	(4,751,715)	1,840,363
Fund balance - beginning	<u>50,074,424</u>	<u>41,973,217</u>	<u>92,047,641</u>
Fund balance - ending	<u>\$ 56,666,502</u>	<u>\$ 37,221,502</u>	<u>\$ 93,888,004</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, 2003

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

Net change in fund balances - total governmental funds	\$ 1,840,363
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 of \$6,256,363 exceeded depreciation of \$5,223,841 in the current period.	1,032,522
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,154,091
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.	(4,826,155)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(182,828)
The net revenue of certain activities of the internal service fund is reported with governmental activities.	(959,680)
Change in net assets of governmental activities	<u>\$ 1,058,313</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances-
Budget and Actual
Year Ended June 30, 2003**

	General Fund			Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Ad valorem taxes	\$ 117,703,666	\$ 117,703,666	\$ 117,717,323	\$ 13,657
Other taxes	31,895,792	31,895,792	31,824,801	(70,991)
Unrestricted intergovernmental revenue	3,790,952	3,790,952	1,265,058	(2,525,894)
Restricted intergovernmental revenue	52,782,657	55,424,791	51,769,726	(3,655,065)
Licenses and permits	2,903,246	2,938,101	4,062,976	1,124,875
Sales and services	17,790,690	18,580,359	18,674,517	94,158
Interest earned on investments	1,638,710	1,640,341	1,036,927	(603,414)
Miscellaneous	5,266,004	5,352,972	5,927,608	574,636
Total revenues	<u>233,771,717</u>	<u>237,326,974</u>	<u>232,278,936</u>	<u>(5,048,038)</u>
Expenditures:				
Current:				
General government	15,558,071	24,339,411	15,634,517	8,704,894
Public safety	27,511,834	28,393,556	27,083,262	1,310,294
Economic and physical development	3,166,039	3,292,834	2,952,027	340,807
Human services	104,060,373	107,981,449	95,799,633	12,181,816
Cultural and recreational	6,367,733	6,550,912	6,313,630	237,282
Education	63,425,962	64,190,371	62,983,449	1,206,922
Debt service:				
Principal payments	11,539,574	11,323,609	10,808,755	514,854
Interest and fees	10,638,141	10,638,141	10,193,864	444,277
Total expenditures	<u>242,267,727</u>	<u>256,710,283</u>	<u>231,769,137</u>	<u>24,941,146</u>
Revenues over (under) expenditures	<u>(8,496,010)</u>	<u>(19,383,309)</u>	<u>509,799</u>	<u>(19,893,108)</u>
Other financing sources (uses):				
Transfers in	4,657,266	12,960,679	12,947,592	13,087
Transfers out	(4,922,657)	(7,005,475)	(6,865,313)	(140,162)
Appropriated fund balance	8,761,401	13,428,105	-	13,428,105
Total other financing sources (uses)	<u>8,496,010</u>	<u>19,383,309</u>	<u>6,082,279</u>	<u>13,301,030</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>6,592,078</u>	<u>\$ (6,592,078)</u>
Fund Balances:				
Beginning of year, July 1			<u>50,074,424</u>	
End of year, June 30			<u>\$ 56,666,502</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

Statement of Net Assets
Proprietary Funds
June 30, 2003

	Enterprise Funds					Total	Internal Service Funds
	Cumberland County Solid Waste Fund	Cumberland County Crown Center Fund	Arena Ventures Marketing Fund	Kelly Hills Water and Sewer District Fund	NORCRESS Water and Sewer District Fund		
Assets							
Current assets							
Cash and cash equivalents	\$ 8,298,996	\$ 1,273,578	\$ 3,287	\$ -	\$ -	\$ 9,575,861	\$ -
Investments	12,693,981	-	-	-	-	12,693,981	-
Taxes receivable	307,012	-	-	-	-	307,012	-
Accounts receivable	273,105	327,169	-	65,081	2,944	668,299	408,895
Total current assets	21,573,094	1,600,747	3,287	65,081	2,944	23,245,153	408,895
Noncurrent assets							
Restricted:							
Cash and cash equivalents	662,074	426,902	-	-	36,256	1,125,232	5,495,001
Investments	-	-	-	-	-	-	1,494,417
Capital assets, net of accumulated depreciation	11,284,514	59,938,838	-	150,480	372,700	71,746,332	-
Total noncurrent assets	11,946,588	60,365,540	-	150,480	408,956	72,871,564	6,989,418
Total assets	33,519,682	61,966,287	3,287	215,561	411,900	96,116,717	7,398,313
Liabilities and net assets							
Current liabilities							
Accounts payable and accrued liabilities	128,731	1,702,118	3,287	42,004	-	1,876,140	1,060,444
Current portion of long-term debt	-	2,123,305	-	-	-	2,123,305	-
Due to other funds	32,219	2,000	-	23,077	-	57,296	-
Deferred revenue	-	-	-	-	-	-	446
Total current liabilities	160,950	3,827,423	3,287	65,081	-	4,056,741	1,060,890
Noncurrent liabilities							
Post closing liability	4,813,819	-	-	-	-	4,813,819	-
Long-term debt	-	48,603,933	-	-	-	48,603,933	-
Accrued vacation	82,703	62,380	-	-	-	145,083	-
Total noncurrent liabilities	4,896,522	48,666,313	-	-	-	53,562,835	-
Total liabilities	5,057,472	52,493,736	3,287	65,081	-	57,619,576	1,060,890
Net assets							
Invested in capital assets, net of related debt	11,284,514	9,263,379	-	150,480	372,700	21,071,073	-
Restricted net assets	662,074	374,923	-	-	36,256	1,073,253	-
Unrestricted	16,515,622	(165,751)	-	-	2,944	16,352,815	6,337,423
Total net assets	\$ 28,462,210	\$ 9,472,551	\$ -	\$ 150,480	\$ 411,900	\$ 38,497,141	\$ 6,337,423

COUNTY OF CUMBERLAND, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2003

	Enterprise Funds						Internal Service Funds
	Cumberland County Solid Waste Fund	Cumberland County Crown Center Fund	Arena Ventures Marketing Fund	Kelly Hills Water and Sewer District Fund	NORCRESS Water and Sewer District Fund	Total	
Operating revenues							
Charges for services	\$ 2,224,995	\$ 2,160,252	\$ -	\$ -	\$ 39,200	\$ 4,424,447	\$ -
Contributions	-	-	-	-	-	-	8,926,342
Other operating revenue	288,070	-	100,002	-	-	388,072	-
Total operating revenues	2,513,065	2,160,252	100,002	-	39,200	4,812,519	8,926,342
Operating expenses							
Salaries and employee benefits	1,677,163	1,390,942	35,355	-	-	3,103,460	10,052,737
Other supplies	779,192	168,046	-	-	-	947,238	-
Repairs and maintenance	411,381	408,762	-	-	-	820,143	-
Purchased services	-	-	131,315	-	-	131,315	-
Food and related supplies	-	853,044	-	-	-	853,044	-
Utilities	54,183	812,706	-	-	-	866,889	-
Administrative costs	349,736	580,223	-	-	-	929,959	227,726
Depreciation	732,021	1,902,099	-	-	-	2,634,120	-
Landfill closure and postclosure care costs	407,835	-	-	-	-	407,835	-
Total operating expenses	4,411,511	6,115,822	166,670	-	-	10,694,003	10,280,463
Operating income (loss)	(1,898,446)	(3,955,570)	(66,668)	-	39,200	(5,881,484)	(1,354,121)
Nonoperating revenue (expense)							
Interest earned on investments	316,665	9,448	-	-	-	326,113	80,572
Motel occupancy tax	-	705,084	-	-	-	705,084	-
Miscellaneous	(66,479)	-	-	-	-	(66,479)	-
Taxes	4,437,454	-	-	-	-	4,437,454	-
Interest expense	-	(2,785,916)	-	-	-	(2,785,916)	-
Tax distribution fee	-	(21,152)	-	-	-	(21,152)	-
Total nonoperating revenue (expense)	4,687,640	(2,092,536)	-	-	-	2,595,104	80,572
Income (loss) before transfers and contributions	2,789,194	(6,048,106)	(66,668)	-	39,200	(3,286,380)	(1,273,549)
Transfers in	-	6,354,883	-	-	-	6,354,883	366,697
Transfers out	(235,419)	-	-	-	-	(235,419)	(52,828)
Capital contributions	-	-	-	150,480	372,700	523,180	-
Change in net assets	2,553,775	306,777	(66,668)	150,480	411,900	3,356,264	(959,680)
Total net assets - beginning	25,908,435	9,165,774	66,668	-	-	35,140,877	7,297,103
Total net assets - ending	\$ 28,462,210	\$ 9,472,551	\$ -	\$ 150,480	\$ 411,900	\$ 38,497,141	\$ 6,337,423

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2003**

	Enterprise Funds					Total	Internal Service Funds
	Cumberland County Solid Waste Fund	Cumberland County Crown Center Fund	Arena Ventures Marketing Fund	Kelly Hills Water and Sewer District Fund	NORCRESS Water and Sewer District Fund		
Operating activities							
Cash received from customers	\$ 2,317,540	\$ 2,024,089	\$ -	\$ -	\$ 39,200	\$ 4,380,829	\$ -
Other operating revenue	288,070	-	166,670	(65,081)	(2,944)	386,715	-
Cash received from contributions	-	-	-	-	-	-	8,915,261
Cash paid to employees	(1,695,628)	(1,393,029)	-	-	-	(3,088,657)	-
Cash paid for goods and services	(1,827,978)	(2,834,881)	(163,383)	42,004	-	(4,784,236)	(245,501)
Cash paid for claims	-	-	-	-	-	-	(10,102,314)
Net cash provided by (used in) operating activities	(917,996)	(2,203,821)	3,287	(23,077)	36,256	(3,105,351)	(1,432,554)
Noncapital financing activities							
Transfers in	-	6,354,883	-	-	-	6,354,883	366,697
Transfers out	(235,419)	-	-	-	-	(235,419)	(52,828)
Net cash provided (used) by noncapital financing activities	(235,419)	6,354,883	-	-	-	6,119,464	313,869
Capital and related financing activities							
Acquisition and construction of capital assets	(415,104)	(658,394)	-	-	-	(1,073,498)	-
Principal paid on long-term debt	-	(1,519,050)	-	23,077	-	(1,495,973)	-
Interest paid on bonds	-	(2,785,916)	-	-	-	(2,785,916)	-
Motel occupancy tax	4,437,454	705,084	-	-	-	5,142,538	-
Tax distribution fee	-	(21,152)	-	-	-	(21,152)	-
Other miscellaneous transactions	(66,479)	-	-	-	-	(66,479)	-
Net cash provided (used) by capital and related financing activities	3,955,871	(4,279,428)	-	23,077	-	(300,480)	-
Investing activities							
Proceeds from sale of investments	(714,115)	-	-	-	-	(714,115)	1,003,168
Purchase of investments	-	51,056	-	-	-	51,056	-
Investment earnings	316,665	9,448	-	-	-	326,113	80,572
Net cash provided (used) in investing activities	(397,450)	60,504	-	-	-	(336,946)	1,083,740
Net increase in cash and cash equivalents	2,405,006	(67,862)	3,287	-	36,256	2,376,687	(34,945)
Cash and cash equivalents							
Beginning of year	6,556,064	1,768,342	-	-	-	8,324,406	5,529,946
End of year	\$ 8,961,070	\$ 1,700,480	\$ 3,287	\$ -	\$ 36,256	\$ 10,701,093	\$ 5,495,001
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ (1,898,446)	\$ (3,955,570)	\$ (66,668)	\$ -	\$ 39,200	\$ (5,881,484)	\$ (1,354,121)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	732,021	1,902,099	-	-	-	2,634,120	-
Landfill closure and post closure care costs	407,835	-	-	-	-	407,835	-
Change in assets and liabilities							
(Increase) decrease in accounts receivable	(52,906)	(136,163)	-	-	-	(189,069)	-
(Increase) decrease in other receivables	145,451	-	66,668	(65,081)	(2,944)	144,094	(9,190)
(Increase) decrease in inventories	17,338	-	-	-	-	17,338	-
(Increase) decrease in internal balances	(209,373)	-	-	-	-	(209,373)	-
Increase (decrease) in accounts payable and accrued liabilities	(41,451)	(12,100)	-	-	-	(53,551)	(67,352)
Increase (decrease) in compensated absences payable	(18,465)	(2,087)	-	-	-	(20,552)	-
Increase (decrease) in deferred revenue	-	-	3,287	42,004	-	45,291	(1,891)
Total adjustments	980,450	1,751,749	69,955	(23,077)	(2,944)	2,776,133	(76,433)
Net cash provided by (used in) operating activities	\$ (917,996)	\$ (2,203,821)	\$ 3,287	\$ (23,077)	\$ 36,256	\$ (3,105,351)	\$ (1,432,554)
Noncash investing, capital, and financing activities:							
Capital contributions	\$ -	\$ -	\$ -	\$ 150,480	\$ 372,700	\$ 523,180	\$ -

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003**

	<u>Pension Trust Fund</u>	
	<u>Special Separation Allowance Fund</u>	<u>Agency Funds</u>
Assets		
Taxes receivable	\$ -	\$ 4,716,342
Restricted cash and cash equivalents	746,963	832,520
Total assets	<u>\$ 746,963</u>	<u>\$ 5,548,862</u>
Liabilities		
Accounts payable and accrued liabilities	-	\$ 5,480,024
Due to other funds	-	68,838
Total liabilities	<u>-</u>	<u>\$ 5,548,862</u>
Net assets		
Reserved for employees pension benefits	<u>\$ 746,963</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2003**

	<u>Pension Trust Fund</u>	<u>Special Separation Allowance Fund</u>
Additions		
Employee contributions	\$ 99,719	
Interest earned on investments	8,725	
Total additions	<u>108,444</u>	
Deductions		
Benefits		<u>74,798</u>
Total deductions		<u>74,798</u>
Change in net assets		33,646
Total net assets - beginning		<u>713,317</u>
Total net assets - ending		<u>\$ 746,963</u>

NOTES TO FINANCIAL STATEMENTS

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

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 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 water system for the county residents within those districts. The Authorities, which have June 30 year-ends, are considered proprietary funds of the County and adopt budgets on an annual basis.

Discretely Presented Component Units

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

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

A - Reporting Entity (continued)

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

B - Basis of Presentation - Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

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

Basis of Presentation (continued)

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental fund:

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

The County reports the following major enterprise funds:

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

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

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

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

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

The County reports the following fund types:

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

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

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

Basis of Presentation (continued)

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

Measurement Focus, Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

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

Measurement Focus, Basis of Accounting (continued)

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 60 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 2002 through February 2003 apply to the fiscal year ended June 30, 2003. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2003 because they are intended to finance the County's operations during the 2004 fiscal year.

Sales taxes collected and held by the State at year-end on behalf of the County, intergovernmental revenues, and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

C - Budgetary Data

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

Expenditures may not legally exceed appropriations at the departmental level for the general, special revenue, and permanent funds, at the fund level for the enterprise and pension trust funds, and at the construction level for the capital project funds. The County Manager is authorized by the budget ordinance to transfer appropriations between functional areas within a department, however, any revisions that alter total expenditures of any fund or that alter revenues or relate to salary increases must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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

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

D - Assets, Liabilities and Fund Equity

1. Deposits and Investments

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

D - Assets, Liabilities and Fund Equity (continued)

1. Deposits and Investments (continued)

State law [G.S. 159-30(c)] authorizes the County, the Health System, the ABC Board, and the District to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT), an SEC-registered (2a-7) money market mutual fund.

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2002. 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 2003 and future years has been eliminated, unless otherwise reinstated by the County Board of Commissioners.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

D - Assets, Liabilities and Fund Equity (continued)

5. Allowance for Doubtful Accounts

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

6. Inventories and Prepaid Items

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

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

7. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization costs are \$2,500 for all asset categories. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Cumberland County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Cumberland County Board of Education.

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

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

D - Assets, Liabilities and Fund Equity (continued)

7. Capital Assets (continued)

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

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

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

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

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

8. Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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

9. Compensated Absences

The vacation policies of the County, the Health System and the ABC Board provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, the Health System and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded within those funds as the leave is earned.

The sick leave policies of the County, the Health System and the ABC Board provide for unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since none of the entities has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

D - Assets, Liabilities and Fund Equity (continued)

10. Net Assets/Fund Balances

Net Assets

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

Fund Balances

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

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

The governmental fund types classify fund balances as follows:

Reserved

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

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

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

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

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

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

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

D - Assets, Liabilities and Fund Equity (continued)

10. Net Assets/Fund Balances (continued)

Fund Balances (continued)

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2003-2004 budget ordinance.

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.

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. Because the Health System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 2 - Cash, Cash Equivalents and Investments

A - Deposits

All of the County's, the Health System's, the ABC Board's, and the District's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's, the District's, the Health System's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, the Health System, the ABC Board, and the District, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, the Health System, the ABC Board, the District, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the Health System, the ABC Board, or the District under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2003, the County's deposits had a carrying amount of \$45,930,969 and a bank balance of \$48,727,788. Of the bank balance, \$970,109 was covered by Federal depository insurance, \$47,757,322 was covered by collateral under the Pooling Method, and \$357 was related to retainage from an insurance administrator for future claim payments. Included in the County's deposits are unrestricted cash totaling \$138,666 for the District.

At June 30, 2003, the ABC Board's deposits had a carrying amount of \$2,879,603 and a bank balance of \$2,865,274. Of the bank balance, \$300,000 was covered by Federal depository insurance and \$2,565,274 was covered by collateral under the Pooling Method.

At September 30, 2002, the Health System's deposits had a carrying amount of \$7,818,000 and a bank balance of \$12,899,000. Of the bank balance, \$200,000 was covered by Federal depository insurance and \$12,699,000 was covered by collateral under the Pooling Method.

B - Investments

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

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

B -- Investments (continued)

At June 30, 2003 the County's cash and investment balances were as follows:

	<u>A</u>	<u>B</u>	<u>C</u>	<u>Reported Value</u>	<u>Fair Value</u>
Commercial paper	\$ -	\$ 7,811,662	\$ -	\$ 7,811,662	\$ 7,811,662
Bankers Acceptances	-	5,793,880	-	5,793,880	5,793,880
U.S. government agencies	-	37,799,612	-	37,799,612	37,799,612
	<u>\$ -</u>	<u>\$ 51,405,154</u>	<u>\$ -</u>	51,405,154	51,405,154
N.C. Capital Management Trust				35,463,622	35,463,622
				86,868,776	86,868,776
Certificate of deposit				30,630	30,630
Demand Deposits				45,792,303	45,792,303
Total cash and investments				<u>\$ 132,691,709</u>	<u>\$ 132,691,709</u>

The above investments with maturities of more than three months amounted to \$34,077,159.

During 2003 the County did not sell any investments, they were held to maturity. The net increase in the fair value of investments during 2003 for the County was \$104,551. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at year-end for the County was \$104,551. There were no realized or unrealized gains or losses on the Hospital or ABC Board's investments during 2003.

At September 30, 2002, the Health System's investments consisted of the following:

	<u>A</u>	<u>B</u>	<u>C</u>	<u>Reported Value</u>	<u>Fair Value</u>
Fixed Income Funds	\$	\$ 108,245,000	\$	\$ 108,245,000	\$ 108,245,000
	<u>\$</u>	<u>\$ 108,245,000</u>	<u>\$</u>	108,245,000	108,245,000
N.C. Capital Management Trust				49,071,000	49,071,000
				\$ 157,316,000	\$ 157,316,000
Demand Deposits				7,818,000	7,818,000
Total cash and investments				<u>\$ 165,134,000</u>	<u>\$ 165,134,000</u>

The above investments with maturities of more than three months amounted to \$59,174,000.

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 3 - Receivables - Allowance for Doubtful Accounts

At June 30, 2003, the County's receivable balances (unrestricted and restricted accounts receivable and taxes receivable in the accompanying statement) were as follows:

Governmental-wide Financial Statements									
Fund Financial Statements									
	Cumberland County		Cumberland County		Other		Adjustments		
	General	Solid Waste	Crown Center	Kelly Hills	NORCRESS	Nonmajor	Total	to Full-Accrual	Total
Receivables:									
Accounts	\$ -	\$ 125,275	\$ -	\$ -	\$ -	\$ -	\$ 125,275	\$ -	\$ 125,275
Taxes	14,467,366	307,012	-	-	-	757,802	15,532,180	-	15,532,180
Accrued penalties	-	-	-	-	-	-	-	1,063,199	1,063,199
Sales Tax	9,662,524	39,931	50,489	-	-	2,345,709	12,098,653	10,953	12,109,606
Due from other governments	8,606,314	97,399	276,680	65,081	2,944	1,355,748	10,404,166	368,953	10,773,119
Patient	3,750,385	-	-	-	-	-	3,750,385	-	3,750,385
Other	140,792	10,500	-	-	-	78,404	229,696	97,827	327,523
Gross receivables	36,627,381	580,117	327,169	65,081	2,944	4,537,663	42,140,355	1,540,932	43,681,287
Less: allowance	(7,879,924)	-	-	-	-	-	(7,879,924)	-	(7,879,924)
Net receivables	\$ 28,747,457	\$ 580,117	\$ 327,169	\$ 65,081	\$ 2,944	\$ 4,537,663	\$ 34,260,431	\$ 1,540,932	\$ 35,801,363

Adjustments to full-accrual include \$1,063,199 related to recording accrued tax penalties on the outstanding taxes receivable balance, \$68,838 related to amounts due from fiduciary funds which are reclassified from internal balances into accounts receivable in the government-wide financial statements with the remaining balance of \$408,895 related to internal service funds. Internal service funds predominately serve the governmental funds. Accordingly, the internal service funds receivables balances are included in governmental-activities on the accompanying government-wide financial statement.

Finally, the Fiduciary fund financial statements include \$4,716,342 in taxes receivable recorded in agency funds. This amount is excluded from the foregoing schedule and represents the amount of receivables billed on behalf of other governments in an agency relationship.

The Health System's accounts receivable are patient accounts receivable, presented net of the allowance for uncollectible accounts of \$34,417,000. The balance in accounts receivable for the District are amounts due from other governments.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 4 - Capital Assets

Primary Government

Capital asset activity for the governmental activities for the year ended June 30, 2003 was as follows:

	Beginning Balances	Increases	Transfers	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 17,103,211	\$ 1,031,000	\$ -	\$ 18,134,211
Construction in progress	39,477,381	-	(39,477,381)	-
Total capital assets not being depreciated	<u>56,580,592</u>	<u>1,031,000</u>	<u>(39,477,381)</u>	<u>18,134,211</u>
Capital assets being depreciated:				
Buildings and improvements	97,509,169	3,423,799	39,477,381	140,410,349
Equipment, furniture and fixtures	18,610,967	1,553,603	-	20,164,570
Vehicles	9,408,888	247,964	-	9,656,852
Total capital assets being depreciated	<u>125,529,024</u>	<u>5,225,366</u>	<u>39,477,381</u>	<u>170,231,771</u>
Less accumulated depreciation for:				
Buildings and improvements	32,754,487	2,722,743	-	35,477,230
Equipment, furniture and fixtures	13,152,087	1,451,621	-	14,603,708
Vehicles	6,888,648	1,049,477	-	7,938,125
Total accumulated depreciation	<u>52,795,222</u>	<u>\$ 5,223,841</u>	<u>\$ -</u>	<u>58,019,063</u>
Total capital assets being depreciated, net	<u>72,733,802</u>			<u>112,212,708</u>
Governmental activity capital assets, net	<u>\$ 129,314,394</u>			<u>\$ 130,346,919</u>

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

General government	\$ 1,040,419
Public safety	1,610,688
Human services	1,400,857
Economic and physical development	348,894
Cultural and recreational	<u>822,983</u>
Total depreciation expense	<u><u>\$ 5,223,841</u></u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 4 - Capital Assets (continued)

Primary Government (continued)

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

Business-type activities:	Beginning			Ending
	Balances	Increases	Decreases	Balances
Cumberland County Solid Waste				
Capital assets not being depreciated:				
Land	\$ 2,896,495	\$ -	\$ -	\$ 2,896,495
Construction in progress	4,127,199	-	-	4,127,199
Total capital assets not being depreciated	<u>7,023,694</u>	-	-	<u>7,023,694</u>
Capital assets being depreciated:				
Landfill	7,198,817	-	-	7,198,817
Buildings and building improvements	4,532,743	-	-	4,532,743
Furniture, fixtures and equipment	4,598,626	491,400	(140,000)	4,950,026
Vehicles	1,736,903	-	-	1,736,903
Total capital assets being depreciated	<u>18,067,089</u>	<u>491,400</u>	<u>(140,000)</u>	<u>18,418,489</u>
Less accumulated depreciation for:				
Landfill	7,198,817	-	-	7,198,817
Buildings and building improvements	2,707,397	179,631	-	2,887,028
Furniture, fixtures and equipment	2,583,169	400,644	(63,704)	2,920,109
Vehicles	999,969	151,746	-	1,151,715
Total accumulated depreciation	<u>13,489,352</u>	<u>\$ 732,021</u>	<u>\$ (63,704)</u>	<u>14,157,669</u>
Total capital assets being depreciated, net	<u>4,577,737</u>			<u>4,260,820</u>
Cumberland County Solid Waste capital assets, net	<u>\$ 11,601,431</u>			<u>\$ 11,284,514</u>
Cumberland County Crown Center				
Capital assets not being depreciated:				
Land	\$ 3,327,829	\$ -	\$ -	\$ 3,327,829
Capital assets being depreciated:				
Buildings and building improvements	67,729,808	-	-	67,729,808
Furniture, fixtures and equipment	2,623,777	658,394	-	3,282,171
Vehicles	50,163	-	-	50,163
Total capital assets being depreciated	<u>70,403,748</u>	<u>658,394</u>	<u>-</u>	<u>71,062,142</u>
Less accumulated depreciation for:				
Building and building improvements	11,329,495	1,710,058	-	13,039,553
Furniture, fixtures and equipment	1,169,576	192,041	-	1,361,617
Vehicles	50,163	-	-	50,163
Total accumulated depreciation	<u>12,549,234</u>	<u>\$ 1,902,099</u>	<u>\$ -</u>	<u>14,451,333</u>
Total capital assets being depreciated, net	<u>57,854,514</u>			<u>56,610,809</u>
Cumberland County Crown Center capital assets, net	<u>\$ 61,182,343</u>			<u>\$ 59,938,638</u>
Kelly Hills Water and Sewer District				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 150,480	\$ -	\$ 150,480
Total capital assets not being depreciated	-	<u>\$ 150,480</u>	-	<u>150,480</u>
Kelly Hills Water and Sewer District capital assets, net	<u>\$ -</u>			<u>\$ 150,480</u>
Norcross Water and Sewer District				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 372,700	\$ -	\$ 372,700
Total capital assets not being depreciated	-	<u>\$ 372,700</u>	-	<u>372,700</u>
Norcross Water and Sewer District capital assets, net	<u>\$ -</u>			<u>\$ 372,700</u>
Business-type activities capital assets, net	<u>\$ 72,783,774</u>			<u>\$ 71,746,332</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 4 - Capital Assets (continued)

Primary Government (continued)

Construction contracts of approximately \$102,509,406 exist for various renovation and construction projects for the County. At June 30, 2003, the remaining commitment on these contracts approximated \$12,880,541.

