

Management's Discussion and Analysis

As management of Cabarrus County, we offer readers of Cabarrus County's financial statements this narrative overview and analysis of the financial activities of Cabarrus County for the fiscal year ended June 30, 2011. 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.

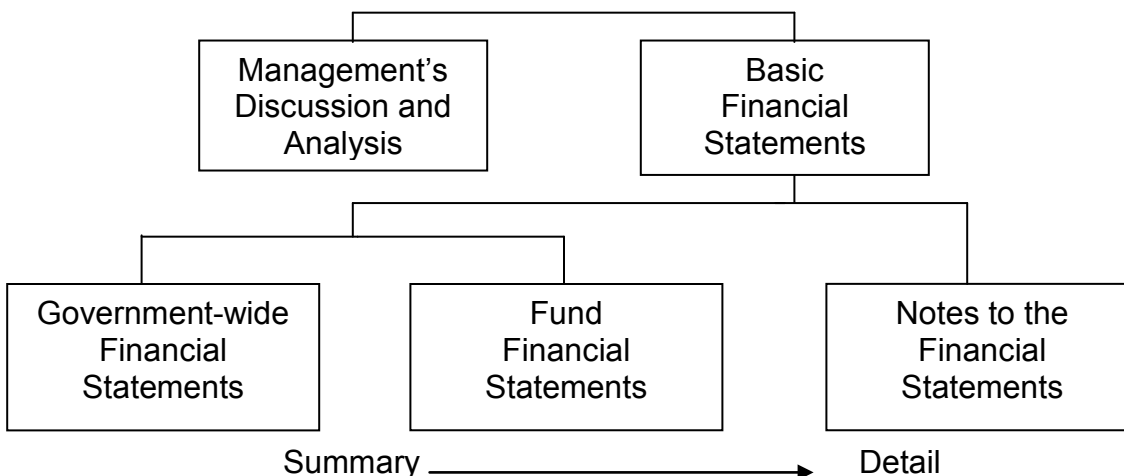
Financial Highlights

- The liabilities of Cabarrus County exceeded its assets at the close of the fiscal year by (\$76,049,523) (*net assets*).
- The total net assets of *governmental* activities was a deficit \$79,755,501 an increase of \$826,958 from the prior year's deficit amount of \$78,928,543, primarily due to school capital spending and the issuance of debt without a corresponding capital asset. In accordance with North Carolina law, the County is financially responsible for funding school facilities and issuing any debt in connection with school facilities; however, since assets are not reflected in the County's financial statements, school capital improvements are expensed.
- As of the close of the current fiscal year, Cabarrus County's governmental funds reported combined ending fund balances of \$126,272,933, after a net decrease in fund balance of \$8,008,475. Approximately 37.8 percent of this total amount, or \$47,679,526, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$46,800,234, or 24.6 percent of total general fund expenditures for the fiscal year.
- Cabarrus County's total debt decreased by \$9,382,295 or 2.2% during the current fiscal year. The key factors in this net decrease was the refunding of \$20,000,000 of Certificates of Participation (COPS), issuance of \$14,635,000 Certificates of Participation and large principal payments of General Obligation and installment financing debt. The payments and refunding of COPS debt was greater than the new COPS issuance.
- Cabarrus County has an AA bond rating and currently has general obligation bond ratings of AA+ / Aa₁ / AA+.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Cabarrus County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that is designed to enhance the reader's understanding of the financial condition of Cabarrus County.

Required Components of Annual Financial Report (Figure 1)



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's general fund, 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 and other post employment benefits.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, and general administration. 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 landfill services offered by Cabarrus County. The final category is the component units. Cabarrus Health Alliance was incorporated under the hospital authority act to provide public health care to the citizens and residents of the County. The Alliance rents office space from the County on a month to month basis. They are currently constructing a facility of their own. The Chairperson of the Board of Commissioners for Cabarrus County appoints the members of the board of the Alliance.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

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. Cabarrus County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Cabarrus County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services

are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides 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.

Cabarrus County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – Cabarrus County has two kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Cabarrus County uses an enterprise fund to account for solid waste and recycling operations. This fund is the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. *Internal Service Funds* are used to account for operations that provide services to other departments on a cost-reimbursement basis. Cabarrus County uses internal service funds to account for workers compensation and self-insured hospitalization activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Cabarrus County has ten fiduciary funds, one of which is a pension trust fund, two private purpose trust funds and seven of which are agency funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 37 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Cabarrus County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 75 of this report.