Discretely presented component units

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 421,810	\$ -	\$ -	\$ 421,810
Total capital assets not being depreciated	421,810	-	-	421,810
Capital assets being depreciated:				
Buildings and improvements	1,384,716	-	-	1,384,716
Leasehold improvements	55,316	12,210		67,526
Furniture and equipment	465,224	60,388	(141)	525,471
Vehicles	190,365	-	-	190,365
ABE equipment	2,585	-	-	2,585
Total capital assets being depreciated	2,098,206	72,598	(141)	2,170,663
Less accumulated depreciation	(1,167,989)	(124,632)	-	(1,292,621)
Total capital assets being depreciated, net	930,217	\$ (52,034)	\$ (141)	878,042
ABC capital assets, net	<u>\$ 1,352,027</u>			<u>\$ 1,299,852</u>

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

	Beginning Balances	Increases	Decreases Transfers	Ending Balance
Capital assets not being depreciated:				
Land and land improvements	\$ 22,169,000	\$ 252,000	\$ -	\$ 22,421,000
Construction in progress	5,684,000	6,090,000	(8,432,000)	3,342,000
Total capital assets not being depreciated	27,853,000	6,342,000	(8,432,000)	25,763,000
Capital assets being depreciated:				
Buildings	178,805,000	10,791,000	(692,000)	188,904,000
Furniture, fixtures and equipment	116,233,000	18,232,000	(6,797,000)	127,668,000
Total capital assets being depreciated	295,038,000	29,023,000	(7,489,000)	316,572,000
Less accumulated depreciation	(146,231,000)	(22,695,000)	6,279,000	(162,647,000)
Total capital assets being depreciated, net	148,807,000	\$ 6,328,000	\$ (1,210,000)	153,925,000
Health System capital assets, net	<u>\$ 176,660,000</u>			<u>\$ 179,688,000</u>

Construction contracts of approximately \$1,569,652 exist for the renovation or construction of Hospital facilities for the Health System. At September 30, 2002, the remaining commitment on these contracts approximated \$1,049,812.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 4 - Capital Assets (continued)

Discretely presented component units (continued)

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

	Beginning Balances	Increases	Decreases Transfers	Ending Balance
<i>Eastover Sanitary District</i>				
Capital assets not being depreciated:				
Construction in progress	\$ 6,246,974	\$ 68,227	\$ 6,315,201	\$ -
Total capital assets not being depreciated	6,246,974	68,227	6,315,201	-
Capital assets being depreciated:				
Water lines	-	-	6,315,201	6,315,201
Total capital assets being depreciated	-	-	6,315,201	6,315,201
Less accumulated depreciation	-	(157,880)	-	(157,880)
Total capital assets being depreciated, net	-	\$ (157,880)	\$ 6,315,201	6,157,321
Eastover Sanitary District capital assets, net	<u>\$ 6,246,974</u>			<u>\$ 6,157,321</u>

Note 5 - Accounts Payable and Accrued Liabilities

Payables at June 30, 2003, were as follows:

	Governmental-wide Financial Statements								
	Fund Financial Statements								
	General	Cumberland County Solid Waste	Cumberland County Crown Center	Arena Ventures	Kelly Hills	Other Nonmajor	Total	Adjustments to Full-Accrual	Total
Payables:									
Accounts and vouchers	\$ 4,433,067	\$ 65,900	\$ 144,402	\$ 1,004	\$ 42,004	\$ 1,856,537	\$ 6,542,914	\$ 17,846	\$ 6,560,760
Due to other governments	2,440,180	-	295,029	-	-	42,564	2,777,793	-	2,777,793
Accrued payroll	3,583,298	62,831	47,745	2,283	-	210,697	3,906,854	18,250	3,925,104
Accrued interest payable	-	-	1,214,942	-	-	-	1,214,942	2,521,457	3,736,399
Other	67	-	-	-	-	37,785	37,852	-	37,852
Incurred but not reported	-	-	-	-	-	-	-	1,024,348	1,024,348
Total Accounts payable and accrued liabilities	<u>\$ 10,456,612</u>	<u>\$ 128,731</u>	<u>\$ 1,702,118</u>	<u>\$ 3,287</u>	<u>\$ 42,004</u>	<u>\$ 2,147,603</u>	<u>\$ 14,480,355</u>	<u>\$ 3,581,901</u>	<u>\$ 18,062,256</u>

Adjustments to Full-accrual include \$2,521,457 related to recording accrued interest on general long-term debt with the remaining balance of \$1,060,444 related to internal service funds. Internal service funds predominately serve the governmental funds. Accordingly, the accounts payable and accrued liability balances for the internal service funds are included in governmental-activities on the accompanying government-wide financial statement.

Finally, the fiduciary fund financial statements include \$5,480,024 in accounts payable and accrued liabilities recorded in agency funds. This amount is excluded from the foregoing schedule and represents amounts due to various other agencies, individuals or governments.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 5 - Accounts Payable and Accrued Liabilities (continued)

Payables at June 30, 2003, were as follows for the discretely presented component units:

Governmental-wide Financial Statements			
	ABC Board	Health System	Eastover Sanitary District
Payables:			
Accounts and vouchers	\$ 546,405	\$ 13,215,000	\$ 501
Alcohol taxes	283,241	-	-
Accrued payroll	-	21,595,000	-
Accrued interest payable	148,323	-	9,527
Other	-	27,974,000	-
Distributions	27,770	-	-
Total Accounts payable and accrued liabilities	<u>\$ 1,005,739</u>	<u>\$ 62,784,000</u>	<u>\$ 10,028</u>

Note 6 - 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, 2002, the Separation Allowance's membership consisted of:

Retirees receiving benefits	13
Active plan members	<u>277</u>
Total	<u>290</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 6 - Pension Plan Obligations (continued)

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

Summary of Significant Accounting Policies

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

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

Contributions

The County is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the County contributed \$160,000. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings.

The annual required contribution for the current year was determined as part of the December 31, 2001 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, 2001 was 29 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	\$	206,748
Interest on net pension obligation		(3,912)
Adjustment to annual required contribution		<u>2,899</u>
Annual pension cost		205,735
Contributions made		<u>(160,000)</u>
Increase in prepaid pension benefit		45,735
Prepaid pension benefit beginning of year		<u>(53,963)</u>
Prepaid pension benefit end of year	\$	<u>(8,228)</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 6 - Pension Plan Obligations (continued)

B - Local Governmental Employees' Retirement System

Contributions (continued)

Three Year Trend Information

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2001	\$ 129,441	33.01%	\$ (246,079)
2002	208,451	7.84%	(53,963)
2003	205,735	77.77%	(8,228)

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 December 31, 2002, membership of the Board's Separation Allowance consisted of one retiree 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 \$6,724 and \$2,138 for the years ending June 30, 2003 and 2002, respectively. No contributions were made to the plan by employees. The Board has chosen not to have an actuarial study performed because the liability is considered immaterial.

Plan Description

Cumberland County and the ABC Board contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G. S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller; 1410 Mail Service Center, Raleigh, North Carolina 27699-1410; or by calling (919) 981-5454.

Funding Policy

Plan members are required to contribute six percent of their annual covered salary. The County and the ABC Board are required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement, for law enforcement officers, and Crown Center employees is 4.90%, 4.78%, and 4.91%, 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, 2003, 2002 and 2001 were \$3,345,538, \$3,303,047 and \$3,466,869, respectively. The ABC Board's contributions to LGERS for the years ended June 30, 2003, 2002 and 2001 were \$90,392, \$89,180, and \$80,810, respectively. The contributions made by the County and the ABC Board equaled the required contributions for the year.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 6 - Pension Plan Obligations (continued)

C - Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description

The County and the ABC Board contribute to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County and the ABC Board. Article 5 of G. S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy

Article 12E of G. S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2003 were \$1,025,804, which consisted of \$467,147 from the County and \$558,657 from the law enforcement officers.

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, 2003, contributions for law enforcement officers were \$23,826, which consisted of \$13,125 from the Board and \$10,701 from the law enforcement officers. Total contributions for employees not engaged in law enforcement for the year ended June 30, 2003 were \$141,260 which consisted of \$78,854 from the Board and \$62,406 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, 2003, the County's required and actual contributions were \$100,679.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 6 - Pension Plan Obligations (continued)

E - The Health System Pension Plan

Plan Description

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

Funding Policy

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

The Health System's contribution to the Plan for the current year was \$5,287,000, or 8.0% 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, 2001. The actuarial cost method used to determine the Required Annual Contribution is called the Attained Age Normal Method. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases of 5.5%. The assumptions did not include post-retirement benefit increases. Insurance company contracts are valued at contract value, and all other assets are valued at market value.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2002	\$ 5,287,000	100%	\$ -
9/30/2001	4,528,000	100%	-
9/30/2000	3,368,000	100%	-

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 6 - Pension Plan Obligations (continued)

F - Health System Retirement Income Replacement Program

The Health System, as a means of promoting staff retention, implemented a retirement income replacement program, effective January 1, 1998, to supplement the existing defined benefit pension plan for certain eligible employees. Eligible employees include all physicians employed by the Health System and certain members of administration. The program consists of two major components; a pension supplement plan and an individual deferred compensation plan. Both of these components are designed to qualify as IRC Section 457 (f) deferred compensation plans. The pension supplement plan is designed to provide participants with a retirement benefit that, when combined with amounts received from Social Security and other Health System plans, will approximate 55% of the participant's final average pay. The individual deferred compensation plan allows the participant to defer a portion of their compensation, on an elective basis, and provides for a portion of the deferral to be matched by the Health System. All amounts credited to participants under both plans, including amounts deferred by participants, are subject to forfeiture under a term of service agreement and a covenant not to compete. Although not required to do so by any of the plan documents, the Health System is currently paying an amount of money, which approximates the amount credited to each participant's account, into life insurance policies that are jointly owned by the participant and the Health System. Total cost of the retirement income replacement program for the fiscal year ended September 30, 2002 and 2001, amounted to \$2,949,000 and \$3,110,000, respectively, net of the cash surrender value of the life insurance policies.

G - Post-employment Benefits

According to a County resolution, the County provides health care benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least ten consecutive years of creditable service with the County. The County pays the full cost of coverage for these benefits. Retirees not eligible for Medicare are enrolled in the same plan as active County employees. The retiree may also purchase coverage for their dependents at the County's existing group rates until the dependents attain 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 165 retirees are enrolled in the regular plan and 192 are enrolled in the Medicare carve-out plan. For the fiscal year ending June 30, 2003 the County made payments for post retirement health benefits of \$1,535,194. The county is self-insured and contracts with a private insurer to provide all administrative services.

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 6 - Pension Plan Obligations (continued)

G - Post-employment Benefits (continued)

For the calendar year ended December 31, 2002 the County made contributions to the State for death benefits of \$73,935. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .10 percent and .14 percent of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

The ABC Board has elected to provide a post-retirement death benefit to the beneficiaries of retired employees. The ABC Board provides \$1,000 to the spouse or estate of a retired employee upon death. Former employees who are currently receiving retirement benefits under the System are eligible for this benefit. This benefit is a fixed amount and can only be changed by action of the Board. The ABC Board has chosen to fund this death benefit on a pay as you go basis and recognize all expenses as they become due. The ABC Board paid \$1,000 and \$0 of benefits for the years ended June 30, 2003 and 2002 respectively. There are currently 21 retirees whose spouses or estates are eligible to receive this death benefit.

Note 7 - Closure and Postclosure Care Costs - Ann Street Sanitary Landfill Facility

State and federal laws and regulations require the County to place a final cover on its Ann Street Sanitary Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$4,813,819 reported as landfill closure and postclosure care liability at June 30, 2003 consists of a closed landfill with estimated costs of \$1,202,480, a phase 2 C & D landfill with estimated costs of \$287,252 and the subtitle D landfill with estimated costs of \$3,324,087. 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 9% and 27%, respectively of the total estimated capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$8,805,273 and \$3,062,945 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 2003. The County expects to close the phase 2 C & D landfill and the subtitle D landfill in the year 2094 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, 2003

Note 8 - Deferred/Unearned Revenues

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Taxes receivable net of allowance - General Fund	\$ 6,587,442	\$ -
Taxes receivable net of allowance - Other Governmental Funds	757,802	-
Accounts receivable - General Fund	13,984,873	-
Accounts receivable - Other Governmental Funds	2,234,669	-
Rental income received in advance of being earned - General Fund	-	3,130,000
Prepaid taxes not yet earned - General Fund	-	1,280,675
	<u>\$ 23,564,786</u>	<u>\$ 4,410,675</u>

Note 9 - Risk Management

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

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

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

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 9 - Risk Management (continued)

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

The Health Insurance Portability and Accountability Act (HIPAA) was enacted August 21, 1996, to assure health insurance portability, reduce healthcare fraud and abuse, guarantee security and privacy of health information and enforce standards for health information. Organizations are required to be in compliance with certain HIPAA provisions beginning April 2003. Provisions not yet finalized are required to be implemented two years after the effective date of the regulation. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations. Management is in the process of evaluating the impact of this legislation on its operations including future financial commitments that will be required to comply with the legislation.

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

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

The claims liability of each insurance fund at June 30, 2003 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 9 - Risk Management (continued)

Changes in the balances of claim liabilities during the years ended June 30, 2003 and 2002 were as follows:

	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2002-03	\$ 1,102,623	\$ 8,433,681	\$ (8,511,956)	\$ 1,024,348
2001-02	1,047,784	7,752,591	(7,697,752)	1,102,623

Note 10 - Long-term Obligations

A - Capital Lease Obligations

The County has entered into a lease agreement as lessee for financing the acquisition of a building and renovations to the Courthouse. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments as of the date of its inception.

The term of the capital lease obligation is as follows:

Governmental Activities

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

\$ 182,226

Under the terms of the lease, title passes to the County at the end of the lease term. At June 30, 2003, the value of the capital assets associated with this lease was \$1,473,180 which consisted of \$2,750,106 and related accumulated depreciation of \$1,276,926.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 10 - 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.

The County's general obligation bonds payable at June 30, 2003 are comprised of the following individual issues:

Governmental Activities

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

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

\$ 3,610,000

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

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

7,800,000

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

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

20,500,000

\$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%.

41,680,000

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

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

8,400,000

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

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

26,645,000

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

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

14,875,000

Total

\$123,510,000

At June 30, 2003, the County had bonds authorized but unissued of \$6,605,000 and a legal debt margin of \$1,017,749,000.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 10 - Long-term Obligations (continued)

C - Certificates of Participation

The County issued certificates of participation in 1995 to finance the construction of a new Coliseum. In July 1998, the County issued refunding certificates of participation to refinance this debt which is accounted for in the County's enterprise fund. Certificates outstanding for the year ended June 30, 2003 are as follows:

Business-type Activities

\$6,375,000 Current Interest Serial 1995A Certificates, due in various annual installments ranging from \$205,000 to \$1,660,000, from December 1, 1998 through December 1, 2004. Interest is paid semi-annually at rates ranging from 5.25% to 5.9%.	\$ 3,115,000
\$1,428,781 Capital Appreciation Serial 1995A Certificates, maturing in installments of \$1,555,000 from December 1, 2011 through December 1, 2013. Interest is paid at maturity at rates ranging from 6.7% to 6.8%.	1,428,781
\$22,955,000 Current Interest Term 1998 Refunding Certificates, due in various annual installments ranging from \$380,000 to \$3,780,000, from December 1, 1998 through December 1, 2013. Interest is paid semi-annually at rates ranging from 3.625% to 5.0%.	20,545,000
\$11,610,000 Current Interest Term 1998 Refunding Certificates, due in various annual installments ranging from \$2,095,000 to \$2,560,000, from December 1, 2014 through December 1, 2018. Interest is paid semi-annually at a rate of 5.0%.	11,610,000
\$18,385,000 Current Interest Term 1998 Refunding Certificates, due in various annual installments ranging from \$2,695,000 to \$3,460,000, from December 1, 2019 through December 1, 2024. Interest is paid semi-annually at a rate of 5.0%.	<u>18,385,000</u>
	55,083,781
Less gain on defeasance	<u>(4,443,848)</u>
	<u>\$ 50,639,933</u>

The County has issued certificates of participation, which are being used to finance the construction of new Department of Social Services, Community Corrections Center and Detention Center buildings and to make renovations to an existing mental health facility. Certificates outstanding for the year ended June 30, 2003 are as follows:

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 10 - Long-term Obligations (continued)

C - Certificates of Participation (continued)

Governmental Activities

\$29,090,000 Current Interest Serial 1998 Certificates, due in various annual installments ranging from \$780,000 to \$2,500,000, from December 1, 1998 through December 1, 2014. Interest is paid semi-annually at rates ranging from 3.6% to 4.7%. \$ 23,730,000

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

\$42,305,000 Current Interest Serial 2000 Refunding Certificates, due in annual installments ranging from \$900,000 to \$2,575,000 from June 1, 2001 through June 1, 2020. Interest is paid semi-annually at rates ranging from 4.30% to 5.625% 37,490,000

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

\$ 77,955,000

D - Notes Payable

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

Governmental Activities

Note payable in semi-annual installments ranging from \$58,370 to \$185,678 including interest ranging from 5.25% to 7.875%. \$ 1,600,913

Note payable in annual installments ranging from \$69,066 to \$69,292 including interest of 5.0%. 65,993

Note payable in annual installments of \$86,839 including interest of 4.625%. 162,331

Note payable in ten annual installments of \$150,000 plus variable interest at an average rate of 5.86% 1,050,000

Note payable in four annual installments ranging from \$125,983 to \$137,020 including interest of 3.0% plus a balloon payment in the fifth year of \$513,027 including interest of 3.0% 931,000

\$ 3,810,237

Business-type Activities

Note payable in annual installments of \$80,000 with no interest. \$ 87,305

\$ 87,305

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 10 - Long-term Obligations (continued)

E- Long-term Obligation Activity

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

	Balance June 30, 2002	Additions	Payments	Balance June 30, 2003	Current Portion of Long-term Liabilities
Governmental activities:					
Bonds payable	\$ 115,775,000	\$ 14,875,000	\$ 7,140,000	\$ 123,510,000	\$ 7,615,000
Capital lease obligations	533,786	-	351,560	182,226	182,226
Certificates of participation payable	80,785,000	-	2,830,000	77,955,000	3,385,000
Notes payable	3,516,433	931,000	637,196	3,810,237	518,691
Accrued vacation	3,782,709	4,642,670	4,663,759	3,761,620	3,573,539
Arbitrage rebate payable	617,059	1	-	617,060	-
Total governmental activities	\$ 205,009,987	\$ 20,448,671	\$ 15,622,515	\$ 209,836,143	\$ 15,274,456

	Balance June 30, 2002	Additions	Payments	Balance 6/30/2003	Current Portion of Long-term Liabilities
Business-type activities:					
Certificates of participation payable	\$ 56,658,781	\$ -	\$ 1,575,000	\$ 55,083,781	\$ 1,900,000
Gain on defeasance	(4,652,493)	208,645	-	(4,443,848)	-
Notes payable	240,000	-	152,695	87,305	87,305
Accrued landfill closure and post closure costs	4,405,984	407,835	-	4,813,819	-
Accrued vacation	165,635	203,290	223,842	145,083	136,000
Total business-type activities	\$ 56,817,907	\$ 819,770	\$ 1,951,537	\$ 55,686,140	\$ 2,123,305

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 10 - Long-term Obligations (continued)

F- Long-term Obligation Activity

The following summarizes the annual debt service requirements to maturity for the County (excluding accrued vacation and Law Enforcement Officers' Special Separation Allowance):

	Capitalized Leases		General Obligation Bonds		Certificates of Participation		Notes Payable		Total Debt Due	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities:										
2004	\$ 182,226	\$ 4,437	\$ 7,615,000	\$ 6,220,380	\$ 3,385,000	\$ 3,689,345	\$ 518,691	\$ 187,027	\$ 11,700,917	\$ 10,101,189
2005	-	-	7,600,000	5,848,640	3,935,000	3,548,015	462,579	158,889	11,997,579	9,555,544
2006	-	-	7,585,000	5,477,590	4,160,000	3,379,075	385,792	134,539	12,130,792	8,991,204
2007	-	-	7,565,000	5,106,455	4,225,000	3,199,640	392,694	113,566	12,182,694	8,419,661
2008	-	-	7,645,000	4,736,240	4,300,000	3,014,065	792,537	90,036	12,737,537	7,840,341
2009-2013	-	-	38,050,000	18,033,105	21,445,000	12,150,553	895,907	213,583	60,390,907	30,397,241
2014-2018	-	-	37,030,000	8,316,050	23,775,000	6,750,021	362,037	20,168	61,167,037	15,086,239
2019-2023	-	-	10,420,000	831,270	10,620,000	2,248,894	-	-	21,040,000	3,080,164
2024-2028	-	-	-	-	2,110,000	110,775	-	-	2,110,000	110,775
	182,226	4,437	123,510,000	54,569,730	77,955,000	38,090,383	3,810,237	917,808	205,457,463	93,582,358
Business-type Activities:										
2004	-	-	-	-	1,900,000	2,649,650	87,305	-	1,987,305	2,649,650
2005	-	-	-	-	2,125,000	2,539,143	-	-	2,125,000	2,539,143
2006	-	-	-	-	2,365,000	2,421,050	-	-	2,365,000	2,421,050
2007	-	-	-	-	2,615,000	2,296,550	-	-	2,615,000	2,296,550
2008	-	-	-	-	2,880,000	2,159,175	-	-	2,880,000	2,159,175
2009-2013	-	-	-	-	12,282,845	10,725,687	-	-	12,282,845	10,725,687
2014-2018	-	-	-	-	9,970,936	7,748,564	-	-	9,970,936	7,748,564
2019-2023	-	-	-	-	14,195,000	3,533,125	-	-	14,195,000	3,533,125
2024-2028	-	-	-	-	6,750,000	341,750	-	-	6,750,000	341,750
	-	-	-	-	55,083,781	34,414,694	87,305	-	55,171,086	34,414,694
Less: Gain on defeasance (net of amortization)									(4,443,848)	
	\$ 182,226	\$ 4,437	\$ 123,510,000	\$ 54,569,730	\$ 128,594,933	\$ 72,505,077	\$ 3,897,542	\$ 917,808	\$ 256,184,701	\$ 127,997,052

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 10 - 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, 2003, there were \$11,061,133 series of industrial revenue bonds outstanding.

H - Prior Years' Defeasance of Debt

On July 2, 1998, the County issued \$52,950,000 in Certificates of Participation with an average interest rate of 5.0% to advance refund \$47,285,000 of outstanding 1995 Series A and B Certificates with average interest rates of 6.4% and 7.25%, respectively. The net proceeds of \$51,660,613 (net of original issue discount of \$391,174 and after payment of issuance costs of \$898,213) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1995 Series A and B bonds. As a result, the 1995 Series A (callable portion) and Series B bonds are considered to be defeased and the liability for those bonds has been removed from the enterprise fund. As of June 30, 2003, the amount of defeased debt outstanding and removed from the County's liabilities associated with this refunding amounted to \$47,175,000.

Gains and losses from debt refundings must be deferred and amortized over the lesser of the original remaining life of the old debt or the life of the new debt. In addition, gains or losses related to the debt refundings are to be used in determining the carrying value of the new debt issued to finance debt refundings. The carrying value of the Certificates of Participation has been adjusted for the gain from defeasance (net of amortization) of \$4,443,848.

In March, 1998 the County issued \$23,325,000 in General Obligation Bonds with an average interest rate of 4.8% to advance refund \$21,895,000 of outstanding 1993 Series School Bonds with an average interest rate of 5.8%. The net proceeds of \$23,266,330 (after payment of \$58,670 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 Series bonds. As a result, the 1993 Series bonds are considered to be defeased and the liability for those bonds has been removed. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. As of June 30, 2003, the amount of defeased debt outstanding and removed from the County's financial statements associated with this refunding amounted to \$19,975,000.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 10 - Long-term Obligations (continued)

H - Prior Years' Defeasance of Debt (continued)

In December 2000, the County issued \$50,780,000 in Installment Payment Revenue Refunding Bonds with an average interest rate of 5.14% to advance refund \$49,220,000 of outstanding Installment Payment Revenue Refunding Bonds (Detention Center and Mental Health Facility Project), Series 1999 ("1999 Bonds") with an average interest rate of 5.38%. The net proceeds of \$50,698,662 (after payment of \$203,874 in underwriting fees, insurance and other issuance costs plus an original issue premium of \$122,536) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1999 Bonds. As a result, the 1999 Bonds are considered to be defeased and the liability for those bonds has been removed. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. As of June 30, 2003, the amount of defeased debt outstanding and removed from the County's financial statements associated with this refunding amounted to \$44,745,000.

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:

\$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%. 27,395,000

\$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%. 111,355,000

Note Payable

Note payable monthly through August, 2006, in the amount of \$84,000; interest ranges from 3.43%. 3,707,000

Less deferred loss on early extinguishment of 1991 bond issue	(3,678,000)
Less unamortized discount	<u>(4,321,000)</u>
Total	<u>\$ 141,178,000</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 10 - 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, 2002:

	Balance June 30, 2002	Additions	Payments	Balance June 30, 2003	Current Portion of Long-term Liabilities
Revenue bonds	\$ 150,395,000	\$ -	4,925,000	145,470,000	\$ 5,165,000
Note payable	-	3,781,000	74,000	3,707,000	900,000
	<u>150,395,000</u>	<u>3,781,000</u>	<u>4,999,000</u>	<u>149,177,000</u>	<u>6,065,000</u>
Less:					
Unamortized discount	(4,987,000)	-	(666,000)	(4,321,000)	(310,003)
Deferred loss on early extinguishment of 1991 bonds	(4,005,000)	-	(327,000)	(3,678,000)	(303,214)
Total	<u>\$ 141,403,000</u>	<u>\$ 3,781,000</u>	<u>\$ 4,006,000</u>	<u>\$ 141,178,000</u>	<u>\$ 5,451,783</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
2003	\$ 5,165,000	\$ 6,768,000	\$ 900,000	\$ 113,000
2004	5,385,000	6,538,000	931,000	82,000
2005	5,625,000	6,292,000	964,000	49,000
2006	5,875,000	6,029,000	912,000	16,000
2007	5,500,000	5,752,000	-	-
2008-2012	30,325,000	26,144,000	-	-
2013-2017	31,870,000	18,575,000	-	-
2018-2022	31,255,000	10,694,000	-	-
2023-2027	14,105,000	4,647,000	-	-
2028-2029	10,365,000	835,000	-	-
	<u>145,470,000</u>	<u>92,274,000</u>	<u>3,707,000</u>	<u>260,000</u>
Less:				
Unamortized discounts	(4,321,000)	-	-	-
Deferred loss on early extinguishment of debt	(3,678,000)	-	-	-
	<u>\$ 137,471,000</u>	<u>\$ 92,274,000</u>	<u>\$ 3,707,000</u>	<u>\$ 260,000</u>

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

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 10 - Long-term Obligations (continued)

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

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, 2002, the amount of defeased debt outstanding but removed from the Health System's books amounted to \$7,239,000 including unamortized discounts.

J- General Obligation Bonds- Eastover Sanitary District

The general obligation bonds of the District, which are for the acquisition and construction of a major sanitary system capital improvement, are collateralized by the full faith, credit, and taxing power of the District. Principal and interest payments are appropriated when due. There were no issuances or payments in fiscal year 2003.

The District's general obligation bonds payable at June 30, 2003 are comprised of the following individual issues:

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

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%.

\$ 2,802,000

\$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%.

1,102,000

Total

\$ 3,904,000

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

	Eastover Sanitary District	
	Principal	Interest
2004	\$ -	\$ 174,933
2005	42,500	174,933
2006	44,000	173,030
2007	46,000	171,060
2008	48,000	169,001
2009-2013	275,000	810,654
2014-2018	342,500	743,320
2019-2023	427,000	659,348
2024-2028	531,000	554,724
2029-2033	661,500	424,470
2034-2038	806,500	262,777
2039-2042	680,000	76,100
	<u>\$ 3,904,000</u>	<u>\$ 4,394,350</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

Note 11 - Interfund Balances and Activity

Due From/To Other Funds

The composition of interfund balances as of June 30, 2003 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Cumberland County Solid Waste Fund	\$ 32,219
	Cumberland County Crown Center Fund	2,000
	Kelly Hills Water and Sewer District Fund	23,077
	Nonmajor governmental funds	312,954
	Fiduciary Funds	<u>68,838</u>
Total due from/due to other funds		<u>\$ 439,088</u>

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

Transfers to/from Other Funds

Transfers in (out) for the year ended June 30, 2003 are summarized below:

	<u>Transfer in:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Cumberland County Crown Center</u>	<u>Internal service</u>	
Transfer out:					
General fund	\$ -	\$ 3,366,458	\$ 3,132,158	\$ 366,697	\$ 6,865,313
Nonmajor governmental	12,659,345	2,800,000	3,222,725	-	18,682,070
Solid Waste	235,419	-	-	-	235,419
Internal service	52,828	-	-	-	52,828
Total Transfers out	<u>\$ 12,947,592</u>	<u>\$ 6,166,458</u>	<u>\$ 6,354,883</u>	<u>\$ 366,697</u>	<u>\$ 25,835,630</u>

Transfers between the major funds, other nonmajor governmental and enterprise funds, and internal service funds were primarily to support the capital projects and operations of the funds. Transfers totaling \$287,142 occurred between the primary government and the District.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Notes to the Financial Statements (continued)

June 30, 2003

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, \$3,610,000 in debt is still outstanding. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities.

The County contributed \$5,775,962 and \$57,487 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2003. In addition, the County made debt service payments of \$584,735 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, 2003. 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, 2002, approximates \$982,000. The Health System's investment in the Partnership at September 30, 2002 is approximately \$1,245,752.

The Health System has a 50% equity interest in Cedar Creek Medical Services, LLC. The Health Systems' share of the LLC's income for the year ended September 30, 2002 approximated \$58,074. The Health System's investment in the LLC at September 30, 2002 is approximately \$473,000.

The Health System purchased a 33% interest in Carolina Summit Healthcare, Inc. in December 1998. The investment is accounted for using the equity method. At September 30, 2002, the carrying amount of the investment exceeded the Health System's underlying equity in the net assets of the corporation by approximately \$356,583. The original excess carrying amount of \$570,532 is being amortized over ten years from the date of the stock purchase, with seven years and three months remaining at September 30, 2002. The Health System's share of the corporate loss including amortization of excess carrying amount totaled \$66,406.

The Health System is an investor in five other medical related organizations with a book value of \$536,000.

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, 2003

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	\$ 120,003,995	\$ 61,210,506
TANF	6,988,117	(7,543)
Family Support Payments	(21,711)	(5,846)
Special Assistance for Adults	-	2,223,436
Energy Assistance	423,495	-
Adoption Subsidy	153,045	285,229
WIC Food Vouchers	7,556,752	-
Adoption Assistance	600,603	181,162
	<u>\$ 135,704,296</u>	<u>\$ 63,886,944</u>

Note 14 - Leases

A - Lessor Arrangements

Operating Lease

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

<u>Fiscal Year Ended</u>	
2004	\$ 6,900
2005	6,900
2006	6,900
2007	6,900
2008	6,900
	<u>\$ 34,500</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, 2002 was \$2,382,204.

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, 2003

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 Hospital 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 Hospital 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 Hospital System will upon such termination quitclaim and assign to the County or its designee all the Hospital System's assets, claims, entitlements, rights, funds, equipment and property of every nature. The Hospital 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 Hospital 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>
2004	\$ 3,130,000
2005	3,130,000
2006	3,065,000
2007	3,065,000
2008	4,065,000
2009-2013	15,325,000
2014-2018	15,325,000
2019-2023	15,325,000
2024-2028	15,325,000
2029	3,065,000
	<u>\$ 80,820,000</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, 2003

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, 2002, are as follows:

<u>Fiscal Year</u> <u>Ended</u>		
2003	\$	1,117,000
2004		257,000
2005		154,000
2006		154,000
2007		154,000
2008-2012		719,000
2013		39,000
	\$	<u>2,594,000</u>

The ABC Board leases real property for various store locations under operating leases expiring in various years through the year 2007. At June 30, 2003 future minimum lease payments under all leases are as follows:

2004	\$	54,100
2005		38,725
2006		33,600
2007		16,800
	\$	<u>143,225</u>

Total rent expense under leases for the year ended June 30, 2003 was \$130,864.

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, 2002 and 2001 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, 2003

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

Note 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, 2003

Note 19 – Stewardship, Compliance and Accountability

A. Contingency

G.S. 159-13(b) places a statutory limitation for contingency appropriations. The budgeted amount for contingency should not exceed 5% of all other appropriations. Our testing revealed the following funds with contingency appropriations that exceeded the statutory limit of 5%:

Fund	Appropriated Expenditures	Less Total contingency	Appropriated Expenditures without Contingency	Contingency appropriation %
Civic Center Motel Tax	\$ 1,038,875	\$ 92,462	\$ 946,413	10%
Solid Waste	6,641,296	451,332	6,189,964	7%
County Community Development	4,585,158	470,645	4,114,513	11%

The County should budget funds in accordance with North Carolina General Statutes (general Statutes) to avoid statutory violations. None of these funds had actual expenditures charged against the contingency appropriation.

B. Budget

General Statutes require that actual expenditures do not exceed appropriated expenditures at the legal level of budgetary control. The budget ordinance for the County is prepared at the department level for special revenue funds. During the year ended June 30, 2003, expenditures exceeded appropriated amounts at the level of budget ordinance appropriation as follows:

Fund	Department	Budget	Actual	Variance
Inmate Welfare	Public Safety	\$ -	\$ 341,256	\$ (341,256)

COUNTY OF CUMBERLAND, NORTH CAROLINA
Financial Statements and Schedules

(This page intentionally left blank)

REQUIRED SUPPLEMENTARY INFORMATION

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>
1993	\$ 534,260	\$ 607,429	\$ 73,169	87.95%	\$ 5,914,388	1.24%
1994	551,167	711,318	160,151	77.49%	5,926,653	2.70%
1995	531,934	736,212	204,278	72.25%	6,217,879	3.29%
1996	657,596	772,179	114,583	85.16%	6,648,222	1.72%
1997	768,307	828,588	60,281	92.72%	7,438,100	0.81%
1998	814,479	971,723	157,244	83.82%	9,226,176	1.70%
1999	766,749	1,065,499	298,750	71.96%	9,784,928	3.05%
2000	726,819	1,759,985	1,033,166	41.30%	10,019,486	10.31%
2001	708,456	1,706,390	997,934	41.52%	9,483,327	10.52%
2002	619,478	1,783,284	1,163,806	34.74%	9,142,355	12.73%

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1995	\$ 75,595	176.51%
1996	57,961	43.13%
1997	68,157	110.04%
1998	74,615	33.51%
1999	75,775	127.93%
2000	107,263	25.20%
2001	129,441	33.01%
2002	208,451	7.83%
2003	203,735	77.77%

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	12/31/2002
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	28 years
Asset valuation method	Market value
Actuarial assumption	
Investment rate of return*	7.25%
Projected salary increase	5.9 to 9.8%
* Includes inflation at	3.75%
Cost-of-living adjustments	N/A

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Health System Pension Plan
Required Supplementary Information
Schedule of Funding Progress**

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

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

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	1/1/2002
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
Financial Statements and Schedules

(This page intentionally left blank)

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES**

GENERAL FUND

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Comparative Balance Sheets
General Fund**

June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash and cash equivalents	\$ 22,789,881	\$ 25,784,501
Investments	39,613,356	29,449,220
Taxes receivable	6,587,442	5,087,928
Accounts receivable	22,160,015	17,741,903
Due from other funds	439,088	2,809,712
Due from component unit	125,884	139,302
Inventories	202,808	184,238
Restricted assets		
Cash and cash equivalents	187,630	208,880
Investments	-	50
Total assets	<u>\$ 92,106,104</u>	<u>\$ 81,405,734</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable and accrued liabilities	\$ 10,456,612	\$ 9,550,895
Deferred revenues	24,982,990	21,780,415
Total liabilities	<u>35,439,602</u>	<u>31,331,310</u>
 Fund balance		
Reserved for inventories	202,808	184,238
Reserved for register of deeds	111,146	130,055
Reserved for mental health programs	60,230	458,591
Reserved for encumbrances	1,770,338	3,458,701
Reserved by State statute	8,740,114	9,387,422
Unreserved (available for future appropriation)		
Designated for subsequent year's expenditures	11,337,226	8,761,401
Designated for other purposes	2,979,503	1,898,633
Undesignated	31,465,137	25,795,383
Total fund balance	<u>56,666,502</u>	<u>50,074,424</u>
Total liabilities and fund balance	<u>\$ 92,106,104</u>	<u>\$ 81,405,734</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

**Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)**

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Ad valorem taxes				
Current year	\$ 101,916,648	\$ 100,689,865	\$ (1,226,783)	\$ 99,468,679
Prior years	1,489,883	2,054,796	564,913	1,648,232
Penalties and interest	882,805	1,003,874	121,069	949,936
Motor vehicle - current	11,490,833	11,808,644	317,811	11,674,808
Motor vehicle - prior	1,620,185	1,850,899	230,714	1,633,295
Other	303,312	309,245	5,933	306,740
Total ad valorem taxes	117,703,666	117,717,323	13,657	115,881,690
Other taxes				
Dog registration fees	155,529	172,981	17,452	189,881
Real estate transfer	611,280	734,497	123,217	661,865
Intangibles	2,599,790	657,645	(1,942,145)	2,000,553
Sales	28,409,020	30,257,247	1,848,227	27,800,546
Other	120,173	2,431	(117,742)	1,430
Total other taxes	31,895,792	31,824,801	(70,991)	30,654,275
Unrestricted intergovernmental revenues				
Federal	26,000	32,713	6,713	33,436
State government	2,758,622	215,943	(2,542,679)	1,427,301
Fayetteville	513,330	500,706	(12,624)	495,456
Municipalities	93,000	114,262	21,262	98,326
Other governmental	400,000	401,434	1,434	886,299
Total unrestricted intergovernmental revenues	3,790,952	1,265,058	(2,525,894)	2,940,818
Restricted intergovernmental revenues				
Federal	35,974	9,561	(26,413)	230,674
NC health programs	3,528,396	3,167,847	(360,549)	3,671,555
NC mental health programs	11,814,211	10,441,164	(1,373,047)	10,593,757
NC social services programs	36,836,750	35,446,381	(1,390,369)	34,977,000
NC library programs	685,306	726,567	41,261	720,290
NC other restricted revenue	632,669	760,406	127,737	412,008
Other restricted revenue	1,891,485	1,217,800	(673,685)	1,074,490
Total restricted intergovernmental revenues	55,424,791	51,769,726	(3,655,065)	51,679,774

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

**Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)**

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Revenues (continued)				
Licenses and permits				
Other restricted revenue	\$ 15,000	\$ 15,605	\$ 605	\$ 17,385
Inspection department permits	542,507	957,171	414,664	730,839
Marriage licenses	110,670	110,260	(410)	96,711
Register of Deeds fees	1,567,644	2,053,509	485,865	1,300,552
Miscellaneous permits	702,280	926,431	224,151	702,280
Total licenses and permits	2,938,101	4,062,976	1,124,875	2,847,767
Sales and services				
Health department fees	2,141,463	2,286,771	145,308	2,730,929
Library fees	374,267	351,637	(22,630)	397,618
Mental health department fees	11,953,677	12,392,968	439,291	11,425,195
Sheriff department fees	1,888,825	1,908,649	19,824	1,775,568
Social services fees	302,039	267,103	(34,936)	252,882
Other department fees	1,920,088	1,467,389	(452,699)	1,721,829
Total sales and services	18,580,359	18,674,517	94,158	18,304,021
Interest earned on investments	1,640,341	1,036,927	(603,414)	2,162,768
Miscellaneous				
Other restricted revenue	27,778	90,937	63,159	63,603
Miscellaneous	292,867	397,479	104,612	303,609
Rent, land, and buildings	5,030,827	5,432,069	401,242	4,047,283
Sales miscellaneous	-	-	-	5,470
Special assessments	1,500	7,123	5,623	12,245
Total miscellaneous	5,352,972	5,927,608	574,636	4,432,210
Total revenues	237,326,974	232,278,936	(5,048,038)	228,703,323

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

**Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)**

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Expenditures				
Current				
General government				
Governing body	\$ 335,773	\$ 323,597	\$ 12,176	\$ 302,672
Administration	996,329	912,527	83,802	940,251
Court facilities	44,014	21,803	22,211	27,649
Information services	1,065,702	978,616	87,086	895,687
Elections	559,229	528,824	30,405	291,942
Finance	781,223	748,675	32,548	729,996
Legal	430,970	429,701	1,269	401,588
Register of Deeds	1,408,857	1,360,527	48,330	1,297,636
Tax assessor	3,160,859	2,953,593	207,266	3,051,225
Print shop	128,572	128,450	122	116,866
Public Building	2,307,184	1,829,440	477,744	1,732,868
Message center	134,031	129,783	4,248	119,738
Carpenter shop	144,802	144,734	68	140,978
Public buildings - equipment maintenance	570,831	559,503	11,328	524,108
Public buildings - janitorial	492,013	434,037	57,976	401,001
Central maintenance	666,115	653,987	12,128	408,304
Landscaping and grounds	461,999	412,011	49,988	399,694
General government other	10,650,908	3,084,709	7,566,199	2,337,141
Total general government	24,339,411	15,634,517	8,704,894	14,119,344
Public safety				
Emergency dispatch	897,282	845,569	51,713	691,103
Sheriff	16,159,584	15,577,463	582,121	15,758,135
Jail	6,641,898	6,277,417	364,481	4,780,192
Gang intervention grant	-	-	-	197,448
School law enforcement-local	2,057,245	1,998,065	59,180	1,893,588
Community policing	186,460	78,379	108,081	-
Law enforcement block grant 01	207,411	207,406	5	-

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

**Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)**

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Expenditures (continued)				
Current (continued)				
Public safety (continued)				
Fire Marshal	\$ -	\$ -	\$ -	\$ 182,051
Animal Control	827,353	764,979	62,374	674,741
Inspection department	-	-	-	978,817
Public safety other	873,644	863,103	10,541	834,470
COPS more grant - 98	12,749	12,749	-	21,778
Cumberland day reporting center	222,277	176,156	46,121	200,195
Criminal justice unit	235,201	230,936	4,265	185,393
Community correction - probation	72,452	51,040	21,412	84,430
Total public safety	28,393,556	27,083,262	1,310,294	26,482,341
Economic and physical development				
Planning department	1,933,576	1,851,202	82,374	828,035
Engineering	227,454	210,149	17,305	207,902
NC cooperative extension service	495,635	430,526	65,109	438,936
Soil conservation district	44,010	42,399	1,611	44,566
Soil conservation cost	40,084	39,830	254	38,694
Fort Bragg erosion project	63,948	-	63,948	-
Economic physical development - other	382,380	346,639	35,741	260,067
Industrial park	105,747	31,282	74,465	24,625
Total economic and physical development	3,292,834	2,952,027	340,807	1,842,825
Human services				
Mental Health				
Mental Health - C&Y contracts	621,864	469,520	152,144	409,215
Adolescent sex offender treatment	133,457	128,099	5,358	103,104
Family preservation	663,711	417,028	246,683	461,302
Mental Health - Homeless child	46,750	36,998	9,752	27,807
Smart Start	202,543	183,182	19,361	205,090
Mental Health - CBA in-home	225,884	171,210	54,674	156,414
Periodic outpatient service	1,260,108	839,349	420,759	774,384
Mental Health - Winding creek	177,549	74,974	102,575	118,087
Mental Health - Adolescent group home	731,254	619,621	111,633	619,144
Mental Health - Adult homeless	50,625	40,417	10,208	31,407
Case management and referral - SA	33,313	32,832	481	17,717

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Expenditures (continued)				
Current (continued)				
Human services (continued)				
Mental Health (continued)				
High risk primary prevention	\$ 127,960	\$ 111,075	\$ 16,885	\$ 53,874
Mental Health - Employee assistance treatment	163,573	162,971	602	159,132
Runaway/homeless youth	42,550	6,431	36,119	37,721
NC Treatment Alternative to street crime	253,686	188,117	65,569	161,779
NC Adolescent Substance Abuse	114,071	73,139	40,932	107,540
Alcohol/Drug - Women	321,591	269,742	51,849	313,985
Mental Health - Substance abuse - periodic	727,374	546,618	180,756	520,001
Mental Health - Workfirst	148,338	48,443	99,895	110,510
Detoxification	789,138	640,254	148,884	606,522
Consultation and education	164,979	159,908	5,071	142,575
Mental Health - Alcohol and drug support	305,379	235,748	69,631	250,303
Mental Health - DD adult outpatient	255,266	197,104	58,162	548,912
Mental Health - Spainhour	674,221	606,703	67,518	496,411
Mental Health - ABLE	281,271	258,516	22,755	237,054
Mental Health - ICF/MR HUD homes	1,453,919	1,368,567	85,352	1,375,724
Mental Health - Autism	95,374	40,561	54,813	73,226
Mental Health - Smart Start daycare	202,021	183,019	19,002	179,673
Mental Health - Early intervention	447,201	433,368	13,833	372,774
Mental Health - DD contracts	1,301,932	1,263,239	38,693	1,287,640
Mental Health - Child Outpatient	158,247	117,122	41,125	397,008
Mental Health - Case Management	660,421	505,586	154,835	454,525
Partial hospitalization	800,470	709,865	90,605	725,708
Adult CMI group home	260,000	246,244	13,756	244,883
Mental Health - Adult contracts	38,240	38,240	-	34,725
Mental Health - HUD apartments	279,477	238,028	41,449	225,591
Mental Health - Crisis stabilization	919,605	671,582	248,023	623,072
Mental Health - Adult periodic	1,421,053	1,097,605	323,448	904,009
Mental Health - Substance abuse contracts	166,135	138,279	27,856	147,123
Willie M. - Lakewood	397,162	387,853	9,309	342,361
Willie M. - Paraprofessional	223,534	145,183	78,351	162,488
Willie M. - Case management	407,700	392,882	14,818	293,053
Willie M. - Crossroads	468,529	408,943	59,586	450,950
Willie M. - Tiffany group home	428,042	388,388	39,654	203,982
Willie M. - Sprucewood	384,002	312,054	71,948	324,373
Willie M. - Alternative family living	519,565	429,839	89,726	524,263
Willie M. - Respite	8,000	-	8,000	-
Willie M. - Independent Living	-	8	(8)	191,396

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Expenditures (continued)				
Current (continued)				
Human services (continued)				
Mental Health (continued)				
Willie M. - Outpatient treatment	\$ 162,394	\$ 137,317	\$ 25,077	\$ 138,434
Willie M. - Administration	683,875	267,931	415,944	287,323
Mental Health Department	1,341,153	903,144	438,009	880,286
Medical services	2,172,694	1,912,245	260,449	1,607,163
Mental Health - general support	829,216	694,811	134,405	972,283
Mental Health - Medical records	480,396	419,580	60,816	369,174
Mental Health - MIS	628,441	529,547	98,894	593,080
Mental Health - Personnel	229,907	226,163	3,744	227,549
Mental Health - Medicaid contracts	600,000	564,306	35,694	69,853
Thomas S. - Todd C. specific	1,496,426	1,315,876	180,550	1,272,367
Thomas S. - Administration	149,428	122,196	27,232	135,779
Thomas S. - Crisis diversion	47,014	37,462	9,552	40,810
Thomas S. - Case management	151,731	114,895	36,836	121,677
EEAP	-	-	-	(420)
Mental Health - SA Incentive Grant	-	-	-	91,568
Mental Health - Majors Grant	237,073	168,798	68,275	202,760
Mental Health - Managed Care	445,784	418,221	27,563	419,916
Mental Health - RCE - TASC	499,214	371,394	127,820	272,926
Mental Health - Adult Community Services	394,094	26,411	367,683	19,276
Mental Health - Developmental Disabilities	804,887	614,690	190,197	-
Subtotal - mental health	30,910,611	24,879,441	6,031,170	23,930,341
Health				
Health - administration	1,200,918	1,161,298	39,620	1,039,893
Laboratory	385,788	358,805	26,983	345,597
Mosquito control	76,319	63,066	13,253	43,412
Pharmacy	229,903	220,600	9,303	202,714
C. C. Jail Health program	1,259,396	1,247,038	12,358	967,815
Management Support	201,681	172,792	28,889	310,446
NC Environmental Health	1,184,178	1,147,322	36,856	1,314,398
Home Visiting Project	-	-	-	23,126
Immunization clinic	306,967	301,712	5,255	240,983
School health program	512,292	491,845	20,447	530,045
Child health clinic	675,390	661,878	13,512	540,094
Dental clinic	263,289	242,909	20,380	403,368
Health promotion	282,839	218,068	64,771	230,602
Maternal health clinic	793,643	740,206	53,437	685,856
Medical records	146,855	130,984	15,871	130,871
Childhood lead poison prevention	3,330	3,330	-	3,011
Breast/cervical cancer	78,827	78,390	437	55,757

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

**Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)**

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Expenditures (continued)				
Current (continued)				
Human services (continued)				
Health (continued)				
CSC	\$ 533,280	\$ 387,382	\$ 145,898	\$ 581,058
Child fatality prevention	4,384	418	3,966	3,911
BCCCP-CVD screening	56,813	46,579	10,234	49,555
Chest TB clinic	176,366	141,779	34,587	155,792
Family planning clinic	539,504	520,071	19,433	561,920
NC Epilepsy program	12,375	8,700	3,675	11,627
NC General Communicable Disease	254,704	224,441	30,263	532,350
CDC tuberculosis project	45,592	33,271	12,321	38,197
NC AIDS	54,558	43,001	11,557	48,769
Adult health clinic	443,663	417,124	26,539	375,009
School health	389,000	63,564	325,436	33,976
Smart start - Healthy families	-	-	-	377,833
WIC - Clinic services	1,442,160	1,317,214	124,946	1,360,722
Health - other	143,112	143,112	-	173,746
Children Special	-	-	-	39,549
Regional Bioterrorism response grant	374,150	211,580	162,570	44,258
Healthy Carolinians of Cumberland County	7,500	7,500	-	-
Bioterrorism preparedness	3,000	1,278	1,722	-
STD Clinic	269,283	222,343	46,940	-
Bioterrorism competitive project	39,600	27,449	12,151	-
Subtotal - health	12,390,659	11,057,049	1,333,610	11,456,260
Welfare				
Social services department	26,311,365	23,595,023	2,716,342	24,211,740
Social services - other	37,328,711	35,405,533	1,923,178	32,395,555
Grant - FV Care Center	369,524	363,054	6,470	340,876
Welfare - other	427,810	284,633	143,177	304,109
Subtotal - welfare	64,437,410	59,648,243	4,789,167	57,252,280

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Expenditures (continued)				
Current (continued)				
Human services (continued)				
Other human services				
Veterans' services	\$ 159,111	\$ 132,837	\$ 26,274	\$ 128,014
Senior aides local support	42,990	41,511	1,479	40,623
Spring Lake Resource Center - Admin	40,668	40,552	116	38,128
Subtotal - other human services	242,769	214,900	27,869	206,765
Total human services	107,981,449	95,799,633	12,181,816	92,845,646
Cultural and recreational				
Library	5,434,979	5,260,624	174,355	5,959,241
Library foreign language	54,667	50,518	4,149	68,480
Law library	180,331	180,113	218	258,655
Library - Smart Start	299,018	287,922	11,096	269,367
Motherread	74,390	69,184	5,206	65,765
Library - Gates foundation	-	-	-	5,947
Stadium maintenance	93,073	83,969	9,104	83,248
Culture recreation other	414,454	381,300	33,154	381,300
Total cultural and recreational	6,550,912	6,313,630	237,282	7,092,003
Education				
Public schools - current	57,150,000	57,150,000	-	55,243,000
Community colleges - current	5,775,962	5,775,962	-	5,439,622
Community colleges - capital outlay	1,264,409	57,487	1,206,922	360,782
Total education	64,190,371	62,983,449	1,206,922	61,043,404
Debt service				
Principal payments	11,323,609	10,808,755	514,854	11,723,262
Interest and fees	10,638,141	10,193,864	444,277	10,399,788
Total debt service	21,961,750	21,002,619	959,131	22,123,050
Total expenditures	256,710,283	231,769,137	24,941,146	225,548,613
Revenues over (under) expenditures	(19,383,309)	509,799	19,893,108	3,154,710

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

**Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)**

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Other financing sources (uses)				
Sale of capital assets	\$ -	\$ -	\$ -	\$ 32,275
Transfers in	12,960,679	12,947,592	(13,087)	5,070,337
Transfers out	(7,005,475)	(6,865,313)	140,162	(4,860,232)
Fund balance appropriated	13,428,105	-	(13,428,105)	-
Total other financing sources (uses)	19,383,309	6,082,279	(13,301,030)	242,380
Revenues and other financing sources (uses) over expenditures	\$ -	6,592,078	\$ 6,592,078	3,397,090
Fund balance				
Beginning of year - July 1		50,074,424		46,677,334
End of year - June 30		<u>\$ 56,666,502</u>		<u>\$ 50,074,424</u>

NONMAJOR GOVERNMENTAL FUNDS

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Cemetery Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 17,814,542	\$ -	\$ -	\$ 17,814,542
Investments	5,580,015	-	-	5,580,015
Taxes receivable, net	757,802	-	-	757,802
Accounts receivable, net	3,062,781	653,246	600	3,716,627
Restricted assets:				
Cash and cash equivalents	181,831	4,397,550	3,917	4,583,298
Investments	-	10,128,382	30,630	10,159,012
Accounts receivable	-	62,785	449	63,234
Total assets	<u>\$ 27,396,971</u>	<u>\$ 15,241,963</u>	<u>\$ 35,596</u>	<u>\$ 42,674,530</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,433,491	\$ 713,647	\$ 465	\$ 2,147,603
Due to other funds	298,863	14,091	-	312,954
Deferred revenue	<u>2,992,022</u>	-	449	<u>2,992,471</u>
Total liabilities	<u>4,724,376</u>	<u>727,738</u>	<u>914</u>	<u>5,453,028</u>
Fund balances:				
Reserved for encumbrances	1,595,224	6,984	-	1,602,208
Reserved by State statute	828,561	716,031	600	1,545,192
Reserved for inmates	180,831	-	-	180,831
Reserved for cemetery	-	-	34,082	34,082
Designated for subsequent year's expenditures	3,941,127	5,370,826	-	9,311,953
Undesignated	<u>16,126,852</u>	<u>8,420,384</u>	-	<u>24,547,236</u>
Total fund balances	<u>22,672,595</u>	<u>14,514,225</u>	<u>34,682</u>	<u>37,221,502</u>
Total liabilities and fund balances	<u>\$ 27,396,971</u>	<u>\$ 15,241,963</u>	<u>\$ 35,596</u>	<u>\$ 42,674,530</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2003**

	Special Revenue Funds	Capital Project Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
Revenues				
Ad valorem taxes	\$ 8,783,732	\$ -	\$ -	\$ 8,783,732
Other taxes	12,362,249	-	-	12,362,249
Restricted intergovernmental revenue	7,902,164	485,385	-	8,387,549
Sales and services	568,239	5,507	-	573,746
Interest earned on investments	325,676	348,158	1,108	674,942
Miscellaneous	712,962	942,841	2,400	1,658,203
Total revenues	30,655,022	1,781,891	3,508	32,440,421
Expenditures				
Current:				
General government	553,011	-	3,361	556,372
Public safety	7,066,646	-	-	7,066,646
Economic and physical development	6,378,309	-	-	6,378,309
Human services	1,465,001	-	-	1,465,001
Cultural and recreational	2,853,124	-	-	2,853,124
Education	7,243,976	10,171,054	-	17,415,030
Capital outlay	1,031,000	3,785,807	-	4,816,807
Principal payments	150,000	-	-	150,000
Interest and fees	80,572	-	-	80,572
Total expenditures	26,821,639	13,956,861	3,361	40,781,861
Excess (deficiency) of revenues over (under) expenditures	3,833,383	(12,174,970)	147	(8,341,440)
Other financing sources (uses)				
Debt issuance	931,000	14,887,195	-	15,818,195
Transfers in	3,366,458	2,800,000	-	6,166,458
Transfers out	(7,591,744)	(11,090,326)	-	(18,682,070)
Other financing sources/uses	287,142	-	-	287,142
Total other financing sources (uses)	(3,007,144)	6,596,869	-	3,589,725
Net change in fund balances	826,239	(5,578,101)	147	(4,751,715)
Fund balance - beginning	21,846,356	20,092,326	34,535	41,973,217
Fund balance - ending	\$ 22,672,595	\$ 14,514,225	\$ 34,682	\$ 37,221,502

COUNTY OF CUMBERLAND, NORTH CAROLINA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2003

(continued)

	Prepared Food and Beverage Fund	County School Fund	Wireless 911 Emergency Fund	Wireless 911 Fund	Jobs Training Fund	Industrial Development Fund	Water and Sewer Fund	Property Revaluation Fund	Recreation Fund	Juvenile Crime Prevention Fund	Transportation Fund	Flea Hill Drainage District Fund	Community Development Fund
Assets:													
Cash and cash equivalents	\$ 1,625,879	\$ 2,615,644	\$ 1,564,864	\$ 713,729	\$ 182,665	\$ 1,829,221	\$ 2,708,861	\$ 139,120	\$ 2,904,199	\$ 373,587	\$ 21,029	\$ 78,134	\$ 268,588
Investments	-	1,015,578	33,653	-	-	2,500,229	6,198	-	1,745,385	-	4,605	-	-
Taxes receivable, net	-	-	-	-	-	-	-	-	257,157	-	-	-	-
Accounts receivable, net	27,000	2,215,523	70,842	17,710	48,702	4,116	28,326	1,065	176,210	5,551	78,653	-	361,291
Restricted assets:													
Cash and cash equivalents	-	1,000	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$ 1,652,879	\$ 5,847,745	\$ 1,669,359	\$ 731,439	\$ 241,367	\$ 4,333,565	\$ 2,746,385	\$ 140,185	\$ 5,082,951	\$ 379,138	\$ 104,287	\$ 78,134	\$ 629,879
Liabilities and fund balances:													
Accounts payable and accrued liabilities	\$ -	\$ 297,452	\$ 14,824	\$ -	\$ 94,525	\$ 3,182	\$ -	\$ 23,731	\$ 260,230	\$ 192,041	\$ 37,818	\$ -	\$ 140,885
Due to other funds	-	2,208,442	50	-	48,456	685	24,515	-	257,598	-	47,907	-	201,500
Deferred revenue	-	2,585,693	14,874	-	143,981	3,867	24,515	23,731	517,828	192,041	85,725	-	342,485
Total liabilities	-	\$ 5,091,587	\$ 14,748	\$ -	\$ 286,962	\$ 7,734	\$ 49,045	\$ 47,462	\$ 835,656	\$ 384,082	\$ 171,450	\$ -	\$ 484,865
Fund balances:													
Reserved for encumbrances	27,000	7,081	11,473	17,710	69,590	87,637	227,437	35,871	1,129,120	5,551	78,653	-	361,291
Reserved by State statute	-	-	70,792	-	48,702	3,431	4,811	1,065	175,769	-	-	-	-
Reserved for inmates	-	-	19,091	-	-	2,281,022	720,000	-	900,454	40,590	-	78,134	(73,887)
Designated for subsequent year's expenditures	1,625,879	3,334,770	1,553,129	713,729	(20,908)	1,977,809	1,789,822	79,518	2,358,780	149,988	(60,091)	78,134	287,384
Undesignated	1,652,879	3,341,851	1,554,485	731,439	97,365	4,323,698	2,721,870	118,154	4,565,123	187,087	18,562	78,134	287,384
Total fund balances	\$ 1,652,879	\$ 5,847,745	\$ 1,669,359	\$ 731,439	\$ 241,367	\$ 4,333,565	\$ 2,746,385	\$ 140,185	\$ 5,082,951	\$ 379,138	\$ 104,287	\$ 78,134	\$ 629,879
Total liabilities and fund balances	\$ 1,652,879	\$ 5,847,745	\$ 1,669,359	\$ 731,439	\$ 241,367	\$ 4,333,565	\$ 2,746,385	\$ 140,185	\$ 5,082,951	\$ 379,138	\$ 104,287	\$ 78,134	\$ 629,879

COUNTY OF CUMBERLAND, NORTH CAROLINA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2003

(continued)

	Prepared Food and Beverage Fund	County School Fund	911 Emergency Fund	Wireless 911 Emergency Fund	Jobs Training Fund	Industrial Development Fund	Water and Sewer Fund	Property Revaluation Fund	Recreation Fund	Juvenile Crime Prevention Fund	Transportation Fund
Revenues											
Ad valorem taxes	\$ 3,377,896	8,984,353	-	-	-	-	-	-	\$ 3,017,279	-	-
Other taxes	-	171,976	812,846	194,972	1,700,366	-	25,597	-	163,603	1,159,322	505,794
Restricted intergovernmental revenue	-	-	68,625	-	13,936	-	43,278	-	257,417	143,337	41,646
Sales and services	22,247	74,439	17,422	8,007	2,248	41,164	37,163	4,351	73,690	3,620	2,298
Interest earned on investments	27,000	296,518	46,743	1,871	1,871	100	9,912	-	10,634	-	2,488
Miscellaneous	3,427,143	9,527,386	945,636	202,979	1,718,421	41,264	115,950	4,351	3,522,623	1,306,279	552,206
Total revenues											
Expenditures											
Current:											
General government	-	-	-	-	-	-	-	553,011	-	-	-
Public safety	-	-	898,512	-	1,667,820	710,191	162	-	-	1,465,001	558,504
Economic and physical development	-	-	-	-	-	-	-	-	2,845,629	-	-
Human services	-	-	-	-	-	-	-	-	-	-	-
Cultural and recreational	7,495	7,243,976	-	-	-	1,031,000	-	-	-	-	-
Education	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Principal payments	-	-	-	-	-	-	-	-	-	-	-
Interest and fees	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	7,495	7,243,976	898,512	-	1,667,820	1,741,191	162	553,011	2,845,629	1,465,001	558,504
Excess (deficiency) of revenues over (under) expenditures	3,419,648	2,283,410	47,124	202,979	50,601	(1,699,927)	115,788	(548,660)	676,994	(158,722)	(6,298)
Other financing sources (uses)											
Debt issuance	-	-	-	-	-	931,000	-	-	-	-	10,577
Transfers in	-	-	-	-	14,127	2,556,104	-	605,337	-	151,241	-
Transfers out	(3,259,184)	(4,332,560)	-	-	-	-	287,142	-	-	-	-
Other financing sources/uses	(3,259,184)	(4,332,560)	-	-	14,127	3,487,104	287,142	605,337	-	151,241	10,577
Total other financing sources (uses)											
Net change in fund balances	160,464	(2,049,150)	47,124	202,979	64,728	1,787,177	402,930	56,677	676,994	(7,481)	4,279
Fund balance - beginning	1,492,415	5,391,001	1,607,361	528,460	32,658	2,542,522	2,318,940	59,777	3,886,129	194,578	14,263
Fund balance - ending	\$ 1,652,879	\$ 3,341,851	\$ 1,654,485	\$ 731,439	\$ 97,386	\$ 4,329,699	\$ 2,721,870	\$ 116,454	\$ 4,565,123	\$ 187,097	\$ 18,562

COUNTY OF CUMBERLAND, NORTH
 Combining Statement of Revenues, Expenses and Transfers
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2003

(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	Resource Recovery Fund	Inmate Welfare Fund		
Revenues												
Ad valorem taxes	\$ -	\$ -	\$ 5,766,453	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,783,732
Other taxes	-	-	-	-	-	-	-	-	-	-	-	12,362,249
Restricted intergovernmental revenue	-	2,363,851	-	752,069	-	50,312	1,456	-	-	-	-	7,902,164
Salaries and services	-	-	-	-	-	-	-	-	-	-	-	568,239
Interest earned on investments	-	-	2,145	30,007	532	2,332	-	2,546	-	1,465	-	325,676
Miscellaneous	-	4,598	-	-	-	-	-	-	-	-	-	712,962
Total revenues	-	2,368,449	5,768,598	782,076	532	52,644	1,456	2,546	-	314,483	-	30,555,022
Expenditures												
Current:												
General government	-	-	-	-	-	-	-	-	-	-	-	553,011
Public safety	-	-	6,185,442	434,939	16,721	87,848	440	-	-	341,256	-	7,066,646
Economic and physical development	-	2,543,120	-	-	-	-	-	-	-	-	-	6,378,309
Human services	-	-	-	-	-	-	-	-	-	-	-	1,465,001
Cultural and recreational	-	-	-	-	-	-	-	-	-	-	-	2,853,124
Education	-	-	-	-	-	-	-	-	-	-	-	7,243,976
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	1,031,000
Principal payments	-	150,000	-	-	-	-	-	-	-	-	-	150,000
Interest and fees	-	80,572	-	-	-	-	-	-	-	-	-	80,572
Total expenditures	-	2,773,692	6,185,442	434,939	16,721	87,848	440	-	-	341,256	-	26,821,639
Excess (deficiency) of revenues over (under) expenditures	-	(405,243)	(416,844)	347,137	(16,189)	(35,204)	1,016	2,546	-	(26,773)	-	3,633,383
Other financing sources (uses)												
Debt issuance	-	-	-	-	-	-	-	-	-	-	-	931,000
Transfers in	-	29,072	-	-	-	-	-	-	-	-	-	3,366,458
Transfers out	-	-	-	-	-	-	-	-	-	-	-	(7,591,744)
Other financing sources/uses	-	-	-	-	-	-	-	-	-	-	-	287,142
Total other financing sources (uses)	-	29,072	-	-	-	-	-	-	-	-	-	(3,007,144)
Net change in fund balances	-	(376,171)	(416,844)	347,137	(16,189)	(35,204)	1,016	2,546	-	(26,773)	-	825,239
Fund balance - beginning	78,134	663,565	487,977	1,944,043	41,651	178,038	1,599	193,621	-	207,604	-	21,846,356
Fund balance - ending	\$ 78,134	\$ 287,394	\$ 51,133	\$ 2,291,180	\$ 25,462	\$ 142,834	\$ 2,615	\$ 196,167	\$ -	\$ 180,831	\$ -	\$ 22,672,595

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, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Revenues				
Other taxes	\$ 3,182,873	\$ 3,377,896	\$ 195,023	\$ 3,198,275
Interest earned on investments	30,000	22,247	(7,753)	41,180
Miscellaneous	27,000	27,000	-	27,000
Total revenues	3,239,873	3,427,143	187,270	3,266,455
Expenditures				
Cultural and recreational	11,200	7,495	3,705	175,476
Total expenditures	11,200	7,495	3,705	175,476
Revenues over expenditures	3,228,673	3,419,648	190,975	3,090,979
Other financing sources (uses)				
Transfers (out)	(3,259,871)	(3,259,184)	687	(3,186,621)
Appropriated fund balance	31,198	-	(31,198)	-
Total other financing sources (uses)	(3,228,673)	(3,259,184)	(30,511)	(3,186,621)
Revenues and other financing sources (uses) over (under) expenditures	\$ -	160,464	\$ 160,464	(95,642)
Fund balances				
Beginning of year - July 1		1,492,415		1,588,057
End of year - June 30		\$ 1,652,879		\$ 1,492,415

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - County School Fund
Year Ended June 30, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Other taxes	\$ 9,000,000	\$ 8,984,353	\$ (15,647)	\$ 9,043,790
Restricted intergovernmental revenue	-	171,976	171,976	2,000,000
Interest earned on investments	-	74,439	74,439	93,802
Miscellaneous	-	296,618	296,618	254,767
Total revenues	9,000,000	9,527,386	527,386	11,392,359
Expenditures				
School capital outlay I	5,211,510	3,573,310	1,638,200	3,636,028
School capital outlay II	3,644,275	3,140,776	503,499	3,642,086
School capital outlay III	545,000	529,890	15,110	451,302
Total expenditures	9,400,785	7,243,976	2,156,809	7,729,416
Revenues over expenditures	(400,785)	2,283,410	2,684,195	3,662,943
Other financing sources (uses)				
Sale of capital assets	-	-	-	-
Transfers (out)	(4,332,560)	(4,332,560)	-	(4,482,060)
Appropriated fund balance	4,733,345	-	(4,733,345)	-
Total other financing sources (uses)	400,785	(4,332,560)	(4,733,345)	(4,482,060)
Revenues and other financing sources (uses) over (under) expenditures	\$ -	(2,049,150)	\$ (2,049,150)	(819,117)
Fund balances				
Beginning of year - July 1		5,391,001		6,210,118
End of year - June 30		\$ 3,341,851		\$ 5,391,001

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - 911 Emergency Fund
Year Ended June 30, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 751,596	\$ 812,846	\$ 61,250	\$ 823,582
Sales and services	140,079	68,625	(71,454)	64,306
Interest earned on investments	-	17,422	17,422	24,535
Miscellaneous	-	46,743	46,743	1,080
Total revenues	<u>891,675</u>	<u>945,636</u>	<u>53,961</u>	<u>913,503</u>
Expenditures				
Public safety	<u>1,086,506</u>	<u>898,512</u>	<u>187,994</u>	<u>1,036,711</u>
Total expenditures	<u>1,086,506</u>	<u>898,512</u>	<u>187,994</u>	<u>1,036,711</u>
Revenues over expenditures	<u>(194,831)</u>	<u>47,124</u>	<u>241,955</u>	<u>(123,208)</u>
Other financing sources (uses)				
Appropriated fund balance	<u>194,831</u>	<u>-</u>	<u>(194,831)</u>	<u>-</u>
Total other financing sources (uses)	<u>194,831</u>	<u>-</u>	<u>(194,831)</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>47,124</u>	<u>\$ 47,124</u>	<u>(123,208)</u>
Fund balances				
Beginning of year - July 1		<u>1,607,361</u>		<u>1,730,569</u>
End of year - June 30		<u>\$ 1,654,485</u>		<u>\$ 1,607,361</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, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 140,000	\$ 194,972	\$ 54,972	\$ 181,588
Interest earned on investments	-	8,007	8,007	6,264
Total revenues	140,000	202,979	62,979	187,852
Expenditures				
Public safety	140,000	-	140,000	-
Total expenditures	140,000	-	140,000	-
Revenues over expenditures	-	202,979	202,979	187,852
Revenues and other financing sources (uses) over (under) expenditures	\$ -	202,979	\$ 202,979	187,852
Fund balances				
Beginning of year - July 1		528,460		340,608
End of year - June 30		\$ 731,439		\$ 528,460

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Jobs Training Fund
Year Ended June 30, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 1,927,098	\$ 1,700,366	\$ (226,732)	\$ 1,467,203
Sales and services	15,000	13,936	(1,064)	10,000
Interest earned on investments	3,000	2,248	(752)	8,711
Miscellaneous	-	1,871	1,871	105,501
Total revenues	<u>1,945,098</u>	<u>1,718,421</u>	<u>(226,677)</u>	<u>1,591,415</u>
Expenditures				
Economic and physical development	467,287	424,505	42,782	463,442
JTPA one stop	868,361	763,411	104,950	502,081
JTPA T/A grant	152,179	131,092	21,087	80,634
JTPA welfare to work 30%	30,570	20,802	9,768	54,241
JTPA welfare to work 70%	388,663	303,019	85,644	429,104
NC workers trust fund	79,717	24,991	54,726	95,684
Total expenditures	<u>1,986,777</u>	<u>1,667,820</u>	<u>318,957</u>	<u>1,625,186</u>
Revenues over expenditures	<u>(41,679)</u>	<u>50,601</u>	<u>92,280</u>	<u>(33,771)</u>
Other financing sources (uses)				
Transfers in	34,440	14,127	(20,313)	1,742
Appropriated fund balance	7,239	-	(7,239)	-
Total other financing sources (uses)	<u>41,679</u>	<u>14,127</u>	<u>(27,552)</u>	<u>1,742</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>64,728</u>	<u>\$ 64,728</u>	<u>(32,029)</u>
Fund balances				
Beginning of year - July 1		<u>32,658</u>		<u>64,687</u>
End of year - June 30		<u>\$ 97,386</u>		<u>\$ 32,658</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, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Revenues				
Interest earned on investments	\$ -	\$ 41,164	\$ 41,164	\$ 66,728
Miscellaneous	-	100	100	-
Total revenues	<u>87,612</u>	<u>41,264</u>	<u>(46,348)</u>	<u>66,728</u>
Expenditures				
Economic and physical development	<u>4,975,755</u>	<u>1,741,191</u>	<u>3,234,564</u>	<u>501,843</u>
Total expenditures	<u>4,975,755</u>	<u>1,741,191</u>	<u>3,234,564</u>	<u>501,843</u>
Revenues over expenditures	<u>(4,888,143)</u>	<u>(1,699,927)</u>	<u>3,188,216</u>	<u>(435,115)</u>
Other financing sources (uses)				
Transfers in	2,556,104	2,556,104	-	556,104
Note proceeds	-	931,000	931,000	238,125
Appropriated fund balance	<u>2,332,039</u>	-	<u>(2,332,039)</u>	-
Total other financing sources (uses)	<u>4,888,143</u>	<u>3,487,104</u>	<u>(1,401,039)</u>	<u>794,229</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>1,787,177</u>	<u>\$ 1,787,177</u>	<u>359,114</u>
Fund balances				
Beginning of year - July 1		<u>2,542,522</u>		<u>2,183,408</u>
End of year - June 30		<u>\$ 4,329,699</u>		<u>\$ 2,542,522</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, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ -	\$ 25,597	\$ 25,597	\$ 905,820
Sales and services	-	43,278	43,278	50,620
Interest earned on investments	-	37,163	37,163	40,018
Miscellaneous	-	9,912	9,912	11,944
Total revenues	<u>-</u>	<u>115,950</u>	<u>115,950</u>	<u>1,008,402</u>
Expenditures				
Economic and physical development	966,768	162	966,606	236,351
Total expenditures	<u>966,768</u>	<u>162</u>	<u>966,606</u>	<u>236,351</u>
Revenues over expenditures	<u>(966,768)</u>	<u>115,788</u>	<u>1,082,556</u>	<u>772,051</u>
Other financing sources (uses)				
Transfer to component unit	287,143	287,142	(1)	-
Appropriated fund balance	679,625	-	(679,625)	-
Total other financing sources (uses)	<u>966,768</u>	<u>287,142</u>	<u>(679,626)</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>402,930</u>	<u>\$ 402,930</u>	<u>772,051</u>
Fund balances				
Beginning of year - July 1		2,318,940		1,546,889
End of year - June 30		<u>\$ 2,721,870</u>		<u>\$ 2,318,940</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, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Revenues				
Interest earned on investments	\$ 2,158	\$ 4,351	\$ 2,193	\$ 3,246
Total revenues	<u>2,158</u>	<u>4,351</u>	<u>2,193</u>	<u>3,246</u>
Expenditures				
General government	613,572	553,011	60,561	312,348
Total expenditures	<u>613,572</u>	<u>553,011</u>	<u>60,561</u>	<u>312,348</u>
Revenues over expenditures	<u>(611,414)</u>	<u>(548,660)</u>	<u>62,754</u>	<u>(309,102)</u>
Other financing sources (uses)				
Transfers in	605,337	605,337	-	309,506
Appropriated fund balance	6,077	-	(6,077)	-
Total other financing sources (uses)	<u>611,414</u>	<u>605,337</u>	<u>(6,077)</u>	<u>309,506</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>56,677</u>	<u>\$ 56,677</u>	<u>404</u>
Fund balances				
Beginning of year - July 1		59,777		59,373
End of year - June 30		<u>\$ 116,454</u>		<u>\$ 59,777</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Recreation Fund
Year Ended June 30, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Revenues				
Ad valorem taxes	\$ 2,769,121	\$ 3,017,279	\$ 248,158	\$ 2,977,162
Other taxes	1,000	-	(1,000)	-
Unrestricted intergovernmental revenue	29,000	-	(29,000)	20,992
Restricted intergovernmental revenue	143,456	163,603	20,147	32,363
Sales and services	180,000	257,417	77,417	218,584
Interest earned on investments	80,000	73,690	(6,310)	101,066
Miscellaneous	10,500	10,634	134	13,968
Total revenues	<u>3,213,077</u>	<u>3,522,623</u>	<u>309,546</u>	<u>3,364,135</u>
Expenditures				
Cultural and recreational				
Recreational cost	<u>4,174,773</u>	<u>2,845,629</u>	<u>1,329,144</u>	<u>2,385,882</u>
Total expenditures	<u>4,174,773</u>	<u>2,845,629</u>	<u>1,329,144</u>	<u>2,385,882</u>
Revenues over expenditures	<u>(961,696)</u>	<u>676,994</u>	<u>1,638,690</u>	<u>978,253</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	(800,000)
Appropriated fund balance	<u>961,696</u>	-	<u>(961,696)</u>	-
Total other financing sources (uses)	<u>961,696</u>	-	<u>(961,696)</u>	<u>(800,000)</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>676,994</u>	<u>\$ 676,994</u>	<u>178,253</u>
Fund balances				
Beginning of year - July 1		<u>3,888,129</u>		<u>3,709,876</u>
End of year - June 30		<u>\$ 4,565,123</u>		<u>\$ 3,888,129</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, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Revenues				
Restricted intergovernmental revenue	\$ 1,137,815	\$ 1,159,322	\$ 21,507	\$ 1,094,921
Sales and services	168,496	143,337	(25,159)	150,437
Interest earned on investments	-	3,620	3,620	6,774
Miscellaneous	-	-	-	125
Total revenues	1,306,311	1,306,279	(32)	1,252,257
Expenditures				
Juvenile court outreach	902,231	830,995	71,236	825,395
Residential group home	643,772	634,006	9,766	605,903
Total expenditures	1,546,003	1,465,001	81,002	1,431,298
Revenues over expenditures	(239,692)	(158,722)	80,970	(179,041)
Other financing sources (uses)				
Transfers in	151,241	151,241	-	147,435
Appropriated fund balance	88,451	-	(88,451)	-
Total other financing sources (uses)	239,692	151,241	(88,451)	147,435
Revenues and other financing sources (uses) over (under) expenditures	\$ -	(7,481)	\$ (7,481)	(31,606)
Fund balances				
Beginning of year - July 1		194,578		226,184
End of year - June 30		\$ 187,097		\$ 194,578

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Transportation Fund
Year Ended June 30, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Revenues				
Restricted intergovernmental revenue	\$ 607,430	\$ 505,794	\$ (101,636)	\$ 398,864
Sales and services	49,250	41,646	(7,604)	43,110
Interest earned on investments	2,500	2,298	(202)	2,400
Miscellaneous	-	2,468	2,468	3,330
Total revenues	<u>659,180</u>	<u>552,206</u>	<u>(106,974)</u>	<u>447,704</u>
Expenditures				
Economic and physical development	<u>678,252</u>	<u>558,504</u>	<u>119,748</u>	<u>472,010</u>
Total expenditures	<u>678,252</u>	<u>558,504</u>	<u>119,748</u>	<u>472,010</u>
Revenues over expenditures	<u>(19,072)</u>	<u>(6,298)</u>	<u>12,774</u>	<u>(24,306)</u>
Other financing sources (uses)				
Transfers in	17,014	10,577	(6,437)	6,030
Appropriated fund balance	<u>2,058</u>	<u>-</u>	<u>(2,058)</u>	<u>-</u>
Total other financing sources (uses)	<u>19,072</u>	<u>10,577</u>	<u>(8,495)</u>	<u>6,030</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>4,279</u>	<u>\$ 4,279</u>	<u>(18,276)</u>
Fund balances				
Beginning of year - July 1		<u>14,283</u>		<u>32,559</u>
End of year - June 30		<u>\$ 18,562</u>		<u>\$ 14,283</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, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Revenues	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current Expenditures	-	-	-	-
Total expenditures	-	-	-	-
Other financing sources (uses)	-	-	-	-
Revenues and other financing sources	<u>\$ -</u>	-	<u>\$ -</u>	-
Fund balances				
Beginning of year - July 1		78,134		78,134
End of year - June 30		<u>\$ 78,134</u>		<u>\$ 78,134</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Community Development Fund
Year Ended June 30, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 7,579,458	\$ 2,363,851	\$ (5,215,607)	\$ 3,878,242
Sales and services	-	-	-	39,477
Miscellaneous	3,670	4,598	928	67,416
Total revenues	7,583,128	2,368,449	(5,214,679)	3,985,135
Expenditures				
Economic and physical development				
Administration	652,497	472,420	180,077	458,780
Housing activities	3,210,621	1,121,433	2,089,188	2,235,697
Public facilities	1,559,286	425,000	1,134,286	-
Public services	288,000	253,905	34,095	282,236
Infrastructure	224,000	19,507	204,493	38,213
Planning	20,328	-	20,328	1,458
Emergency shelter	-	-	-	86,518
Program grants	2,057,847	250,855	1,806,992	413,427
Economic Development	-	-	-	260,765
Debt service	230,573	230,572	1	241,123
Total expenditures	8,243,152	2,773,692	5,469,460	4,018,217
Revenues over (under) expenditures	(660,024)	(405,243)	254,781	(33,082)
Other financing sources (uses)				
Transfers in	142,484	29,072	(113,412)	103,850
Appropriated fund balance	517,540	-	(517,540)	-
Total other financing sources (uses)	660,024	29,072	(630,952)	103,850
Revenues and other financing sources (uses) over (under) expenditures	\$ -	(376,171)	\$ (376,171)	70,768
Fund balances				
Beginning of year - July 1		663,565		592,797
End of year - June 30		\$ 287,394		\$ 663,565

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Fire Protection Fund
Year Ended June 30, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Revenues				
Ad valorem taxes	\$ 5,797,396	\$ 5,766,453	\$ (30,943)	\$ 5,705,143
Other taxes	10,632	-	(10,632)	-
Unrestricted intergovernmental revenue	174,309	-	(174,309)	84,963
Interest earned on investments	-	2,145	2,145	5,572
Total revenues	<u>5,982,337</u>	<u>5,768,598</u>	<u>(213,739)</u>	<u>5,795,678</u>
Expenditures				
Public safety	<u>6,451,456</u>	<u>6,185,442</u>	<u>266,014</u>	<u>6,143,594</u>
Total expenditures	<u>6,451,456</u>	<u>6,185,442</u>	<u>266,014</u>	<u>6,143,594</u>
Revenues over expenditures	<u>(469,119)</u>	<u>(416,844)</u>	<u>52,275</u>	<u>(347,916)</u>
Other financing sources (uses)				
Appropriated fund balance	<u>469,119</u>	-	<u>(469,119)</u>	-
Total other financing sources (uses)	<u>469,119</u>	-	<u>(469,119)</u>	-
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>(416,844)</u>	<u>\$ (416,844)</u>	<u>(347,916)</u>
Fund balances				
Beginning of year - July 1		<u>467,977</u>		<u>815,893</u>
End of year - June 30		<u>\$ 51,133</u>		<u>\$ 467,977</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Federal Drug Forfeiture Fund
Year Ended June 30, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Revenues				
Restricted intergovernmental revenue	\$ -	\$ 752,069	\$ 752,069	\$ 94,367
Interest earned on investments	-	30,007	30,007	64,560
Total revenues	-	782,076	782,076	158,927
Expenditures				
Public safety	674,300	434,939	239,361	92,186
Total expenditures	674,300	434,939	239,361	92,186
Revenues over expenditures	(674,300)	347,137	1,021,437	66,741
Other financing sources (uses)				
Transfers (out)	(3,125)	-	3,125	(500,000)
Appropriated fund balance	677,425	-	(677,425)	-
Total other financing sources (uses)	674,300	-	(674,300)	(500,000)
Revenues and other financing sources (uses) over (under) expenditures	\$ -	347,137	\$ 347,137	(433,259)
Fund balances				
Beginning of year - July 1		1,944,043		2,377,302
End of year - June 30		\$ 2,291,180		\$ 1,944,043

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, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Revenues				
Interest earned on investments	\$ -	\$ 532	\$ 532	\$ 967
Total revenues	-	532	532	967
Expenditures				
Public safety	41,651	16,721	24,930	-
Total expenditures	41,651	16,721	24,930	-
Revenues over expenditures	(41,651)	(16,189)	25,462	967
Other financing sources (uses)				
Appropriated fund balance	41,651			
Total other financing sources (uses)	41,651	-	(41,651)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ -	(16,189)	\$ (16,189)	967
Fund balances				
Beginning of year - July 1		41,651		40,684
End of year - June 30		\$ 25,462		\$ 41,651

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, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ -	\$ 50,312	\$ 50,312	\$ 102,252
Interest earned on investments	-	2,332	2,332	3,374
Total revenues	<u>-</u>	<u>52,644</u>	<u>52,644</u>	<u>105,626</u>
Expenditures				
Public safety	132,000	87,848	44,152	41,248
Total expenditures	<u>132,000</u>	<u>87,848</u>	<u>44,152</u>	<u>41,248</u>
Revenues over expenditures	<u>(132,000)</u>	<u>(35,204)</u>	<u>96,796</u>	<u>64,378</u>
Other financing sources (uses)				
Appropriated fund balance	132,000	-	(132,000)	-
Total other financing sources (uses)	<u>132,000</u>	<u>-</u>	<u>(132,000)</u>	<u>-</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>(35,204)</u>	<u>\$ (35,204)</u>	<u>64,378</u>
Fund balances				
Beginning of year - July 1		178,038		113,660
End of year - June 30		<u>\$ 142,834</u>		<u>\$ 178,038</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, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Restricted intergovernmental revenue	\$ 3,000	\$ 1,456	\$ (1,544)	\$ 3,205
Total revenues	<u>3,000</u>	<u>1,456</u>	<u>(1,544)</u>	<u>3,205</u>
Expenditures				
Public safety	3,000	440	2,560	2,283
Total expenditures	<u>3,000</u>	<u>440</u>	<u>2,560</u>	<u>2,283</u>
Revenues over expenditures	<u>-</u>	<u>1,016</u>	<u>1,016</u>	<u>922</u>
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>1,016</u>	<u>\$ 1,016</u>	<u>922</u>
Fund balances				
Beginning of year - July 1		<u>1,599</u>		<u>677</u>
End of year - June 30		<u>\$ 2,615</u>		<u>\$ 1,599</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, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Revenues				
Interest earned on investments	\$ -	\$ 2,546	\$ 2,546	\$ 4,493
Total revenues	-	2,546	2,546	4,493
Revenues and other financing sources (uses) over (under) expenditures	\$ -	2,546	\$ 2,546	4,493
Fund balances				
Beginning of year - July 1		193,621		189,128
End of year - June 30		\$ 196,167		\$ 193,621

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Inmate Welfare Fund
Year Ended June 30, 2003
(With Comparative Totals for Year Ended June 30, 2002)**

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Interest earned on investments	\$ -	\$ 1,465	\$ 1,465	\$ 4,218
Miscellaneous	-	313,018	313,018	368,088
Total revenues	-	314,483	314,483	372,306
Expenditures				
Public safety	-	341,256	(341,256)	280,476
Total expenditures	-	341,256	(341,256)	280,476
Revenues over expenditures	-	(26,773)	(26,773)	91,830
Revenues and other financing sources (uses) over (under) expenditures	<u>\$ -</u>	<u>(26,773)</u>	<u>\$ (26,773)</u>	91,830
Fund balances				
Beginning of year - July 1		207,604		115,774
End of year - June 30		<u>\$ 180,831</u>		<u>\$ 207,604</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Combining Balance Sheet

Nonmajor Capital Project Funds

June 30, 2003

	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	Total Nonmajor Capital Project Funds
Assets								
Accounts receivable, net	\$ -	\$ 653,246	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 653,246
Restricted assets:								
Cash and cash equivalents	-	770,889	-	799,149	3	-	2,827,509	4,397,550
Investments	372,377	-	-	-	-	9,756,005	-	10,128,382
Accounts receivable	39,627	23,137	-	-	-	-	21	62,785
Total assets	\$ 412,004	\$ 1,447,272	\$ -	\$ 799,149	\$ 3	\$ 9,756,005	\$ 2,827,530	\$ 15,241,963
Liabilities and fund balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 47,905	\$ -	\$ -	\$ -	\$ 3	\$ 665,739	\$ -	\$ 713,647
Due to other funds	3,545	-	-	-	-	10,546	-	14,091
Total liabilities	51,450	-	-	-	3	676,285	-	727,738
Fund balances:								
Reserved for encumbrances	6,950	34	-	-	-	-	-	6,984
Reserved by State statute	39,627	676,383	-	-	-	-	21	716,031
Designated for subsequent year's expenditures	335,000	4,899,690	-	-	136,136	-	-	5,370,826
Undesignated	(21,023)	(4,128,835)	-	799,149	(136,136)	9,079,720	2,827,509	8,420,384
Total fund balances	360,554	1,447,272	-	799,149	-	9,079,720	2,827,530	14,514,225
Total liabilities and fund balances	\$ 412,004	\$ 1,447,272	\$ -	\$ 799,149	\$ 3	\$ 9,756,005	\$ 2,827,530	\$ 15,241,963

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
Year Ended June 30, 2003**

	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	Total Nonmajor Capital Project Funds
Revenues								
Restricted intergovernmental revenue	\$ -	\$ -	\$ 485,385	\$ -	\$ -	\$ -	\$ -	\$ 485,385
Sales and services	-	-	-	-	-	-	5,507	5,507
Interest earned on investments	11,942	96,562	-	49,303	1,787	187,217	1,327	348,158
Miscellaneous	-	653,246	-	-	-	289,595	-	942,841
Total revenues	<u>11,942</u>	<u>749,828</u>	<u>485,385</u>	<u>49,303</u>	<u>1,787</u>	<u>476,812</u>	<u>6,834</u>	<u>1,781,891</u>
Expenditures								
Capital outlay								
Headquarters Library	975,600	-	-	-	-	-	-	975,600
Law-sheriff	-	2,768,292	-	-	-	-	-	2,768,292
Social services building	-	-	485,385	41,915	-	-	-	485,385
NC school bond project	-	-	-	-	-	9,685,669	-	9,685,669
School bond project	-	-	-	-	-	-	-	-
Total expenditures	<u>975,600</u>	<u>2,768,292</u>	<u>485,385</u>	<u>41,915</u>	<u>-</u>	<u>9,685,669</u>	<u>-</u>	<u>13,955,861</u>
Revenues over (under) expenditures	<u>(963,658)</u>	<u>(2,018,464)</u>	<u>-</u>	<u>7,388</u>	<u>1,787</u>	<u>(9,208,857)</u>	<u>6,834</u>	<u>(12,174,970)</u>
Other financing sources (uses)								
Proceeds of refunding bonds	-	-	-	-	-	14,875,000	-	14,875,000
Premium on refunding bonds	-	-	-	-	-	12,195	-	12,195
Transfers in	-	-	-	(5,854,501)	(136,136)	-	2,800,000	2,800,000
Transfers out	-	(4,899,689)	-	-	-	-	(200,000)	(11,080,326)
Total other financing sources	<u>-</u>	<u>(4,899,689)</u>	<u>-</u>	<u>(5,854,501)</u>	<u>(136,136)</u>	<u>14,887,195</u>	<u>2,600,000</u>	<u>6,596,869</u>
Revenues and other financing sources over (under) expenditures	<u>(963,658)</u>	<u>(6,918,153)</u>	<u>-</u>	<u>(5,847,113)</u>	<u>(134,349)</u>	<u>5,676,338</u>	<u>2,606,834</u>	<u>(5,578,101)</u>
Fund balance								
Beginning of year - July 1	1,324,212	8,365,425	-	6,646,262	134,349	3,401,362	220,696	20,092,326
End of year - June 30	<u>\$ 360,554</u>	<u>\$ 1,447,272</u>	<u>\$ -</u>	<u>\$ 799,149</u>	<u>\$ -</u>	<u>\$ 9,079,720</u>	<u>\$ 2,827,530</u>	<u>\$ 14,514,225</u>

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, 2003

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Interest earned on investments	\$ -	\$ 977,503	\$ 977,503	\$ 11,942	\$ 11,942
Miscellaneous	-	153,809	153,809	-	-
Total revenues	-	1,131,312	1,131,312	11,942	11,942
Expenditures					
Capital outlay					
East regional library	-	4,149,998	4,149,998	-	-
North regional library	-	4,957,649	4,957,649	-	-
Spring Lake library	-	2,230,358	2,230,358	-	-
Headquarters library	980,542	-	-	975,600	975,600
Total expenditures	980,542	11,338,005	11,338,005	975,600	975,600
Revenues over (under) expenditures	<u>(980,542)</u>	<u>(10,206,693)</u>	<u>(10,206,693)</u>	<u>(963,658)</u>	<u>(963,658)</u>
Other financing sources (uses)					
Proceeds of refunding bonds	-	11,410,905	10,086,693	-	1,324,212
Transfers in	-	691,562	691,562	-	-
Transfers out	-	(571,562)	(571,562)	-	-
Appropriated fund balance	980,542	-	-	-	-
Total other financing sources	980,542	11,530,905	10,206,693	-	1,324,212
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 1,324,212</u>	<u>\$ -</u>	<u>(963,658)</u>	<u>\$ 360,554</u>
Fund balance					
Beginning of year - July 1				<u>1,324,212</u>	
End of year - June 30				<u>\$ 360,554</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, 2003

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Interest earned on investments	\$ 3,909,900	\$ 3,828,293	\$ -	\$ 96,582	\$ 3,924,875
Miscellaneous	1,128,056	474,833	-	653,246	1,128,079
Total revenues	5,037,956	4,303,126	-	749,828	5,052,954
Expenditures					
Capital outlay					
Law-sheriff	55,019,889	45,930,907	-	2,768,292	48,699,199
Total expenditures	55,019,889	45,930,907	-	2,768,292	48,699,199
Revenues over (under) expenditures	(49,981,933)	(41,627,781)	-	(2,018,464)	(43,646,245)
Other financing sources (uses)					
Proceeds of refunding bonds	49,322,170	99,302,600	-	-	99,302,600
Premium on refunding bonds	122,538	122,536	-	-	122,536
Payment to refund bond escrow agent	-	(49,980,680)	-	-	(49,980,680)
Transfers in	4,654,185	4,654,185	-	-	4,654,185
Transfers out	(9,016,650)	(4,105,435)	-	(4,899,689)	(9,005,124)
Appropriated fund balance	4,899,690	-	-	-	-
Total other financing sources	49,981,933	49,993,206	-	(4,899,689)	45,093,517
Revenues and other financing sources over (under) expenditures	\$ -	\$ 8,365,425	\$ -	(6,918,153)	\$ 1,447,272
Fund balance					
Beginning of year - July 1				8,365,425	
End of year - June 30				<u>\$ 1,447,272</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, 2003

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental revenue	\$ 73,306,839	\$ 71,354,732	\$ -	\$ 485,385	\$ 71,840,117
Total revenues	<u>73,306,839</u>	<u>71,354,732</u>	<u>-</u>	<u>485,385</u>	<u>71,840,117</u>
Expenditures					
Capital outlay					
NC school bond project	73,306,839	62,295,069	-	485,385	62,780,454
School bond project	-	9,059,663	-	-	9,059,663
Total expenditures	<u>73,306,839</u>	<u>71,354,732</u>	<u>-</u>	<u>485,385</u>	<u>71,840,117</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance					
Beginning of year - July 1				<u>-</u>	
End of year - June 30				<u>\$ -</u>	

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

From Inception and for Year Ended June 30, 2003

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental revenue	\$ 350,000	\$ 244,999	\$ -	\$ -	\$ 244,999
Interest earned on investments	3,393,061	3,350,976	-	49,303	3,400,279
Miscellaneous	659,491	668,220	-	-	668,220
Total revenues	<u>4,402,552</u>	<u>4,264,195</u>	<u>-</u>	<u>49,303</u>	<u>4,313,498</u>
Expenditures					
Capital outlay					
Community correction center	2,890,349	2,627,842	-	-	2,627,842
Social services building	34,016,443	31,811,815	-	41,915	31,853,730
Total expenditures	<u>36,906,792</u>	<u>34,439,657</u>	<u>-</u>	<u>41,915</u>	<u>34,481,572</u>
Revenues over (under) expenditures	<u>(32,504,240)</u>	<u>(30,175,462)</u>	<u>-</u>	<u>7,388</u>	<u>(30,168,074)</u>
Other financing sources (uses)					
Proceeds of refunding bonds	34,950,000	34,950,000	-	-	34,950,000
Transfers in	191,317	2,063,848	-	-	2,063,848
Transfers out	(6,059,039)	(192,124)	-	(5,854,501)	(6,046,625)
Appropriated fund balance	3,421,962	-	-	-	-
Total other financing sources	<u>32,504,240</u>	<u>36,821,724</u>	<u>-</u>	<u>(5,854,501)</u>	<u>30,967,223</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 6,646,262</u>	<u>\$ -</u>	<u>(5,847,113)</u>	<u>\$ 799,149</u>
Fund balance					
Beginning of year - July 1				<u>6,646,262</u>	
End of year - June 30				<u>\$ 799,149</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, 2003

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Interest earned on investments	\$ -	\$ 101,865	\$ -	\$ 1,787	\$ 103,652
Miscellaneous	-	20,535	-	-	20,535
Total revenues	<u>-</u>	<u>122,400</u>	<u>-</u>	<u>1,787</u>	<u>124,187</u>
Expenditures					
Capital outlay					
Winding creek	2,300,400	2,288,702	-	-	2,288,702
Debt service	791,750	791,749	-	-	791,749
Total expenditures	<u>3,092,150</u>	<u>3,080,451</u>	<u>-</u>	<u>-</u>	<u>3,080,451</u>
Revenues over (under) expenditures	<u>(3,092,150)</u>	<u>(2,958,051)</u>	<u>-</u>	<u>1,787</u>	<u>(2,956,264)</u>
Other financing sources (uses)					
Proceeds of refunding bonds	3,092,150	3,092,400	-	-	3,092,400
Transfers out	(136,136)	-	-	(136,136)	(136,136)
Appropriated fund balance	136,136	-	-	-	-
Total other financing sources	<u>3,092,150</u>	<u>3,092,400</u>	<u>-</u>	<u>(136,136)</u>	<u>2,956,264</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 134,349</u>	<u>\$ -</u>	<u>(134,349)</u>	<u>\$ -</u>
Fund balance					
Beginning of year - July 1				134,349	
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, 2003

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Interest earned on investments	\$ 6,263,399	\$ 6,263,055	\$ -	\$ 187,217	\$ 6,450,272
Miscellaneous	1,453,409	1,453,407	-	289,595	1,743,002
Total revenues	<u>7,716,808</u>	<u>7,716,462</u>	<u>-</u>	<u>476,812</u>	<u>8,193,274</u>
Expenditures					
Capital outlay					
School bond project	107,294,988	89,070,560	-	9,685,669	98,756,229
Total expenditures	<u>107,294,988</u>	<u>89,070,560</u>	<u>-</u>	<u>9,685,669</u>	<u>98,756,229</u>
Revenues over (under) expenditures	<u>(99,578,180)</u>	<u>(81,354,098)</u>	<u>-</u>	<u>(9,208,857)</u>	<u>(90,562,955)</u>
Other financing sources (uses)					
Premium on refunding bonds	-	-	-	12,195	12,195
Bond issuance proceeds	98,128,180	83,305,480	-	14,875,000	98,180,480
Transfers in	1,450,000	1,450,000	-	-	1,450,000
Total other financing sources	<u>99,578,180</u>	<u>84,755,480</u>	<u>-</u>	<u>14,887,195</u>	<u>99,642,675</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ 3,401,382</u>	<u>\$ -</u>	<u>5,678,338</u>	<u>\$ 9,079,720</u>
Fund balance					
Beginning of year - July 1				<u>3,401,382</u>	
End of year - June 30				<u>\$ 9,079,720</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, 2003

	Project Authorization	Prior Years	Closed Projects	Current Year	Total
Revenues					
Sales and Services	\$ -	\$ 15,261	\$ -	\$ 5,507	\$ 20,768
Interest earned on investments	-	-	-	1,327	1,327
Miscellaneous	-	5,435	-	-	5,435
Total revenues	-	20,696	-	6,834	27,530
Expenditures					
Capital outlay					
Animal control building	200,000	-	-	-	-
Total expenditures	200,000	-	-	-	-
Revenues over (under) expenditures	(200,000)	20,696	-	6,834	27,530
Other financing sources (uses)					
Transfers in	3,000,000	200,000	-	2,800,000	3,000,000
Transfers out	(2,800,000)	-	-	(200,000)	(200,000)
Total other financing sources	200,000	200,000	-	2,600,000	2,800,000
Revenues and other financing sources over (under) expenditures	\$ -	\$ 220,696	\$ -	2,606,834	\$ 2,827,530
Fund balance					
Beginning of year - July 1				220,696	
End of year - June 30				\$ 2,827,530	

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

**Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)**

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Revenues				
Interest earned on investments	\$ -	\$ 1,108	\$ 1,108	\$ 322
Burial Fees	6,900	2,400	(4,500)	1,800
Total revenues	6,900	3,508	(3,392)	2,122
Expenditures				
Capital outlay				
Maintenance	6,900	3,361	3,539	2,909
Total expenditures	6,900	3,361	3,539	2,909
Revenues over (under) expenditures	-	147	147	(787)
Revenues and other financing sources over (under) expenditures	\$ -	147	\$ 147	(787)
Fund balance				
Beginning of year - July 1		34,535		35,322
End of year - June 30		<u>\$ 34,682</u>		<u>\$ 34,535</u>

ENTERPRISE FUNDS

COUNTY OF CUMBERLAND, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Cumberland County Solid Waste Fund
Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Operating revenues				
Charges for services	\$ 1,760,814	\$ 2,224,995	\$ 464,181	\$ 2,255,286
Other operating revenue	251,388	288,070	36,682	284,230
Total operating revenues	<u>2,012,202</u>	<u>2,513,065</u>	<u>500,863</u>	<u>2,539,516</u>
Nonoperating revenues and other financing sources				
Interest earned on investments	100,000	316,665	216,665	538,005
Gain (loss) on disposal of capital assets	-	-	-	-
Miscellaneous	4,600	(66,479)	(71,079)	20,075
Taxes	4,308,036	4,437,454	129,418	4,325,389
Grant revenue	-	-	-	67,001
Capital contributions	-	-	-	1,566,925
Total Nonoperating revenues and other financing sources	<u>4,412,636</u>	<u>4,687,640</u>	<u>275,004</u>	<u>6,517,395</u>
Appropriated fund balance	<u>216,458</u>	<u>-</u>	<u>(216,458)</u>	<u>-</u>
Total revenues, other financing sources and fund balance appropriations	<u>\$ 6,641,296</u>	<u>\$ 7,200,705</u>	<u>\$ 559,409</u>	<u>\$ 9,056,911</u>
Operating expenditures				
Salaries and employee benefits	\$ 1,828,150	\$ 1,677,163	\$ 150,987	\$ 2,044,463
Other supplies	1,490,969	779,192	711,777	669,635
Repairs and maintenance	769,799	411,381	358,418	321,259
Utilities	168,689	54,183	114,506	46,834
Administrative costs	1,871,430	349,736	1,521,694	407,788
Landfill closure and postclosure care costs	198,840	407,835	(208,995)	753,901
Total operating expenditures	<u>6,327,877</u>	<u>3,679,490</u>	<u>2,648,387</u>	<u>4,243,880</u>
Nonoperating expenditures				
Interest expense	-	-	-	11,281
Total nonoperating expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,281</u>
Other expenditures and financing uses				
Principal payments	-	-	-	346,150
Capital outlay	4,859,273	415,104	4,444,169	439,631
Transfers out	(4,545,854)	235,419	(4,781,273)	-
Total other expenditures and financing uses	<u>313,419</u>	<u>650,523</u>	<u>(337,104)</u>	<u>785,781</u>
Total expenditures and other financing uses	<u>\$ 6,641,296</u>	<u>\$ 4,330,013</u>	<u>\$ 2,311,283</u>	<u>\$ 5,040,942</u>
Reconciliation of modified accrual basis to full accrual basis				
Total revenues and other financing sources		\$ 7,200,705		
Total expenditures and other financing uses		<u>4,330,013</u>		
		2,870,692		
Capital outlay		415,104		
Depreciation		(732,021)		
Principal payments		235,419		
Net transfers		-		
Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Fund Net Assets		<u>\$ 2,789,194</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, 2003
(With Comparative Totals for June 30, 2002)

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Operating revenues				
Charges for services	\$ 2,428,072	\$ 2,160,252	\$ (267,820)	\$ 1,699,357
Total operating revenues	<u>2,428,072</u>	<u>2,160,252</u>	<u>(267,820)</u>	<u>1,699,357</u>
Nonoperating revenues and other financing sources				
Interest earned on investments	-	9,448	9,448	15,470
Motel occupancy tax	613,875	705,084	91,209	653,147
Miscellaneous	-	-	-	3,370
Transfers in	6,355,570	6,354,883	(687)	6,061,364
Total Nonoperating revenues and other financing sources	<u>6,969,445</u>	<u>7,069,415</u>	<u>99,970</u>	<u>6,733,351</u>
Appropriated fund balance	<u>548,594</u>	<u>-</u>	<u>(548,594)</u>	<u>-</u>
Total revenues, other financing sources and fund balance appropriations	<u>\$ 9,946,111</u>	<u>\$ 9,229,667</u>	<u>\$ (716,444)</u>	<u>\$ 8,432,708</u>
Operating expenditures				
Salaries and employee benefits	\$ 1,597,917	\$ 1,390,942	\$ 206,975	\$ 1,343,060
Other supplies	239,467	168,046	71,421	109,803
Repairs and maintenance	495,462	408,762	86,700	381,525
Food and related supplies	776,200	853,044	(76,844)	512,768
Utilities	850,000	812,706	37,294	607,267
Administrative costs	800,664	580,223	220,441	609,312
Total operating expenditures	<u>4,759,710</u>	<u>4,213,723</u>	<u>545,987</u>	<u>3,563,735</u>
Nonoperating expenditures				
Interest expense	2,742,678	2,577,271	165,407	3,402,878
Tax distribution fee	21,413	21,152	261	19,492
Proprietary nonoperating expense	1,575,000	-	1,575,000	-
Total nonoperating expenditures	<u>4,339,091</u>	<u>2,598,423</u>	<u>1,740,668</u>	<u>3,422,370</u>
Other expenditures and financing uses				
Principal payments	80,000	1,727,695	(1,647,695)	1,076,091
Capital outlay	674,848	658,394	16,454	317,538
Transfers out	92,462	-	92,462	-
Total other expenditures and financing uses	<u>847,310</u>	<u>2,386,089</u>	<u>(1,538,779)</u>	<u>1,393,629</u>
Total expenditures and other financing uses	<u>\$ 9,946,111</u>	<u>\$ 9,198,235</u>	<u>\$ 747,876</u>	<u>\$ 8,379,734</u>
Reconciliation of modified accrual basis to full accrual basis				
Total revenues and other financing sources		\$ 9,229,667		
Total expenditures and other financing uses		<u>9,198,235</u>		
		31,432		
Capital outlay		658,394		
Depreciation		(1,902,099)		
Amortization on defeasance		(208,645)		
Principal payments		1,727,695		
Net transfers		<u>(6,354,883)</u>		
Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Fund Net Assets		<u>\$ (6,048,106)</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, 2003

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

COUNTY OF CUMBERLAND, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Arena Ventures Marketing Fund
Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Operating revenues				
Other operating revenue	\$ 200,000	\$ 100,002	\$ (99,998)	\$ 66,668
Total operating revenues	<u>200,000</u>	<u>100,002</u>	<u>(99,998)</u>	<u>66,668</u>
Total revenues, other financing sources and fund balance appropriations	<u>\$ 200,000</u>	<u>\$ 100,002</u>	<u>\$ (99,998)</u>	<u>\$ 66,668</u>
Salaries and employee benefits	\$ 59,265	\$ 35,355	\$ 23,910	\$ -
Purchased services	140,735	131,315	9,420	-
Total operating expenditures	<u>200,000</u>	<u>166,670</u>	<u>33,330</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 200,000</u>	<u>\$ 166,670</u>	<u>\$ 33,330</u>	<u>\$ -</u>
Reconciliation of modified accrual basis to full accrual basis				
Total revenues and other financing sources		\$ 100,002		
Total expenditures and other financing uses		<u>166,670</u>		
		(66,668)		
Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Fund Net Assets		<u>\$ (66,668)</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Kelly Hills Water and Sewer District Fund
Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Operating revenues				
Nonoperating revenues and other financing sources				
Transfers in	\$ 130,000	\$ -	\$ (130,000)	\$ -
Capital contributions	3,453,400	150,480	(3,302,920)	-
Total Nonoperating revenues and other	<u>3,583,400</u>	<u>150,480</u>	<u>(3,432,920)</u>	<u>-</u>
Total revenues, other financing sources and fund balance appropriations	<u>\$ 3,583,400</u>	<u>\$ 150,480</u>	<u>\$ (3,432,920)</u>	<u>\$ -</u>
Other expenditures and financing uses				
Capital outlay	\$ 3,583,400	\$ 150,480	\$ 3,432,920	\$ -
Total other expenditures and financing uses	<u>3,583,400</u>	<u>150,480</u>	<u>3,432,920</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 3,583,400</u>	<u>\$ 150,480</u>	<u>\$ 3,432,920</u>	<u>\$ -</u>
Reconciliation of modified accrual basis to full accrual basis				
Total revenues and other financing sources		\$ 150,480		
Total expenditures and other financing uses		<u>150,480</u>		
Capital outlay		150,480		
Capital contributions		<u>(150,480)</u>		
Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Net Assets		<u>\$ -</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
NORCRESS Water and Sewer District Fund
Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Operating revenues				
Charges for services	\$ 30,219	\$ 39,200	\$ 8,981	\$ -
Total operating revenues	<u>30,219</u>	<u>39,200</u>	<u>8,981</u>	<u>-</u>
Nonoperating revenues and other financing sources				
Miscellaneous	871,000	-	(871,000)	-
Capital contributions	8,378,781	372,700	(8,006,081)	-
Total Nonoperating revenues and other	<u>9,249,781</u>	<u>372,700</u>	<u>(8,877,081)</u>	<u>-</u>
Total revenues, other financing sources and fund balance appropriations	<u>\$ 9,280,000</u>	<u>\$ 411,900</u>	<u>\$ (8,868,100)</u>	<u>\$ -</u>
Other expenditures and financing uses				
Capital outlay	\$ 9,280,000	\$ 372,700	\$ 8,907,300	\$ -
Total other expenditures and financing uses	<u>9,280,000</u>	<u>372,700</u>	<u>8,907,300</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 9,280,000</u>	<u>\$ 372,700</u>	<u>\$ 8,907,300</u>	<u>\$ -</u>
Reconciliation of modified accrual basis to full accrual basis				
Total revenues and other financing sources		\$ 411,900		
Total expenditures and other financing uses		<u>372,700</u>		
		39,200		
Capital outlay		372,700		
Capital contributions		<u>(372,700)</u>		
Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Net Assets		<u>\$ 39,200</u>		

INTERNAL SERVICE FUNDS

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Combining Statement of Net Assets
Internal Service Funds
June 30, 2003**

Assets	Group Insurance Fund	Employee Flexible Benefit Fund	Workers' Compensation Fund	General Litigation Fund	Total
Current assets					
Accounts receivable	\$ 344,476	\$ 14,679	\$ 38,799	\$ 10,941	\$ 408,895
Total current assets	<u>344,476</u>	<u>14,679</u>	<u>38,799</u>	<u>10,941</u>	<u>408,895</u>
Restricted assets					
Cash and cash equivalents	3,545,452	147,507	1,040,381	761,661	5,495,001
Investments	993,895	-	500,522	-	1,494,417
Total noncurrent assets	<u>4,539,347</u>	<u>147,507</u>	<u>1,540,903</u>	<u>761,661</u>	<u>6,989,418</u>
Total assets	<u>4,883,823</u>	<u>162,186</u>	<u>1,579,702</u>	<u>772,602</u>	<u>7,398,313</u>
Liabilities and net assets					
Current liabilities					
Accounts payable and accrued liabilities	981,439	17,846	49,359	11,800	1,060,444
Deferred revenue	73	-	373	-	446
Total current liabilities	<u>981,512</u>	<u>17,846</u>	<u>49,732</u>	<u>11,800</u>	<u>1,060,890</u>
Total liabilities	<u>981,512</u>	<u>17,846</u>	<u>49,732</u>	<u>11,800</u>	<u>1,060,890</u>
Net assets					
Unrestricted	3,902,311	144,340	1,529,970	760,802	6,337,423
Total net assets	<u>\$ 3,902,311</u>	<u>\$ 144,340</u>	<u>\$ 1,529,970</u>	<u>\$ 760,802</u>	<u>\$ 6,337,423</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2003

	Group Insurance Fund	Flexible Benefit Fund	Workers' Compensation Fund	General Litigation Fund	Total
Operating revenues					
Contributions	\$ 8,180,042	\$ 405,826	\$ 340,474	\$ -	\$ 8,926,342
Total operating revenues	<u>8,180,042</u>	<u>405,826</u>	<u>340,474</u>	<u>-</u>	<u>8,926,342</u>
Operating expenses					
Salaries and employee benefits	8,709,143	383,699	959,895	-	10,052,737
Administrative costs	12,658	-	5,553	209,515	227,726
Total operating expenses	<u>8,721,801</u>	<u>383,699</u>	<u>965,448</u>	<u>209,515</u>	<u>10,280,463</u>
Operating income (loss)	<u>(541,759)</u>	<u>22,127</u>	<u>(624,974)</u>	<u>(209,515)</u>	<u>(1,354,121)</u>
Nonoperating revenue (expense)					
Interest earned on investments	43,792	-	27,010	9,770	80,572
Total nonoperating revenue (expense)	<u>43,792</u>	<u>-</u>	<u>27,010</u>	<u>9,770</u>	<u>80,572</u>
Income (loss) before transfers	<u>(497,967)</u>	<u>22,127</u>	<u>(597,964)</u>	<u>(199,745)</u>	<u>(1,273,549)</u>
Transfers in	147,792	-	-	218,905	366,697
Transfers out	-	-	(52,828)	-	(52,828)
Change in net assets	<u>(350,175)</u>	<u>22,127</u>	<u>(650,792)</u>	<u>19,160</u>	<u>(959,680)</u>
Total net assets - beginning	<u>4,252,486</u>	<u>122,213</u>	<u>2,180,762</u>	<u>741,642</u>	<u>7,297,103</u>
Total net assets - ending	<u>\$ 3,902,311</u>	<u>\$ 144,340</u>	<u>\$ 1,529,970</u>	<u>\$ 760,802</u>	<u>\$ 6,337,423</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2003**

	Group Insurance Fund	Employee Flexible Benefit Fund	Workers' Compensation Fund	General Litigation Fund	Total Internal Service Funds
Operating activities					
Contributions	\$ 8,176,856	\$ 407,693	\$ 341,563	\$ (10,851)	\$ 8,915,261
Cash paid for goods and services	(12,658)	-	(14,264)	(218,579)	(245,501)
Cash paid for claims	(8,766,200)	(376,219)	(959,895)	-	(10,102,314)
Net cash provided by (used in) operating activities	(602,002)	31,474	(632,596)	(229,430)	(1,432,554)
Noncapital financing activities					
Transfers in	147,792	-	-	218,905	366,697
Transfers (out)	-	-	(52,828)	-	(52,828)
Net cash provided (used) by noncapital financing activities	147,792	-	(52,828)	218,905	313,869
Investing activities					
Proceeds from sale of investments	1,002,509	-	659	-	1,003,168
Investment earnings	43,792	-	27,010	9,770	80,572
Net cash provided (used) in investing activities	1,046,301	-	27,669	9,770	1,083,740
Net increase in cash and cash equivalents/investments	592,091	31,474	(657,755)	(755)	(34,945)
Cash and cash equivalents/investments					
Beginning of year	2,953,361	116,033	1,698,136	762,416	5,529,946
End of year	\$ 3,545,452	\$ 147,507	\$ 1,040,381	\$ 761,661	\$ 5,495,001
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (541,759)	\$ 22,127	\$ (624,974)	\$ (209,515)	\$ (1,354,121)
Change in assets and liabilities					
(Increase) decrease in other receivables	(1,646)	1,867	1,440	(10,851)	(9,190)
Increase (decrease) in accounts payable	(57,057)	7,480	(8,711)	(9,064)	(67,352)
Increase (decrease) in deferred revenue	(1,540)	-	(351)	-	(1,891)
Total adjustments	(60,243)	9,347	(7,622)	(19,915)	(78,433)
Net cash provided by (used in) operating activities	\$ (602,002)	\$ 31,474	\$ (632,596)	\$ (229,430)	\$ (1,432,554)

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Contributions	\$ 8,249,942	\$ 8,180,042	\$ (69,900)	\$ 8,507,618
Non-operating revenues				
Interest earned on investments	75,804	43,792	(32,012)	81,943
Other financing sources				
Transfers in	1,247,792	147,792	(1,100,000)	605,455
Appropriated fund balance				
Total revenues and other financing sources	<u>\$ 9,573,538</u>	<u>\$ 8,371,626</u>	<u>\$ (1,201,912)</u>	<u>\$ 9,195,016</u>
Operating expenditures				
Administrative costs	15,000	12,658		
Salaries and employee benefits	9,558,538	8,709,143	849,395	7,930,161
Total expenditures and other financing uses	<u>\$ 9,573,538</u>	<u>\$ 8,721,801</u>	<u>\$ 849,395</u>	<u>\$ 7,930,161</u>
Reconciliation of income before transfers				
Total revenues and other financing sources		\$ 8,371,626		
Total expenditures		8,721,801		
Subtotal		(350,175)		
Net transfers		(147,792)		
Income (loss) before transfers per the Statement of Revenues, Expenses and Changes in Fund Net Assets		<u>\$ (497,967)</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

**Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)**

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Revenues				
Contributions	\$ 502,800	\$ 405,826	\$ (96,974)	\$ 419,571
Total revenues, other financing sources and fund balance appropriations	<u>\$ 502,800</u>	<u>\$ 405,826</u>	<u>\$ (96,974)</u>	<u>\$ 419,571</u>
Operating expenditures				
Administrative costs	\$ 2,800	\$ -	\$ 2,800	\$ -
Salaries and employee benefits	500,000	383,699	116,301	419,599
Total expenditures and other financing uses	<u>\$ 502,800</u>	<u>\$ 383,699</u>	<u>\$ 119,101</u>	<u>\$ 419,599</u>
Reconciliation of income before transfers				
Total revenues and other financing sources		\$ 405,826		
Total expenditures		<u>383,699</u>		
Subtotal		<u>22,127</u>		
Income (loss) before transfers per the Statement of Revenues, Expenses and Changes in Fund Net Assets		<u>\$ 22,127</u>		

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

**Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)**

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Operating revenues				
Contributions	\$ 387,736	\$ 340,474	\$ (47,262)	\$ 334,424
Non-operating revenues				
Interest earned on investments	724,489	27,010	(697,479)	44,117
Total revenues	\$ 1,112,225	\$ 367,484	\$ (744,741)	\$ 378,541
Operating expenditures				
Administrative costs	\$ 6,000	\$ 5,553	\$ 447	\$ 8,265
Salaries and employee benefits	1,053,397	959,895	93,502	1,036,636
Total expenditures	1,059,397	965,448	93,949	1,044,901
Other financing uses				
Transfers out	52,828	52,828	-	51,815
Total expenditures and other financing uses	\$ 1,112,225	\$ 1,018,276	\$ 93,949	\$ 1,096,716
Reconciliation of income before transfers				
Total revenues and other financing sources		\$ 367,484		
Total expenditures		1,018,276		
Subtotal		(650,792)		
Net transfers		52,828		
Income (loss) before transfers per the Statement of Revenues, Expenses and Changes in Fund Net Assets		\$ (597,964)		

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

**Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)**

	2003			2002
	Budget	Actual	Variance Positive (Negative)	
Revenues				
Non-operating revenues				
Interest earned on investments	\$ -	\$ 9,770	\$ 9,770	\$ 15,904
Other financing sources				
Transfers in	243,905	218,905	(25,000)	218,905
Total revenues and other financing sources	<u>\$ 243,905</u>	<u>\$ 228,675</u>	<u>\$ (15,230)</u>	<u>\$ 234,809</u>
Operating expenditures				
Administrative costs	<u>\$ 243,905</u>	<u>\$ 209,515</u>	<u>\$ 34,390</u>	<u>\$ 115,575</u>
Reconciliation of income before transfers				
Total revenues and other financing sources		\$ 228,675		
Total expenditures		<u>209,515</u>		
Subtotal		19,160		
Net transfers		<u>(218,905)</u>		
Income (loss) before transfers per the Statement of Revenues, Expenses and Changes in Fund Net Assets		<u>\$ (199,745)</u>		

AGENCY FUNDS

COUNTY OF CUMBERLAND, NORTH CAROLINA
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2003

	City Tax Fund	Payee Account Fund	Inmate Payee Fund	Inter- Governmental Custodial Fund	Stormwater Utility Fund	Tourism Development Authority Fund	Totals
Assets							
Taxes receivable	\$ 4,586,481	\$ -	\$ -	\$ -	\$ 129,861	\$ -	\$ 4,716,342
Restricted cash and cash equivalents	5,236	171,168	20,689	213,382	93,602	328,443	832,520
Total assets	<u>\$ 4,591,717</u>	<u>\$ 171,168</u>	<u>\$ 20,689</u>	<u>\$ 213,382</u>	<u>\$ 223,463</u>	<u>\$ 328,443</u>	<u>\$ 5,548,062</u>
Liabilities							
Accounts payable and accrued liabilities	\$ 4,522,879	\$ 171,168	\$ 20,689	\$ 213,382	\$ 223,463	\$ 328,443	\$ 5,480,024
Due to other funds	68,838	-	-	-	-	-	68,838
Total liabilities	<u>\$ 4,591,717</u>	<u>\$ 171,168</u>	<u>\$ 20,689</u>	<u>\$ 213,382</u>	<u>\$ 223,463</u>	<u>\$ 328,443</u>	<u>\$ 5,548,062</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2003

	<u>July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2003</u>
City Tax Fund				
Assets				
Taxes receivable	\$ 4,055,580	\$ 38,217,723	\$ 37,686,822	\$ 4,586,481
Restricted cash and cash equivalents	17,066	38,346,937	38,358,767	5,236
Total assets	\$ 4,072,646	\$ 76,564,660	\$ 76,045,589	\$ 4,591,717
Liabilities				
Accounts payable and accrued liabilities	\$ 4,035,184	\$ 76,495,753	\$ 76,008,058	\$ 4,522,879
Due to other funds	37,462	68,907	37,531	68,838
Total liabilities	\$ 4,072,646	\$ 76,564,660	\$ 76,045,589	\$ 4,591,717
Payee Account Fund				
Assets				
Restricted cash and cash equivalents	\$ 136,153	\$ 858,011	\$ 822,996	\$ 171,168
Total assets	\$ 136,153	\$ 858,011	\$ 822,996	\$ 171,168
Liabilities				
Accounts payable and accrued liabilities	\$ 136,153	\$ 858,011	\$ 822,996	\$ 171,168
Total liabilities	\$ 136,153	\$ 858,011	\$ 822,996	\$ 171,168
Inmate Payee Fund				
Assets				
Restricted cash and cash equivalents	\$ 11,333	\$ 666,900	\$ 657,544	\$ 20,689
Total assets	\$ 11,333	\$ 666,900	\$ 657,544	\$ 20,689
Liabilities				
Accounts payable and accrued liabilities	\$ 11,333	\$ 666,900	\$ 657,544	\$ 20,689
Total liabilities	\$ 11,333	\$ 666,900	\$ 657,544	\$ 20,689
Intergovernmental Custodial Fund				
Assets				
Restricted cash and cash equivalents	\$ 186,530	\$ 828,445	\$ 801,593	\$ 213,382
Total assets	\$ 186,530	\$ 828,445	\$ 801,593	\$ 213,382
Liabilities				
Accounts payable and accrued liabilities	\$ 186,530	\$ 828,445	\$ 801,593	\$ 213,382
Total liabilities	\$ 186,530	\$ 828,445	\$ 801,593	\$ 213,382
Stormwater Utility Fund				
Assets				
Taxes receivable	\$ 102,326	\$ 2,037,678	\$ 2,010,143	\$ 129,861
Restricted cash and cash equivalents	92,010	2,019,830	2,018,238	93,602
Total assets	\$ 194,336	\$ 4,057,508	\$ 4,028,381	\$ 223,463
Liabilities				
Accounts payable and accrued liabilities	\$ 194,336	\$ 4,057,508	\$ 4,028,381	\$ 223,463
Total liabilities	\$ 194,336	\$ 4,057,508	\$ 4,028,381	\$ 223,463

COUNTY OF CUMBERLAND, NORTH CAROLINA
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year Ended June 30, 2003

Tourism Development Authority Fund

Assets				
Restricted cash and cash equivalents	\$ 175,425	\$ 1,175,141	\$ 1,022,123	\$ 328,443
Total assets	<u>\$ 175,425</u>	<u>\$ 1,175,141</u>	<u>\$ 1,022,123</u>	<u>\$ 328,443</u>

Liabilities				
Accounts payable and accrued liabilities	\$ 175,425	\$ 1,175,141	\$ 1,022,123	\$ 328,443
Total liabilities	<u>\$ 175,425</u>	<u>\$ 1,175,141</u>	<u>\$ 1,022,123</u>	<u>\$ 328,443</u>

TOTAL - ALL AGENCY FUNDS

Assets				
Taxes receivable	\$ 4,157,906	\$ 40,255,401	\$ 39,696,965	\$ 4,716,342
Restricted cash and cash equivalents	618,517	43,895,264	43,681,261	832,520
Total assets	<u>\$ 4,776,423</u>	<u>\$ 84,150,665</u>	<u>\$ 83,378,226</u>	<u>\$ 5,548,862</u>

Liabilities				
Accounts payable and accrued liabilities	\$ 4,738,961	\$ 84,081,758	\$ 83,340,695	\$ 5,480,024
Due to other funds	37,462	68,907	37,531	68,838
Total liabilities	<u>\$ 4,776,423</u>	<u>\$ 84,150,665</u>	<u>\$ 83,378,226</u>	<u>\$ 5,548,862</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Combining Statement of Fiduciary Assets and Liabilities
Agency Fund - City Tax Fund
June 30, 2003

	Fayetteville Tax Fund	Downtown Revitalization Tax Fund	Falcon Tax Fund	Godwin Tax Fund	Hope Mills Tax Fund	Linden Tax Fund	Spring Lake Tax Fund	Stedman Tax Fund	Wade Tax Fund	Totals
Assets										
Taxes receivable	\$ 4,061,005	\$ 5,864	\$ 1,398	\$ 1,568	\$ 228,613	\$ 2,657	\$ 265,789	\$ 13,542	\$ 5,945	\$ 4,586,481
Restricted cash and cash equivalents			699	233		517	1,337	2,012	438	5,236
Total assets	\$ 4,061,005	\$ 5,864	\$ 2,097	\$ 1,801	\$ 228,613	\$ 3,174	\$ 267,126	\$ 15,554	\$ 6,383	\$ 4,591,717
Liabilities										
Accounts payable and accrued liabilities	\$ 4,031,003	\$ (31,818)	\$ 2,087	\$ 1,797	\$ 227,620	\$ 3,166	\$ 267,124	\$ 15,524	\$ 6,376	\$ 4,522,879
Due to other funds	30,002	37,782	10	4	993	8	2	30	7	69,838
Total liabilities	\$ 4,061,005	\$ 5,964	\$ 2,097	\$ 1,801	\$ 228,613	\$ 3,174	\$ 267,126	\$ 15,554	\$ 6,383	\$ 4,591,717

**DISCRETELY PRESENTED COMPONENT UNIT
EASTOVER SANITARY DISTRICT**

COUNTY OF CUMBERLAND, NORTH CAROLINA

Discretely Presented Component Unit
Eastover Sanitary District
Statement of Net Assets
June 30, 2003

Assets	
Current assets	
Cash and cash equivalents	\$ 138,666
Accounts receivable	<u>62,709</u>
Total current assets	<u>201,375</u>
Noncurrent assets	
Restricted:	
Accounts receivable	580
Capital assets, net of accumulated depreciation	<u>6,157,321</u>
Total noncurrent assets	<u>6,157,901</u>
Total assets	<u>6,359,276</u>
Liabilities and net assets	
Current liabilities	
Accounts payable and accrued liabilities	<u>10,028</u>
Total current liabilities	<u>10,028</u>
Noncurrent liabilities	
Long-term debt	<u>3,904,000</u>
Total noncurrent liabilities	<u>3,904,000</u>
Total liabilities	<u>3,914,028</u>
Net assets	
Invested in capital assets, net of related debt	2,497,813
Restricted net assets	580
Unrestricted	<u>(53,145)</u>
Total net assets	<u>\$ 2,445,248</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, 2003

Operating revenues	
Charges for services	\$ 244,087
Total operating revenues	<u>244,087</u>
Operating expenses	
Depreciation	157,880
Miscellaneous	25,167
Total operating expenses	<u>183,047</u>
Operating income (loss)	<u>61,040</u>
Nonoperating revenue (expense)	
Interest earned on investments	994
Interest expense	(170,620)
Total nonoperating revenue (expense)	<u>(169,626)</u>
Income (loss) before transfers and contributions	(108,586)
Payment to primary government	(287,142)
Capital contributions	78,700
Change in net assets	<u>(317,028)</u>
Total net assets - beginning	<u>2,762,276</u>
Total net assets - ending	<u>\$ 2,445,248</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Discretely Presented Component Unit
Eastover Sanitary District
Statement of Cash Flows
Year Ended June 30, 2003

Operating activities	
Cash received from customers	\$ 272,002
Cash paid for goods and services	<u>(326,594)</u>
Net cash provided by (used in) operating activities	<u>(54,592)</u>
Noncapital financing activities	
Transfers out	<u>(287,142)</u>
Net cash provided (used) by noncapital financing activities	<u>(287,142)</u>
Capital and related financing activities	
Interest paid on bonds	<u>(170,620)</u>
Net cash provided (used) by capital and related financing activities	<u>(170,620)</u>
Investing activities	
Investment earnings	<u>994</u>
Net cash provided (used) in investing activities	<u>994</u>
Net increase in cash and cash equivalents	<u>(511,360)</u>
Cash and cash equivalents	
Beginning of year	<u>650,026</u>
End of year	<u>\$ 138,666</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ 61,040
Depreciation	157,880
Change in assets and liabilities	
(Increase) decrease in accounts receivable	27,915
Increase (decrease) in accounts payable and accrued liabilities	<u>(301,427)</u>
Total adjustments	<u>(115,632)</u>
Net cash provided by (used in) operating activities	<u>\$ (54,592)</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
Eastover Sanitary District Fund
Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)

	2003		Variance Positive (Negative)	2002
	Budget	Actual		
Operating revenues				
Charges for services	\$ 170,620	\$ 244,087	\$ 73,467	\$ 24,840
Total operating revenues	<u>170,620</u>	<u>244,087</u>	<u>73,467</u>	<u>24,840</u>
Nonoperating revenues and other financing sources				
Interest earned on investments	-	994	994	-
Transfers in	-	-	-	144,263
Total Nonoperating revenues and other	<u>-</u>	<u>994</u>	<u>994</u>	<u>144,263</u>
Appropriated fund balance	<u>238,463</u>	<u>-</u>	<u>(238,463)</u>	<u>-</u>
Total revenues, other financing sources and fund balance appropriations	<u>\$ 409,083</u>	<u>\$ 245,081</u>	<u>\$ (164,002)</u>	<u>\$ 169,103</u>
Operating expenditures				
Miscellaneous	25,168	25,167	1	2,797
Total operating expenditures	<u>25,168</u>	<u>25,167</u>	<u>1</u>	<u>2,797</u>
Nonoperating expenditures				
Interest expense	170,620	170,620	-	9,526
Total nonoperating expenditures	<u>170,620</u>	<u>170,620</u>	<u>-</u>	<u>9,526</u>
Other expenditures and financing uses				
Payment to primary government	213,295	213,295	-	8,262
Total other expenditures and financing uses	<u>213,295</u>	<u>213,295</u>	<u>-</u>	<u>8,262</u>
Total expenditures and other financing uses	<u>\$ 409,083</u>	<u>\$ 409,082</u>	<u>\$ 1</u>	<u>\$ 20,585</u>
Reconciliation of modified accrual basis to full accrual basis				
Total revenues and other financing sources		\$ 245,081		
Total expenditures and other financing uses		<u>409,082</u>		
		(164,001)		
Depreciation		(157,880)		
Net transfers		<u>213,295</u>		
Income (loss) before transfers and contributions per Statement of Revenue, Expenses and Changes in Fund Net Assets		<u>\$ (108,586)</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, 2003

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Closed Projects</u>	<u>Current Year</u>	<u>Total</u>
Revenues					
Restricted intergovernmental revenue	\$ 663,053	\$ 663,054	\$ -	\$ -	\$ 663,054
Interest earned on investments	47,183	51,986	-	472	52,458
Miscellaneous	100,959	101,525	-	13	101,538
Total revenues	<u>811,195</u>	<u>816,565</u>	<u>-</u>	<u>485</u>	<u>817,050</u>
Expenditures					
Capital outlay					
Water and sewer	6,699,398	6,400,485	-	68,710	6,469,195
Total expenditures	<u>6,699,398</u>	<u>6,400,485</u>	<u>-</u>	<u>68,710</u>	<u>6,469,195</u>
Revenues over (under) expenditures	<u>(5,888,203)</u>	<u>(5,583,920)</u>	<u>-</u>	<u>(68,225)</u>	<u>(5,652,145)</u>
Other financing sources (uses)					
Proceeds of refunding bonds	3,908,803	-	-	-	-
Capital contributions (USDA)	1,926,000	1,847,300	-	78,700	1,926,000
Transfers in	127,248	127,248	-	-	127,248
Payment of primary government	(218,111)	(144,263)	-	(73,847)	(218,110)
Appropriated fund balance	144,263	-	-	-	-
Total other financing sources	<u>5,888,203</u>	<u>1,830,285</u>	<u>-</u>	<u>4,853</u>	<u>1,835,138</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (3,753,635)</u>	<u>\$ -</u>	<u>(63,372)</u>	<u>\$ (3,817,007)</u>
Fund balance					
Beginning of year - July 1				<u>(3,753,635)</u>	
End of year - June 30				<u>\$ (3,817,007)</u>	

SUPPLEMENTAL FINANCIAL DATA

COUNTY OF CUMBERLAND, NORTH CAROLINA
 Schedule of Current Tax Levy
 June 30, 2003

	County-wide				Total Levy	
	Total Property Valuation	Rate	Amount of Levy		Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy						
County wide	\$ 12,946,611,645	0.00925	\$ 119,756,158			
Late listing penalties		0.10000	<u>110,862</u>	\$ 119,867,020	\$ 103,744,036	\$ 16,122,984
Discoveries						
County wide	65,636,497	0.00925	607,138			
Late listing penalties		0.10000	<u>48,352</u>	655,490	600,134	55,356
Abatements						
County wide	199,215,549	0.00925	1,842,744			
Late listing penalties		0.10000	<u>10,581</u>	<u>1,853,325</u>	<u>468,527</u>	<u>1,384,798</u>
Adjusted tax levy				118,669,185	103,875,643	14,793,542
Uncollected taxes at June 30, 2003				<u>(6,048,756)</u>	<u>(3,063,859)</u>	<u>(2,984,897)</u>
Current year's taxes collected				<u>\$ 112,620,429</u>	<u>\$ 100,811,784</u>	<u>\$ 11,808,645</u>
Percent of current year's taxes collected				<u>94.90%</u>	<u>97.05%</u>	<u>79.82%</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Ad Valorem Taxes Receivable

June 30, 2003

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2002</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2003</u>
2002 -2003	\$ -	\$ 118,669,185	\$ 112,620,429	\$ 6,048,756
Prior years	<u>12,932,352</u>	<u>-</u>	<u>4,513,742</u>	<u>8,418,610</u>
	<u>\$ 12,932,352</u>	<u>\$ 118,669,185</u>	<u>\$ 117,134,171</u>	14,467,366
Less allowance for uncollectible ad valorem taxes receivable				<u>(7,879,924)</u>
				<u>\$ 6,587,442</u>

RECONCILIATION OF COLLECTIONS AND CREDITS WITH REVENUES

Collections and credits per above	\$ 117,134,171
Interest	802,217
Processing fees	78,789
Other	10,323
Releases from prior years	<u>(308,177)</u>
Ad Valorem Taxes - General Fund (per report)	<u>\$ 117,717,323</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Transfers (continued)

Year Ended June 30, 2003

Transfers From/To Other Funds	Transfers	
	In	Out
General Fund		
<u>Nonmajor governmental funds</u>		
Special Revenue Fund		
County School Fund	\$ 4,332,560	
Prepared Food and Beverage Fund	36,459	
Workforce Development Administration		\$14,127
Industrial Development Fund		2,556,104
Property Revaluation Fund		605,337
Juvenile Crime Prevention		151,241
Community Development Fund		29,072
Transportation Fund		10,577
Capital Project Fund		
Detention Center	4,899,689	
DSS Building	3,054,501	
Winding Creek Renovations	136,136	
Animal Control Building	200,000	
	12,659,345	3,366,458
<u>Internal Service Fund</u>		
Group Insurance Fund		147,792
Workers' Compensation Fund	52,828	
General Litigation Fund		218,905
	52,828	366,697
<u>Major Enterprise Funds</u>		
Cumberland County Crown Center		3,132,158
Solid Waste Fund	235,419	
	235,419	3,132,158
<u>Nonmajor governmental funds</u>		
Special Revenue Fund		
Prepared Food and Beverage Fund		
General Fund		36,459
Enterprise Fund		
Cumberland County Crown Center		3,222,725
County School Fund		
General Fund		4,332,560
Workforce Development Administration		
General Fund	14,127	
Industrial Development Fund		
General Fund	2,556,104	
Property Revaluation Fund		
General Fund	605,337	

COUNTY OF CUMBERLAND, NORTH CAROLINA

Schedule of Transfers (concluded)

Year Ended June 30, 2003

	Transfers	
	In	Out
Nonmajor governmental funds (continued)		
Special Revenue Fund (continued)		
Juvenile Crime Prevention		
General Fund	\$ 151,241	
Community Development Fund		
General Fund	29,072	
Transportation Fund		
General Fund	10,577	
Capital Project Fund		
Detention Center		
General Fund		\$4,899,689
DSS Building		
General Fund		3,054,501
Capital Project Fund		
Animal Control Building		2,800,000
Winding Creek Renovations		
General Fund		136,136
Animal Control Building		
General Fund		200,000
Capital Project Fund		
DSS Building	2,800,000	
	<u>6,166,458</u>	<u>18,682,070</u>
Major Enterprise Funds		
Cumberland County Crown Center		
General Fund	3,132,158	
Nonmajor Special Revenue Fund		
Prepared Food and Beverage Fund	3,222,725	
Solid Waste Fund		
General Fund		235,419
	<u>6,354,883</u>	<u>235,419</u>
Internal Service Fund		
Workers' Compensation Fund		
General Fund		52,828
General Litigation Fund		
General Fund	218,905	
Group Insurance Fund		
General Fund	147,792	
	<u>366,697</u>	<u>52,828</u>
Total transfers - other funds	<u>\$ 25,835,630</u>	<u>\$ 25,835,630</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Financial Statements and Schedules

(This page intentionally left blank)

STATISTICAL SECTION

COUNTY OF CUMBERLAND, NORTH CAROLINA
Financial Statements and Schedules

(This page intentionally left blank)

Table 1

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

June 30,	General Government	Public Safety	Transportation	Economic and Physical Development	Human Service	Cultural and Recreation	Education	Capital Outlay	Debt Service	Total
1994	\$ 10,232	\$ 27,600	\$ 464	\$ 4,688	\$ 56,722	\$ 6,702	\$ 39,963	\$ 24,546	\$ 6,315	\$ 177,232
1995	10,972	25,466		7,928	66,753	8,869	46,034	24,503	5,957	194,482
1996	11,338	25,526		7,611	69,392	7,725	48,480	9,813	6,837	186,722
1997	13,004	27,837		10,754	74,509	8,571	46,411	7,927	7,589	196,602
1998	13,414	30,054		8,479	76,363	10,329	48,415	31,568	8,825	227,447
1999	15,470	32,232		12,195	84,325	10,256	56,763	81,712	16,862	309,815
2000	17,214	34,722		10,836	93,199	11,065	64,840	63,758	22,082	317,716
2001	16,716	35,347		9,300	96,391	10,895	70,145	53,044	24,260	316,098
2002	14,434	33,042		9,092	94,277	9,654	82,556	16,249	22,364	281,668
2003	16,191	34,150		9,330	97,265	9,167	80,398	4,674	21,233	272,408

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

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

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

June 30,	Taxes	Unrestricted Inter-Governmental	Restricted Inter-Governmental	Licenses and Permits	Sales and Services	Interest Earned on Investments	Proceeds from Capital Leases	Miscellaneous	Total
1994	\$ 105,062	\$ 5,151	\$ 37,986	\$ 3,048	\$ 10,838	\$ 2,281	\$ 968	\$ 1,016	\$ 166,350
1995	113,740	4,482	40,233	2,566	9,974	3,378	295	601	175,269
1996	119,604	4,521	46,639	2,689	11,508	3,803		1,081	189,845
1997	127,634	4,996	48,810	2,429	13,025	4,768	3,330	1,876	206,868
1998	132,876	5,514	59,081	2,528	13,489	7,098	2,520	2,595	225,701
1999	148,123	4,220	89,784	2,641	16,776	8,385	2,734	5,762	278,425
2000	154,675	4,162	76,092	2,398	15,345	12,731		6,375	271,778
2001	164,570	4,077	68,264	2,561	15,515	10,757		6,939	272,683
2002	167,260	3,047	76,445	2,848	18,885	3,418		5,748	277,651
2003	170,688	1,265	60,157	4,063	19,248	1,569		7,586	264,576

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

Table 2A

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

June 30,	Property Tax	Sales Tax	Intangibles Tax	Motel Tourism Tax	Real Estate Transfer Tax	Dog and Cat Registration Tax	Prepared Food and Beverage Tax	Total
1994	\$ 70,067	\$ 30,678	\$ 1,854	\$ 485	\$ 681	\$ 121	\$ 1,176	\$ 105,062
1995	74,905	33,125	1,984	522	590	146	2,468	113,740
1996	79,232	34,470	1,966	555	607	142	2,632	119,604
1997	87,054	34,796	1,968	606	598	163	2,449	127,634
1998	92,142	35,162	1,955		600	166	2,851	132,876
1999	105,396	37,002	1,960		637	156	2,972	148,123
2000	110,634	38,235	1,986		573	153	3,094	154,675
2001	120,090	38,585	1,977		586	149	3,183	164,570
2002	124,364	36,844	2,000		662	190	3,200	167,260
2003	126,501	39,244	658		734	173	3,378	170,688

Table 3

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

June 30,	Total Adjusted Levy	Current Tax Collection	Percent of Levy Collected	Delinquent Tax Collection	Total Tax Collection	Percent of Total Tax Collections to Adjusted Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Adjust Tax Levy
1994	\$ 71,184	\$ 68,335	96.00%	\$ 1,872	\$ 70,207	98.63%	\$ 6,063	8.55%
1995	75,258	72,380	96.18%	2,426	74,806	99.40%	6,533	8.68%
1996	79,735	76,688	96.18%	2,425	79,113	99.22%	7,155	8.97%
1997	89,615	85,397	95.29%	2,032	87,429	97.56%	8,451	9.43%
1998	93,460	89,637	95.91%	3,091	92,718	99.21%	8,779	9.39%
1999	98,460	94,720	96.20%	3,204	97,924	99.46%	9,315	9.46%
2000	102,931	99,453	96.62%	3,620	103,273	100.33%	8,973	8.72%
2001	113,020	108,502	96.00%	2,325	110,827	98.06%	11,165	9.88%
2002	118,105	112,530	95.29%	3,808	116,338	98.50%	12,932	10.95%
2003	118,669	112,620	94.90%	4,514	117,134	98.71%	14,467	12.19%

Note (1) Includes only the General Fund.

Table 4

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

June 30,	Real Property		Personal Property		Exempt Property		Public Service (3)		Total		Rate of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated	Assessed Value	Estimated	Assessed Value	Estimated	Assessed Value	Estimated	Assessed Value	Estimated	
		Actual Value		Actual Value		Actual Value		Actual Value		Actual Value	
1994	\$ 6,549,358	\$ 6,818,697	\$ 1,793,707	\$ 1,867,472	\$ 305,052	\$ 317,597	\$ 242,862	\$ 252,641	\$ 8,280,675	\$ 8,621,213	96.05
1995	7,354,193	7,802,857	1,790,084	1,899,293	644,865	684,207	262,243	278,242	8,761,655	9,296,185	94.25
1996	7,744,337	8,553,498	1,843,594	2,036,220	731,847	808,313	264,752	292,414	9,120,836	10,073,819	90.54
1997	9,256,162	9,256,162	2,199,190	2,199,190	888,176	888,176	280,420	280,420	10,847,596	10,847,596	100.00
1998	9,657,453	9,657,453	2,243,185	2,243,185	893,552	893,552	295,334	295,334	11,302,420	11,302,420	100.00
1999	10,049,812	10,262,240	2,324,845	2,373,987	989,476	1,010,391	300,831	307,190	11,686,012	11,933,026	97.93
2000	10,520,476	10,864,893	2,475,285	2,556,320	1,079,812	1,115,163	316,779	327,150	12,232,728	12,633,200	96.83
2001	10,737,544	11,205,953	2,614,139	2,728,177	1,164,207	1,214,994	328,454	342,782	12,515,930	13,061,918	95.82
2002	11,052,096	11,921,148	2,585,109	2,788,382	1,234,469	1,331,538	342,024	368,918	12,744,760	13,746,910	92.71
2003	11,138,599	11,845,793	2,807,763	2,986,029	1,452,708	1,544,941	319,378	339,655	12,813,032	13,626,536	94.03

Note (1) Revaluation in calendar year 1996.

Note (2) Exemption for 1995 and after includes Real and Personal property. Prior to 1995 only amounts for real property are listed.

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

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

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

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

June 30,	Taxes Levied By Cumberland County			
	County Wide Rate	County Recreation Rate	Various Fire Protection Districts (1)	Special Fire Service District (2)
1994	0.790	0.020	0.10	0.005
1995	0.790	0.020	0.10	0.005
1996	0.790	0.050	0.10	0.005
1997	0.750	0.050	0.10	0.005
1998	0.750	0.050	0.10	0.005
1999	0.840	0.050	0.10	0.005
2000	0.840	0.050	0.10	0.005
2001	0.900	0.050	0.10	0.005
2002	0.925	0.050	0.10	0.005
2003	0.925	0.050	0.10	0.005

Overlapping Taxes Levied By Municipalities									
June 30,	Town of Stedman	Town of Falcon	Town of Wade	Town of Spring Lake (3)	Town of Hope Mills	Town of Godwin	Town of Linden (3)	City of Fayetteville (3)	Fayetteville Revitalization District
1994	0.410	0.150	0.210	0.500	0.380	0.150	0.150	0.560	0.085
1995	0.410	0.150	0.210	0.550	0.430	0.150	0.150	0.575	0.085
1996	0.410	0.150	0.210	0.550	0.430	0.150	0.150	0.575	0.085
1997	0.370	0.150	0.210	0.550	0.380	0.150	0.150	0.495	0.063
1998	0.370	0.150	0.210	0.550	0.380	0.150	0.150	0.495	0.063
1999	0.370	0.150	0.210	0.550	0.380	0.170	0.150	0.510	0.100
2000	0.370	0.150	0.210	0.550	0.380	0.170	0.150	0.510	0.100
2001	0.370	0.150	0.235	0.550	0.410	0.170	0.150	0.530	0.100
2002	0.370	0.150	0.235	0.660	0.410	0.170	0.150	0.530	0.100
2003	0.370	0.150	0.235	0.660	0.410	0.170	0.150	0.530	0.100

Note (1) Cumberland County has seventeen fire districts.

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

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Table 6

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

June 30, 2003

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Carolina Telephone and Telegraph	Telephone	\$ 121,653	0.95%
Kelly Springfield	Tire Manufacturer	117,594	0.92%
Cumberland Associates	Retail Mall	79,796	0.62%
Wal-Mart	Retail/Distribution	76,822	0.60%
Progress Energy	Electrical Utility	67,983	0.53%
Black and Decker	Power Tool Manufacturer	61,872	0.48%
Dak Resins	Textile	61,768	0.48%
Purolator	Auto Filter Manufacturer	57,933	0.45%
N.C. Natural Gas Corporation	Gas Utility	45,554	0.36%
UDRT of NC, LLC	Apartment Leasing	35,546	0.28%
Totals		<u>\$ 726,521</u>	<u>5.67%</u>

Table 7**COUNTY OF CUMBERLAND, NORTH CAROLINA****Special Assessment Billings and Collections
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
Unaudited**

<u>June 30,</u>	<u>Special Assessment</u>	<u>Special Assessments</u>	<u>Ratio of</u>
	<u>Billings</u>	<u>Collected</u>	<u>Annual</u>
			<u>Collections to</u>
			<u>Assessments</u>
1994	\$ 554	\$ 200	36.10%
1995	222	186	83.78%
1996	140	221	157.86%
1997	1,257	723	57.52%
1998	569	358	62.92%
1999	324	294	90.74%
2000	167	345	206.59%
2001	88	94	106.82%
2002	71	24	33.80%
2003	58	17	29.31%

COUNTY OF CUMBERLAND, NORTH CAROLINA

Table 8

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

June 30, 2003

Assessed valuations	
Assessed value	\$ 12,813,032
Plus: exempt real property	1,452,708
	<hr/>
Total assessed value	\$ 14,265,740
	<hr/> <hr/>
Debt limitation - 8% of total assessed value	\$ 1,141,259
	<hr/>
Debt applicable to limitation:	
Gross debt:	
Total bonded debt	260,981
Authorized and unissued debt	6,605
	<hr/>
	267,586
Less: Statutory deductions:	
Authorized and unissued debt	6,605
Revenue bonds	137,471
	<hr/>
	144,076
Total debt applicable to limitation	123,510
	<hr/>
Legal debt margin	\$ 1,017,749
	<hr/> <hr/>

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

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

June 30,	Population Estimate (1)	Taxable Property Assessed Value (2)	Debt Limit	Debt Applicable to Debt Limit	Legal Debt Margin	Percent - Debt Applicable to Debt Limit of Taxable Property Assessed Value	Bond Debt Outstanding and Authorized but Unissued Debt Per Capita (3)
1994	288	\$ 8,280,675	\$ 686,859	\$ 45,655	\$ 641,204	0.55%	158.52
1995	291	8,761,655	752,522	55,180	697,342	0.63%	169.62
1996	293	9,120,836	788,215	52,185	736,030	0.57%	178.10
1997	294	10,847,596	938,862	55,500	883,362	0.51%	188.78
1998	294	11,302,420	975,678	112,235	863,443	0.99%	381.75
1999	295	11,686,012	1,014,039	106,120	907,919	0.91%	359.73
2000	292	12,232,728	1,065,003	130,055	934,948	1.06%	445.39
2001	291	12,515,930	1,094,411	122,915	971,496	0.98%	496.20
2002	304	12,744,760	1,118,338	115,775	1,002,563	0.91%	451.50
2003	306	12,813,032	1,141,259	123,510	1,017,749	0.96%	425.21

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

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

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

June 30,	Principal	Interest (1)	Total Debt Service	Total General Governmental Fund Type Expenditures (2)	Ratio of Debt Service to General Governmental Fund Type Expenditures
1994	\$ 2,300	\$ 2,622	\$ 4,922	\$ 177,329	2.8%
1995	2,475	2,608	5,083	194,482	2.6%
1996	2,995	3,132	6,127	186,722	3.3%
1997	2,985	2,968	5,953	196,602	3.0%
1998	2,975	3,082	6,057	228,880	2.6%
1999	6,115	5,520	11,635	309,815	3.8%
2000	6,010	5,300	11,310	317,716	3.6%
2001	7,140	6,678	13,818	316,098	4.4%
2002	7,140	6,309	13,449	281,668	4.8%
2003	7,140	6,266	13,406	272,408	4.9%

Note (1) Excludes bond issuance and other costs.

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

Table 11

COUNTY OF CUMBERLAND, NORTH CAROLINA

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

June 30, 2003

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding (1)</u>	<u>Percentage Applicable to Cumberland County</u>	<u>Amount Applicable to Cumberland County</u>
Godwin	\$ 81,000	0.02%	\$ 16
Fayetteville	53,980,000	27.82%	15,017,236
Spring Lake	50,000	1.80%	900
Wade	188,000	0.11%	207
Stedman	925,200	0.15%	1,388
Linden	209,500	0.03%	63
Subtotal	<u>55,433,700</u>		<u>15,019,810</u>
Cumberland County	123,510,000	100.00%	123,510,000
Total	<u>\$ 178,943,700</u>		<u>\$ 138,529,810</u>

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

COUNTY OF CUMBERLAND, NORTH CAROLINA

Table 12

**Demographic Statistics
Last Ten Fiscal Years
Unaudited**

<u>June 30,</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (2)</u>	<u>School Enrollment</u>	<u>Unemployment Rate (3)</u>
1994	288	\$ 17,252	28.07	47,894	4.70%
1995	291	18,289	28.26	49,000	5.71%
1996	293	19,556	28.22	50,768	5.00%
1997	294	20,219	28.75	50,870	4.60%
1998	294	N/A	29.07	50,965	4.40%
1999	295	N/A	29.35	51,615	4.20%
2000	292	N/A	N/A	51,349	4.50%
2001	291	N/A	N/A	51,243	5.20%
2002	304	N/A	N/A	50,008	6.80%
2003	306	N/A	N/A	51,725	6.00%

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

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

Note (3) North Carolina Employment Security Commission.

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

June 30,	Property Value (1)*				Commercial Construction (1)		Residential Construction (1)		Bank Deposits (2)
	Commercial	Residential	Exemption	Total	Number of Units	Value*	Number of Units	Value*	
1994	\$ 1,178,885	\$ 5,370,473	\$ 180,742	\$ 6,368,616	73	\$ 33,665	1902	\$ 115,030	\$ 1,245,277
1995	1,176,671	6,177,522	639,658	6,714,535	79	32,850	1065	77,375	1,293,782
1996	1,726,190	7,394,646	731,847	8,388,989	60	20,043	1116	83,076	1,331,119
1997	3,286,016	8,449,757	888,177	10,847,596	63	22,414	626	51,564	1,467,346
1998	3,528,295	8,667,677	893,552	11,302,420	71	41,138	608	48,632	1,488,189
1999	3,675,891	8,999,597	989,476	11,686,012	45	20,608	745	60,754	1,527,831
2000	3,860,636	9,451,904	1,079,812	12,232,728	56	25,147	524	51,762	1,585,200
2001	3,967,240	9,712,897	1,164,207	12,515,930	35	10,372	651	66,078	1,695,685
2002	4,615,054	9,364,175	1,234,469	12,744,760	49	36,736	707	81,595	1,777,546
2003	4,566,130	9,699,610	1,452,708	12,813,032	39	7,756	765	92,699	N/A

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

Note (2) FDIC – The FDIC reports deposits on fiscal year basis ending June 30. The bank deposit for 2003 will not be available until August 2004

* Amounts expressed in thousands.

COUNTY OF CUMBERLAND, NORTH CAROLINA

Table 14

Miscellaneous Statistics (continued)
Unaudited

June 30, 2003

Date of Incorporation	1754
Form of Government	Commission/Manager
Population	305,851
Area in Square Miles	661
Miles of Streets	
Paved	1,251
Unpaved	32
Parks and Recreation (Municipalities Excluded)	
Parks	2
Park acreage	174
School parks	33
School park acreage	333
Recreation centers	4
Baseball stadiums	1
Youth baseball/softball fields	32
Tennis courts	10
Baseball fields	1
Picnic shelters	4
Concession stands w/ restrooms	5
Contracted community parks	3
Disc golf course	1
Fire protection (Municipalities Excluded)	
Number of stations	17
Number of fire personnel	610
Number of calls answered	9,432
Number of inspections conducted	1,771
Permits issued	708
Complaints investigated	10
Hospitals	
Number of County hospitals	2
Number of beds	909

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

June 30, 2003

Civic Center

Number of event days	335
Attendance	506,003

Library

Main Library	1
Branches	6
Bookmobiles	1
Law Library	1
Number of books	509,173

Sherriff Protection (Municipalities Excluded)

Number of stations	5
Number of personnel and deputies	615
Number of calls answered	87,623
Number of K-9 team actions	1,280
Number of search and rescue team actions	32
Number of bomb team actions	71
Number of school resource officers	29
Number of school crossing guard sites	49
Number of weapons confiscated at the Courthouse	6,788

Facilities and Services not Included in the Reporting Entity**Education**

Number of elementary schools	53
Number of middle schools	15
Number of senior high schools	10
Number of special schools (alternative schools)	4
Number of evening academies	1
Number of year-round classical (6-10)	1
Number of community colleges	1
Number of universities/colleges	2

Hospitals not Operated by County

Veteran's Affairs Medical Center	2
Number of beds	164
Womack Army Community Hospital	
Number of beds	200

COUNTY OF CUMBERLAND, NORTH CAROLINA
Financial Statements and Schedules

(This page intentionally left blank)



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 basic financial statements of the County of Cumberland, North Carolina (the "County"), as of and for the year ended June 30, 2003, and have issued our report thereon dated November 20, 2003. We did not audit the financial statements of the Cumberland County ABC Board or the Cumberland County Hospital System, Inc. 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 ABC Board or the Cumberland County Hospital System, Inc., 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.

Compliance

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 grants, 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 instances of noncompliance that are required to be reported under Government Auditing Standards, which are described in the accompanying schedule of findings and questioned costs as Items 03-01 and 03-02.

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 opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we have reported to management of the County in a separate letter dated November 20, 2003.

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 HP

Fayetteville, North Carolina
November 20, 2003



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, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination 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 federal programs for the year ended June 30, 2003.

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 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 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 reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a 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 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 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 LLP

Fayetteville, North Carolina
November 20, 2003



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, 2003. The County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County's 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, 2003.

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 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 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, Bernard + Hollana HP

Fayetteville, North Carolina
November 20, 2003

**COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2003**

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

Federal Awards

Internal control over major federal 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 federal programs: Unqualified

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

Identification of major federal programs:

CFDA Numbers Names of Federal Program or Cluster

Subsidized Child Care Cluster:

- 93.558 Temporary Assistance for Needy Families (TANF)
- 93.575 Child Care Development Fund – Discretionary
- 93.596 Child Care Development Fund – Mandatory / Match
- 93.667 Social Services Block Grant
- N/A TANF/TANF - MOE
- N/A State Appropriations
- N/A Smart Start

- 93.778 Medical Assistance Program

- 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2003

Substance Abuse Cluster:

93.959 Block Grant for Prevention and Treatment of Substance Abuse
 N/A State Appropriations – Child
 N/A State Appropriations – Adults

Infants and Toddlers with Disabilities Cluster:

84.181 Special Education – Grants for Infants and Families with Disabilities
 N/A State Appropriations

Mental Health Cluster:

93.958 Block Grants for Community Mental Health Services
 N/A State Appropriations – Child
 N/A State Appropriations – Adults
 N/A State Appropriations – Other

Foster Care and Adoption Cluster:

93.658 Title IV-E Foster Care/Title IV-E Foster Care - HIV
 93.659 Adoption Assistance – Direct Benefit Payments

93.767 Health Choice

93.568 Low-Income Home Energy Assistance

Federal programs that did not meet the criteria for a major program using the criteria discussed in OMB Circular No. A-133 Section .520 but were tested as a major program because the State awards met the threshold for a major State program are included in the list of major federal programs (Infants and Toddlers with Disabilities Cluster, Mental Health Cluster, Substance Abuse Cluster, and Foster Care and Adoption Cluster).

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

Auditee qualified as low-risk auditee? X Yes No

State Awards

Internal control over major State programs:

- Material weakness(es) identified Yes X No

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

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

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

COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2003

Identification of major State programs:

Program Name

State Aid to Public Libraries

State/County Special Assistance for Adults – Direct Benefit Payments

Smart Start (Direct Service Providers) (Read to Me/Motherread/Mental Health)

Juvenile Crime Prevention Program

Public School Bond Fund

Comprehensive Treatment Services Program (At Risk Children)

Mental Retardation/Mental Illness

Developmental Disability Services – Child (tested under Mental Health Crosscutting)

Developmental Disability Services – Adult (tested under Mental Health Crosscutting)

Unsewered Communities Grant

II. Financial Statement Findings

FINDING: 03-1

Non-Compliance with Laws and Regulations

- Criteria: North Carolina General Statutes G.S. 159-13(b) places a statutory limitation for contingency appropriations. The budgeted amount for contingency should not exceed 5% of all other appropriations.
- Condition: Our testing revealed the following funds with contingency appropriations that exceeded the statutory limit of 5% on three funds: the Civic Center Motel Tax Fund, the Solid Waste Fund, and the County Community Development Fund.
- Effect: Non-compliance with regulations.
- Recommendation: We recommend that the County implement a process whereby contingency budgets are prepared in accordance with the general statutes.

COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (concluded)
Year Ended June 30, 2003

II. Financial Statement Findings (continued)

FINDING: 03-2

Non-Compliance with Laws and Regulations

Criteria: North Carolina General Statutes require that actual expenditures do not exceed appropriated expenditures at the legal level of budgetary control.

Condition: The budgetary ordinance for the county is prepared at the department level. During the year ended June 30, 2003, expenditures exceeded appropriated amounts at the level of budget ordinance appropriation for the Inmate Payee Fund.

Effect: Non-compliance with regulations.

Recommendation: We recommend that the County implement a process whereby they monitor the budget versus actual financial results monthly in order to identify the need for budgetary amendments prior to the end of the fiscal year.

III. Federal Award Findings and Questioned Costs

None reportable.

IV. State Award Findings and Questioned Costs

None reportable.

COUNTY OF CUMBERLAND, NORTH CAROLINA
CORRECTIVE ACTION PLAN (concluded)
Year Ended June 30, 2003

Section II - Financial Statement Findings

Finding: 03-1

- A. Name of Contact Person: Amy H. Cannon, Assistant County Manager
- B. Corrective Action: The County will consider the requirements of the general statutes regarding contingency appropriations in the next budget year.
- C. Proposed Completion: Corrective action to be taken for the next budget year.

Finding: 03-2

- A. Name of Contact Person: Amy H. Cannon, Assistant County Manager
- B. Corrective Action: The fund was reclassified from a trust fund to a special revenue fund due to the requirements of GASB 34. The County had not previously prepared a budget for this fund, but has corrected it with a budget amendment in fiscal year 2004.
- C. Proposed Completion: Corrective action was taken in fiscal year 2004.

Section III - Federal Award Findings and Questioned Costs

None reportable.

Section IV - State Award Findings and Questioned Costs

None reportable.

**COUNTY OF CUMBERLAND, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2003**

There were no audit findings in the prior period.

COUNTY OF CUMBERLAND, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2003

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		\$ 17,101	\$	\$
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		28,870,253		
State Administrative Matching Grants for the Food Stamp Program	10.561		1,648,023		1,648,023
Total Food Stamp Cluster			30,518,276		1,648,023
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		1,326,982		48,470
Direct Benefit Payments:					
Special Supplemental Nutrition Program for Women, Infants, & Children	10.557		7,556,752		
Child and Adult Care Food Program	10.558		441		
Total U.S. Dept. of Agriculture			39,419,552		1,696,493
<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		7,000		7,000
Direct Program:					
Community Development Block Grants/Entitlement Grants	14.218		1,534,563		
Supportive Housing Program	14.235		244,769		9,908
HOME Investment Partnerships Program	14.239		312,702		147,794
Total U.S. Dept. of Housing and Urban Development			2,099,034		164,702
<u>U.S. Dept. of Justice</u>					
<u>Bureau of Justice Assistance</u>					
Passed-through the N.C. Dept. of Crime Control and Public Safety:					
Juvenile Justice and Delinquency Prevention	16.540		42,769		
Direct Program:					
Local Law Enforcement Block Grants Program	16.592		167,796		
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Mental Health, Developmental Disabilities and Substance Abuse Services					
CHATS-Governor Crime Control	16.579		14,890		
<u>Office of Community Oriented Policing Services</u>					
Direct Program:					
Public Safety Partnerships and Community Policing Grants	16.710		9,561		3,188
Total U.S. Dept. of Justice			235,016		3,188

COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2003

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.S. Dept. of Labor					
Employment and Training Administration					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Aging:					
Senior Community Service Employment Program	17.235		\$ 255,422	\$	\$ 41,511
Passed-through the N.C. Department of Commerce:					
Division of Employment and Training:					
Workforce Investment Act	17.255		1,439,988		
Total U.S. Dept. of Labor			1,695,410		41,511
U.S. Dept. of Transportation					
Federal Highway Administration					
Passed-through the N.C. Department of Transportation:					
Highway Planning and Construction Cluster:					
Highway Planning and Construction Grants	20.205		175,060		44,026
Federal Transit Administration					
Passed-through the N.C. Department of Transportation:					
Federal Transit - Metropolitan Planning Grants	20.505		48,240	6,030	6,030
Total U.S. Dept. of Transportation			223,300	6,030	50,056
Federal Emergency Management Agency					
Passed-through N.C. Dept. of Crime Control and Public Safety:					
Division of Emergency Management:					
Emergency Management Performance Grants	83.552		15,738		829,833
U.S. Department of Education					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Mental Health, Developmental Disabilities and Substance Abuse Services					
Infants and Toddlers with Disabilities Cluster:					
Special Education - Grants for Infants and Families With Disabilities	84.181		155,295		
State Appropriations		1390-536948		551,402	
Total Infants and Toddlers with Disabilities Cluster			155,295	551,402	
Governors Substance Abuse and Violence Prevention Program	84.186		27,146		
Total U.S. Department of Education			182,441	551,402	
U.S. Dept. of Health & Human Services					
Administration on Aging					
Division of Social Services:					
Passed-through Mid-Carolina Council of Governments:					
Aging Cluster:					
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers	93.044		190,106		
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		5,716,126		5,309,460
WorkFirst/TANF - Direct					
Benefit Payments	93.558		6,988,117	(7,543)	17,142
Family Support Payments - Direct Benefit Payments	93.560		(21,711)	(5,846)	(5,846)
N.C. Child Support Enforcement Section	93.563		17,745		9,141
Refugee and Entrant Assistance -State Administered Program	93.566		1,488		
Low-Income Home Energy Assistance Block Grant:					
Administration	93.568		44,573		
Crisis Intervention Program	93.568		274,410		
Energy Assistance Payments-Direct Benefit Payments	93.568		423,495		
Adoption Incentive	93.603		36,358		
Adoption Subsidy - Direct Benefit Payments	93.645		153,045	285,229	107,179
Permanency Planning - Families for Kids	93.645		75,391	17,880	7,250
Family To Family	93.645		42,309		14,103
SSBG - Other Services and Training	93.667		1,302,764	196,356	463,347
LINKS (formerly Independent Living Grant)	93.674		111,646	22,158	
Child Care and Development Fund-Administration	93.596		636,142		

COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2003

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
Foster Care and Adoption Cluster:					
Title IV-E Foster Care	93.658		\$ 1,914,058	\$ 845,325	\$ 718,731
Adoption Assistance - Direct Benefit Payments	93.659		600,603	181,162	181,162
Title IV-E Foster Care HIV	93.658		7,472	4,528	
Total Foster Care and Adoption Cluster			2,522,133	1,031,015	899,893
Division of Aging:					
Division of Social Services:					
SSBG-Adult Day Care	93.667		58,399	20,680	11,297
Division of Child Development:					
Subsidized Child Care Cluster:					
Smart Start					
State Appropriations				755,127	
TANF - MOE				708,676	
TANF	93.558			3,338,869	
Child Care Development Fund - Discretionary	93.575		1,484,773		
Child Care Development Fund - Mandatory	93.596		6,495,866		
Child Care Development Fund - Match	93.596		3,240,953		
Social Services Block Grant	93.667		1,999,443	998,038	
Total Subsidized Child Care Cluster			13,340,316	5,800,710	
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:					
N.C. System of Care Networks - Pen Pals	93.104		1,721		
Project for Assist. in Transition From Homelessness (PATH)	93.150			93,750	
TANF-Work/Substance Abuse Initiative	93.558			25,000	
MAJORS Substance Abuse/Juvenile Justice Initiative	93.667			154,999	82,186
Perinatal and Maternal Substance Abuse Initiative	93.959			135,569	
Substance Abuse Training	93.959			1,250	
Treatment Alternatives for Women	93.959			8,113	
Treatment Alternatives to Street Crime	93.959				
Block Grant for Prevention and Treatment of Substance Abuse	93.959		472,459	166,970	
			14,174		
Mental Health Cluster:					
Block Grants for Community Mental Health Services	93.958		205,139		
State Appropriations - Child				458,628	
- Adults				2,248,601	
- Other				3,807	
Total Mental Health Cluster			205,139	2,711,036	
Developmental Disabilities Waiting List Cluster:					
State Appropriations - DD Waiting List		1390			
SSBG - Developmental Disabilities Waiting List Funds	93.667		26,055	177,170	
Total Developmental Disabilities Waiting List Cluster			26,055	177,170	
Developmental Disability Services - Adult	93.667		141,834		
Developmental Disability Services - Child	93.667		8,447		
Substance Abuse Cluster:					
Block Grant for Prevention and Treatment of Substance Abuse	93.959		152,778		
State Appropriations - Child				182,854	
- Adults				777,567	
- Other					
Total Substance Abuse Cluster			152,778	960,421	
Health Care Financing Administration					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Administration:					
Medical Assistance Program	93.778		60,587		
Direct Benefit Payments:					
Medical Assistance Program	93.778		120,003,995	61,210,506	10,157,441
Division of Social Services:					
Medical Assistance Program Administration	93.778		2,331,285	334,538	1,607,606
Health Choice	93.767		92,911	10,487	22,744

COUNTY OF CUMBERLAND, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2003

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
Centers for Disease Control					
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	\$ 33,249	\$	\$
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	5452, 5465	91,007		38,854
Statewide Health Promotion Program	93.991	5503	32,825		566,644
Harmful Algal Blooms Program	93.283		241,363		
Health Resources and Services Administration					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Public Health:					
Immunization Grants	93.268	5715	164,762		154,602
Maternal and Child Health Services Block Grant	93.994		875,199		2,108,266
Total U.S. Dept. of Health and Human Services			<u>157,281,323</u>	<u>73,013,953</u>	<u>21,489,123</u>
Other Federal Programs					
Passed-through the N.C. Dept. of Health and Human Services:					
Division of Medical Assistance:					
Medicaid At-Risk			184,432	37,153	21,003
Total Federal awards			<u>201,336,246</u>	<u>73,608,538</u>	<u>24,295,909</u>
State Awards:					
N.C. Dept. of Health and Human Services					
Division of Social Services:					
State/County Special Assistance for Adults - Direct Benefit Payments				2,223,436	2,223,484
State Foster Care Benefits Program				245,392	245,390
CP&L Energy Program				91,366	
Temporary Assistance for Needy Families Incentives				19,184	
AFDC Incentives				3,033	
Adult Protective Services				33,529	
Smart Start Administration				270,287	
Family Violence Prevention Grant				25,000	6,250
Division of Child Development:					
Smart Start Read to Me				288,457	
Smart Start Motherread				69,108	
Smart Start - Mental Health				341,699	
Division of Public Health:					
Environmental Health		4751		5,790	1,118,827
General		4110		170,180	3,117,631
Public Health Nurse Training		4301		600	
Epilepsy		5555		8,700	
TB Medical Services		4554		5,185	
Communicable Disease		4510		25,030	421,398
Child Health		5351		421	
Risk Reduction/Health Promotion		5503		34,387	
Childhood Lead Poisoning				3,330	
Mosquito Control				10,188	52,878
Food and Lodging		4752		20,828	
Healthy Carolinians		5515		7,500	
Immunization-State		5701		9,072	
Women's Preventive Health		5151		29,340	
Tuberculosis		4551		79,576	56,625
HIV/STD		4536		25,000	18,000

COUNTY OF CUMBERLAND, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2003

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
Division of Mental Health, Developmental Disabilities and Substance Abuse Services:					
Developmental Disability Services - Child			\$	\$ 312,614	\$
Developmental Disability Services - Adult				854,455	
Mental Retardation / Mental Illness				1,311,079	
Comprehensive Treatment					
Services Program (At Risk Children)				1,269,598	
Domiciliary Care				45,168	
General Program Services				38,108	
Emergency Services				39,255	
Treatment Alternatives for Women				168,886	
DD Service Funds				35,000	
Total N. C. Department of Health and Human Services				8,119,781	7,260,483
<u>N.C. Dept. of Environment & Natural Resources</u>					
Division of Water and Soil Conservation:					
Agriculture Cost Share Program				19,485	20,344
Soil and Water District Projects				4,000	38,397
Total N.C. Department of Environment & Natural Resources				23,485	58,741
<u>N.C. Department of Veteran's Affairs</u>					
Veteran's Services Grant				2,000	130,837
<u>Office of the Governor</u>					
Public School Building Capital Fund				171,976	4,160,584
Juvenile Crime Prevention Program				955,385	416,494
Total Office of Governor				1,127,361	4,577,078
<u>N.C. Dept. of Public Instruction</u>					
Public School Bond Fund				14,268,392	
<u>N.C. Rural Economic Development Center</u>					
Unsewered Communities Grant				489,180	
<u>N.C. Dept. of Crime Control and Public Safety</u>					
Crisis Housing Assistance Funds				57,833	
Governor's Crime Commission:					
Emergency Operations Center Grant				1,220	
Mobile Data Computers				6,121	
Total N.C. Dept. of Crime Control and Public Safety				65,174	
<u>N.C. Dept. of Cultural Resources</u>					
State Aid to Public Libraries				307,942	4,952,681
LSTA Improvement Grant				57,144	
Total N.C. Dept. of Cultural Resources				365,086	4,952,681
<u>N.C. Dept. of Commerce</u>					
WorkForce Investment Act				4,946	
Industrial Recruitment Grant				195,294	
Total N.C. Dept. of Commerce				200,240	
<u>N.C. Dept. of Transportation</u>					
Rural Operating Assistance Program Cluster:					
Elderly and Disabled Transportation Assistance					
Program (E&DTAP)				117,262	25,830
Rural General Program				50,253	
Work First Transitional/Employment Trans. Assistance				39,367	
Total Rural Operating Assistance Program Cluster				206,882	25,830
Human Service Transportation Program				42,362	3,431
Total N.C. Department of Transportation				249,244	29,261

COUNTY OF CUMBERLAND, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2003

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
N.C. Dept. of Administration Domestic Violence Program			\$	\$ 42,896	\$
N.C. Department of Environment and Natural Resources Division of Waste Management Scrap Tire Program				277,631	
N.C. Dept. of Corrections Criminal Justice Partnership Program				194,582	
Total State awards				25,425,052	17,009,081
Total Federal and State awards			\$ 201,336,246	\$ 99,033,590	\$ 41,304,990

COUNTY OF CUMBERLAND, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2003

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

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

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

<u>Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>	<u>State Expenditures</u>
Public School Bond Fund	N/A	\$	\$ 14,268,392
Supportive Housing Program	14.235	237,873	

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

CONTINUING DISCLOSURE REQUIREMENTS

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 seventh month following the end of the County's fiscal year.

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, 2003 have not yet been compiled and are not due until April 30, 2004. Continuing disclosures for the year ended September 30, 2002 are currently on file with the Nationally Recognized Municipal Securities Information Repositories.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Requirements

(This page intentionally left blank)

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2003

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, 2003 were approximately \$232 million. General Fund revenues are derived from various sources, including property taxes (which account for approximately 48.0% of General Fund revenues), sales taxes and intergovernmental revenues. The County's property tax rate was \$0.925 per \$100 of assessed value for fiscal years 2002 and 2003. In 2003, revaluation occurred and a tax rate of \$0.88 per \$100 of assessed value was adopted beginning in fiscal year 2004. A rate of \$.01 per \$100 of assessed value presently generates approximately \$1,308,000 annually. The State Constitution permits counties to impose property taxes of up to \$1.50 per \$100 of assessed value for certain purposes, including civic center facilities, without the requirement of a voter referendum. In fiscal years 2000, 2001, 2002 and 2003, the County transferred \$695,000, \$650,000, \$533,000 and \$533,000 respectively, from the General Fund to pay operating expenses of the Cumberland County Crown Center. In fiscal year 2003, the County transferred \$2,599,158 from the General Fund to pay debt service on the Crown Coliseum. For FY2004, the County budgeted transfers from the General Fund in the amounts of \$533,000 for Crown Center operating expenses and \$2,831,130 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, 2003 and the forecasted receipts from the Food and Beverage Tax, net of administrative expenses, for the five fiscal years ending June 30, 2008:

Fiscal Year Ended June 30 (1)	Historical Receipts (2)
1999	\$ 2,939,000
2000	2,984,000
2001	3,140,000
2002	3,162,000
2003	3,340,000
Fiscal Year Ended June 30	Forecasted Receipts (3)
2004	\$ 3,407,000
2005	3,475,000
2006	3,545,000
2007	3,616,000
2008	3,688,000

- (1) The Food and Beverage Tax became effective on January 1, 1994.
- (2) Historical receipts from the Food and Beverage Tax are audited amounts less collection costs ranging from \$30,000 to \$37,600 per year.
- (3) Forecasted receipts assume 2% annual growth in tax revenue and 2% growth in the cost of collection.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2003

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 increases to 5% and on January 1, 2005, the authorized rate caps out at 6%. The legislation also created the Cumberland Tourism Development Authority ("CTDA"). The legislation did not change the percentage of the Occupancy Tax allocated to the Civic Center Commission. The proceeds of the Occupancy Tax are collected monthly by the County. The County deducts 3% for administrative expenses on the first \$500,000 collected and 1% on amounts in excess of \$500,000. Fifty percent of the net proceeds from the first 3% of the Occupancy Tax is allocated to the Civic Center Commission and the remainder to CTDA. All taxes collected in excess of the first 3% are allocated to CTDA. CTDA is required to share 50% of these "additional" taxes with the Arts Council to support festivals and events that will draw tourists to the County. The remainder must be used by CTDA to promote travel and tourism in the County.

The Commission may use the proceeds of the Occupancy Tax received by it only to finance renovations and expansions of the Cumberland County Civic Center, and, with the permission of the Board of County Commissioners, to finance construction of new convention-oriented or multipurpose facilities. Set forth below are the historical receipts of the Commission from the Occupancy Tax, net of administrative expenses, for the five fiscal years ended June 30, 2003 and the forecasted receipts from the Occupancy Tax, net of administrative expenses, for the five fiscal years ending June 30, 2008:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Historical</u> <u>Receipts (1)</u>
1999	\$ 593,000
2000	621,000
2001	600,000
2002	634,000
2003	684,000
<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Forecasted</u> <u>Receipts (2)</u>
2004	\$ 698,000
2005	712,000
2006	726,000
2007	740,000
2008	755,000

- (1) Historical receipts from the Occupancy Tax are audited amounts less 3% collection fee. FY2002 and FY2003 amounts increased significantly due to large presence of military reservists related to war on terror.
- (2) Forecasted receipts assume 2% annual growth rate less 3% collection fee.

Under the statutory distribution formula, the County will receive an equivalent amount in each fiscal year with such amount to be used for advertising the civic center complex and promoting travel and tourism within the County. The County expects to use the proceeds of the Occupancy Tax allocated to the Commission and the Food and Beverage Tax as sources from which to make its installment payments. These proceeds and transfers of amounts from the General Fund necessary to make such installment payments are deposited into a special fund created by the County. No assurance can be given that the proceeds of the Occupancy Tax and Food and Beverage Tax will be equal to the installment payments in any fiscal year. In addition, the proceeds of the Occupancy Tax and the Food and Beverage Tax have not been pledged directly or indirectly as security for any

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2003

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

DEBT INFORMATION

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 \$1,017,749,000 as of June 30, 2003.

Outstanding General Obligation Debt

	Principal Outstanding as of			
	June 30, 2000	June 30, 2001	June 30, 2002	June 30, 2003
General Obligation Bonds				
School	\$ 115,195,000	\$ 109,005,000	\$ 102,815,000	\$ 111,500,000
Community College Facilities	4,660,000	4,310,000	3,960,000	3,610,000
Library Facilities	10,200,000	9,600,000	9,000,000	8,400,000
Other				
Total G.O. Debt Outstanding	\$ 130,055,000	\$ 122,915,000	\$ 115,775,000	\$ 123,510,000

Note: Outstanding debt above does not include \$137,471,000 in hospital facilities revenue bonds as these bonds are payable solely from the net revenues of certain County-owned health care facilities primarily consisting of Cape Fear Valley Medical Center and Highsmith-Rainey Memorial Hospital.

General Obligation Debt Ratios

At July 1	Total G.O. Debt	Assessed Valuation	Ratio of G.O. Debt To Assessed Valuation	Population (1)	Total G.O. Debt Per Capita
1999	\$ 106,120,000	\$11,686,012,000	0.91%	300,603	\$ 353.02
2000	130,055,000	12,232,728,000	1.06%	302,528	429.89
2001	122,915,000	12,515,930,000	0.98%	302,646	406.13
2002	115,775,000	12,744,760,000	0.91%	303,892	380.97
2003	123,510,000	12,813,032,000	0.96%	305,851	403.82

(1) North Carolina Office of State Budget & Management – State Demographics Section – Revised July 2003.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2003

General Obligation Debt Service Requirements and Maturity Schedule

Cumberland County						
FY Ending June 30	<u>Schools</u>		<u>Libraries</u>		<u>Community College</u>	
	<u>Principal</u>	<u>Principal & Interest</u>	<u>Principal</u>	<u>Principal & Interest</u>	<u>Principal</u>	<u>Principal & Interest</u>
2004	6,665,000	12,257,370	600,000	1,013,400	350,000	564,610
2005	6,650,000	11,919,555	600,000	984,600	350,000	544,485
2006	6,635,000	11,582,430	600,000	955,800	350,000	524,360
2007	6,615,000	11,240,995	600,000	926,400	350,000	504,060
2008	6,695,000	11,000,480	600,000	897,000	350,000	483,760
2009	6,670,000	10,650,385	600,000	867,600	350,000	463,110
2010	6,645,000	10,301,440	600,000	838,200	350,000	442,110
2011	6,620,000	9,950,465	600,000	808,800	350,000	420,760
2012	6,705,000	9,707,330	600,000	779,400	350,000	399,410
2013	6,550,000	9,216,035	600,000	750,000	460,000	488,060
2014	6,775,000	9,103,610	900,000	1,020,000		
2015	6,775,000	8,750,860	900,000	975,000		
2016	7,075,000	8,706,760	600,000	630,000		
2017	7,605,000	8,877,660				
2018	6,400,000	7,282,160				
2019	6,400,000	6,941,360				
2020	2,145,000	2,341,160				
2021	1,875,000	1,968,750				
Bal @ 6/30/03	<u>\$ 111,500,000</u>	<u>\$ 161,798,805</u>	<u>\$ 8,400,000</u>	<u>\$ 11,446,200</u>	<u>\$ 3,610,000</u>	<u>\$ 4,834,725</u>

General Obligation Bonds Authorized and Unissued

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

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

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2003

Other Long-Term Commitments

<u>Purpose</u>	<u>Original Amount/Costs</u>	<u>Principal & Interest Repayment/Requirements</u>	<u>FY2004 Principal And Interest Requirements</u>	<u>Balance June 30, 2003</u>
Certificates of Participation – Coliseum 1995 Series A	55,153,781	Partially refunded on July 1, 1998 from proceeds of 1998 COPS Coliseum Refunding leaving a balance of \$7,803,781. Principal payable annually and interest payable semi-annually in arrears through December 1, 2013. Total principal and interest payments range from \$0 to \$1,708,970; payable from Enterprise Fund	1,595,135	4,543,781
Lease Purchase – Courthouse Renovation	2,200,000	\$186,663 payable semi- annually in arrears for 5 years ending November 1, 2003; payable from the General Fund	186,663	182,226
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	2,954,150	31,990,000
Certificates of Participation - Coliseum Refunding Series 1998	52,950,000	Principal payable annually and interest payable semi-annually in arrears ending December 1, 2024. Annual principal and interest payments range from \$1,989,898 to \$5,441,425; payable from Enterprise Fund. Balance at 6/30/03 is shown net of amortization of refunding gain (\$4,443,848).	2,954,515	46,096,152
Promissory Note – Sigma Construction	400,000	\$80,000 payable annually in arrears ending July 15, 2003; payable from Enterprise Fund (1)	87,305	87,305

(1) Sigma Construction is currently in bankruptcy. In FY 2002, per recommendation of the County attorney, the County withheld the scheduled \$80,000 payment and asserted its right to offset damages arising from imperfect warranty repairs by Sigma and/or its agent. Repairs completed in FY 2003 cost \$72,695 and the County made the scheduled \$80,000 payment for FY03. The balance remaining at June 30, 2003 is \$87,305.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2003

<u>Purpose</u>	<u>Original Amount/Costs</u>	<u>Principal & Interest Repayment/Requirements</u>	<u>FY2004 Principal and Interest Requirements</u>	<u>Balance June 30, 2003</u>
Promissory Note – Industrial Park – Alphin Land #2	238,125	\$86,839 including interest payable annually on February 1 for 3 years beginning in 2003; payable from the General Fund	86,839	162,331
Promissory Note – Industrial Park - Clark Land	300,000	\$69,292 including interest payable annually on February 26 for 4 years with a final payment of \$69,067 due on February 1, 2004; payable from the General Fund	69,067	65,993
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	4,120,195	45,965,000
Promissory Note-Section 108 Community Development	1,500,000	Principal payable annually in arrears ending August 1, 2009. Interest payable semi-annually at an average rate of 5.86%. Payable from Special Revenue Funds	219,929	1,050,000
Promissory Note – Mental Health portion of Hospital Bond 1993	2,013,338	Principal payable annually and interest payable semi-annually in arrears ending October 1, 2014. Total annual principal and interest payments range from \$96,183 to \$193,913; payable from Mental Health Funds	192,863	1,600,913
Promissory Note – Industrial Park – Healy Land	<u>931,000</u>	\$107,750 principal plus 3.0% interest payable annually on December 1 for 4 years beginning in 2003 and a final balloon payment of \$500,000 plus 3.0% interest on October 14, 2007; payable from the General Fund	<u>137,020</u>	<u>931,000</u>
	<u>\$ 203,816,244</u>		<u>\$ 12,603,681</u>	<u>\$ 132,674,701</u>

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2003

The County's payment obligations under the installment financing arrangements described above at June 30, 2003, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Civic Center Certificates Debt Service (1)</u>	<u>DSS Certificates Debt Service</u>	<u>Jail/ WC Certificates Debt Service</u>	<u>Other Agreements Debt Service (2)</u>	<u>Total Non G.O. Debt</u>
2004	4,549,650	2,954,150	4,120,195	979,686	12,603,681
2005	4,664,143	2,951,725	4,531,290	621,468	12,768,626
2006	4,786,050	2,955,085	4,583,990	520,331	12,845,456
2007	4,911,550	2,954,770	4,469,870	506,260	12,842,450
2008	5,039,175	2,955,570	4,358,495	882,573	13,235,813
2009	5,168,175	2,956,288	4,232,120	274,560	12,631,143
2010	5,307,550	2,951,660	3,806,420	259,819	12,325,449
2011	5,441,425	2,956,190	3,697,750	192,052	12,287,417
2012	3,546,485	2,954,365	3,596,000	191,514	10,288,364
2013	3,544,898	2,955,760	3,489,000	191,545	10,181,203
2014	3,546,750	2,956,015	3,377,000	191,421	10,071,186
2015	3,542,375	2,951,100	3,265,250	190,784	9,949,509
2016	3,540,000	2,955,006	3,153,750		9,648,756
2017	3,542,125	2,952,350	3,037,500		9,531,975
2018	3,548,250	2,953,519	2,923,531		9,425,300
2019	3,543,250		2,809,281		6,352,531
2020	3,546,875		2,694,750		6,241,625
2021	3,543,750		2,574,938		6,118,688
2022	3,548,500		2,453,113		6,001,613
2023	3,545,750		2,336,812		5,882,562
2024	3,545,250		2,220,775		5,766,025
2025	3,546,499				3,546,499
	89,498,475	44,313,553	71,731,830	5,002,013	210,545,871
Amortization Refund Gain	(4,443,848)				(4,443,848)
	\$ 85,054,627	\$ 44,313,553	\$ 71,731,830	\$ 5,002,013	\$ 206,102,023

(1) Partially paid from food and beverage and occupancy taxes. (Coliseum Series 1995A and 1998 Refunding)

(2) Includes note to Cape Fear Valley Hospital for Mental Health's portion of Series 1993 Bonds. (Principal of \$1,600,913 and interest of \$532,591)

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

On July 30, 2002, the County issued the final \$14,875,000 installment of the \$98,000,000 General Obligation School Bonds previously authorized by referendum. The County may also refinance certain of its outstanding hospital facility revenue bonds and finance improvements to certain County-owned health care facilities through the issuance of additional hospital facility revenue bonds. Such revenue bonds are not secured by a pledge of the taxing power of the County.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2003

TAX INFORMATION

General Information

	<u>Fiscal Year Ended or Ending June 30,</u>		
	<u>2002</u>	<u>2003</u>	<u>2004⁽³⁾</u>
		(Amounts in thousands)	
Assessment Ratio ⁽¹⁾	100%	100%	100%
Real Property	\$ 9,835,370	\$ 9,703,821	\$ 11,393,059
Personal Property	872,875	1,046,808	1,065,911
Vehicles	1,694,491	1,743,025	1,783,113
Public Service Companies ⁽²⁾	<u>342,024</u>	<u>319,378</u>	<u>326,351</u>
Total Assessed Valuation	\$ 12,744,760	\$ 12,813,032	\$ 14,568,434
Rate per \$100	<u>.925</u>	<u>.925</u>	<u>.880</u>
County-wide Levy	<u>\$ 117,889</u>	<u>\$ 118,521</u>	<u>\$ 128,202</u>

- (1) Percentage of appraised value has been established by statute
- (2) Valuation of railroads, telephone companies, and other utilities as determined by the North Carolina Property Tax Commission.
- (3) Estimated as of October 31, 2003 for the fiscal year ending June 30, 2004 which includes the effects of revaluation conducted in FY 2003

In addition to the County-wide levy, the following table lists the levies by the County on behalf of a recreation district and 19 special fire districts for the fiscal years ended June 30.

	<u>2002</u>	<u>2003</u>	<u>2004⁽¹⁾</u>
County-wide	\$ 117,889,030	\$ 118,520,546	\$ 128,202,219
Recreation District	3,048,090	3,088,556	2,874,856
Special Fire Districts	<u>5,840,798</u>	<u>5,903,059</u>	<u>6,037,198</u>
Total Levy	<u>\$ 126,777,918</u>	<u>\$ 127,512,161</u>	<u>\$ 137,114,273</u>

Levy is a projection based on assessed valuation.

- (1) Estimated as of October 31, 2003 for the fiscal year ending June 30, 2004.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Continuing Disclosure Information (Unaudited)
June 30, 2003

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>
1999	\$ 3,204,000	\$ 94,720,000	96.20%
2000	3,820,000	99,453,000	96.62
2001	2,325,000	108,503,000	96.00
2002	3,808,000	112,530,000	95.28
2003	4,514,000	112,620,000	94.90

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 2002- 03

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002 Assessed Valuation*</u>	<u>% of Total Assessed Valuation</u>
Carolina Telephone and Telegraph	Telephone Utility	\$ 121,653	0.95%
Kelly Springfield	Tire Manufacturer	117,594	0.92
Cumberland Associates	Retail Mall	79,796	0.62
Wal-Mart	Retail/Distribution	76,822	0.60
Progress Energy	Electric Utility	67,983	0.53
Black & Decker	Power Tool Manufacturer	61,872	0.48
DAK Resins	Textiles	61,768	0.48
Purolator Products	Auto Filter Manufacturer	57,933	0.45
N.C. Natural Gas	Gas Utility	45,554	0.36
UDRT of NC LLC	Apartment Leasing	35,546	0.28
TOTAL		<u>\$ 726,521</u>	<u>5.67%</u>

* Amounts expressed in thousands.

COUNTY OF CUMBERLAND, NORTH CAROLINA
Compiled Budget - Annually Budgeted Funds
For the Fiscal Year Ending June 30, 2004
(Unaudited)

	General Fund	Special Revenue Funds	Enterprise Funds
Estimated revenues:			
Ad valorem taxes	119,995,201	9,201,100	4,340,752
Other taxes	35,869,725	12,450,430	626,050
Unrestricted intergovernmental	3,711,543		
Restricted intergovernmental	53,432,299	9,076,325	240,000
Licenses and permits	3,742,719		11,388
Sales and services	18,790,112	525,387	4,248,167
Interest earned on investments	815,136	140,000	100,000
Miscellaneous	5,153,457	30,000	5,200
Total estimated revenues	241,510,192	31,423,242	9,571,557
Appropriations:			
General government	16,810,946	507,697	
Public safety	30,472,412	6,092,979	
Economic and physical development	3,618,360	11,498,813	
Human services	107,527,245	1,498,910	
Cultural and recreation	7,122,222	4,227,575	
Education	65,166,481	5,043,640	
Salaries and employee benefits			3,557,040
Other supplies			858,449
Repairs and maintenance			1,222,941
Contracted services			1,442,479
Utilities			1,005,527
Administrative costs			1,191,945
Landfill closure and postclosure			693,539
Tax Distribution fee			18,781
Other Operating		130,000	
Contingency			599,078
Capital outlay			928,100
Debt service:			
Principal retirement	11,550,918	150,000	1,980,000
Interest and fees	10,031,262	69,929	2,649,650
Total appropriations	252,299,846	29,219,543	16,147,529
Estimated revenues over (under) appropriations	(10,789,654)	2,203,699	(6,575,972)
Other financing sources (uses):			
Operating transfers from other funds:			
General Fund		1,313,948	3,364,130
Special Revenue Fund	4,194,003		3,264,771
Enterprise Funds	249,535		
Internal Service Fund	53,665		
Operating transfers to other funds:			
General Fund		(4,194,003)	(249,535)
Special Revenue Fund	(1,313,948)		
Enterprise Fund	(3,364,130)	(3,264,771)	
Internal Service Fund	(366,697)		
Proceeds of general long term debt			
Residual equity transfer			
Appropriated fund balances	11,337,226	3,941,127	196,606
Total other financing sources	10,789,654	(2,203,699)	6,575,972
Estimated revenues and other sources over appropriations and other uses	0	0	0

Compiled by staff of the Cumberland County finance department from the FY2004 adopted budget ordinance at July 1, 2003.

COMPLIANCE SECTION

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

COUNTY OF CUMBERLAND, NORTH CAROLINA
Financial Statements and Schedules

(This page intentionally left blank)