Government-Wide Financial Analysis

While total net assets are often considered a useful indicator of a government's financial position, it does not adequately reflect the County's position. As noted above the liabilities of Cabarrus County exceeded the assets by \$76,049,523 at June 30, 2011. In accordance with the North Carolina General Statutes, the County is the issuer and payer of debt for capital purposes for the Cabarrus County Schools, Kannapolis City Schools and the Rowan-Cabarrus Community College. This debt, which totals \$306,883,150 at June 30, 2011 and totaled \$309,119,032 at June 30, 2010, is recorded in long-term liabilities with no offsetting capital assets recorded, as the assets are owned by the agencies. The agencies use the debt proceeds to acquire or construct capital assets. The effect of this accounting distorts net assets of the County, creating a large deficit in unrestricted net assets. Net Assets of \$112,528,290 at June 30, 2011 and \$112,959,895 at June 30, 2010 are invested in capital assets, net of any related outstanding debt of those assets. Capital assets include land, buildings, vehicles, equipment and other machinery used in providing services to residents. Also, net assets of \$46,892,224 at June 30, 2011 and \$57,497,847 at June 30, 2010 are reserved by law for specific purposes. The net decrease in the deficit unrestricted net assets,

resulted from the refunding of debt and the increase in County capital assets net of accumulated depreciation. Net assets do not present the County's position regarding spending, this amount is presented in the governmental funds statements.

Cabarrus County's Net Assets

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 151,949,043	\$ 168,703,222	\$ 3,494,731	\$ 3,952,249	\$ 155,443,774	\$ 172,655,471
Capital assets	218,925,235	219,001,854	3,978,432	4,048,802	222,903,667	223,050,656
Total assets	<u>370,874,278</u>	<u>387,705,076</u>	<u>7,473,163</u>	<u>8,001,051</u>	<u>378,347,441</u>	<u>395,706,127</u>
Long-term liabilities outstanding	404,936,029	415,686,826	3,472,758	1,578,667	408,408,787	417,265,493
Other liabilities	45,693,750	50,946,793	204,754	2,660,325	45,898,504	53,607,118
Total liabilities	<u>450,629,779</u>	<u>466,633,619</u>	<u>3,677,512</u>	<u>4,238,992</u>	<u>454,307,291</u>	<u>470,872,611</u>
Net assets						
Invested in capital assets, net of related debt	111,057,044	108,911,093	3,978,432	4,048,802	115,035,476	112,959,895
Restricted	46,892,224	57,497,847	-	-	46,892,224	57,497,847
Unrestricted	(237,704,769)	(245,337,483)	(272,454)	(286,743)	(235,841,577)	(245,624,226)
Total net assets	<u>\$ (79,755,501)</u>	<u>\$ (78,928,543)</u>	<u>\$ 3,705,978</u>	<u>\$ 3,762,059</u>	<u>\$ (73,913,877)</u>	<u>\$ (75,166,484)</u>

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

- Continued low cost of debt due to the County's high bond rating and the prevailing low interest rate environment.
- General Fund County revenues at June 30, 2011 were \$2,179,373 over budget. This is primarily due to higher than expected property tax collections.
- The General Fund received \$3,967,669 in other financing sources from a capital project fund for a project that was completed during the year and had remaining unspent funds.
- The General Fund had budgeted fund balance appropriated of \$3,269,843 that was not used during the fiscal year.
- County departments were conservative in their spending and General Fund expenditures at June 30, 2011 were \$9,497,641 under budget. The Landfill Enterprise Fund operating expenditures were \$198,808 under budget.

Cabarrus County's Changes in Net Assets
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$ 15,997,636	\$ 16,443,075	\$ 858,132	\$ 1,187,527	\$ 16,855,768	\$ 17,630,602
Operating grants and contributions	20,569,505	21,906,696	21,368	44,655	20,590,873	21,951,351
Capital grants and contributions	544,096	6,417,855	23,740	-	567,836	6,417,855
General revenues:						
Property taxes	136,733,389	137,488,091	-	-	136,733,389	137,488,091
Local option sales tax	25,808,696	28,461,637	-	-	25,808,696	28,461,637
ABC revenues	188,594	66,789	-	-	188,594	66,789
Other taxes and licenses	642,337	669,221	343,908	55,074		
Investment earnings	1,019,648	813,582	8,205	10,630	1,027,853	824,212
Donations	221,538	131,590	-	-	221,538	
Miscellaneous	21,588	32,893	1,075	19,143	22,663	52,036
Total revenues	201,747,027	212,431,429	1,256,428	1,317,029	202,017,210	212,892,573
Expenses:						
General government	21,750,176	20,931,001	-	-	21,750,176	20,931,001
Public safety	36,043,142	31,944,942	-	-	36,043,142	31,944,942
Economic and physical development	3,128,710	3,207,792	-	-	3,128,710	3,207,792
Environmental protection	619,639	541,463	-	-	619,639	541,463
Human services	38,015,497	40,925,099	-	-	38,015,497	40,925,099
Education	77,221,156	118,863,929	-	-	77,221,156	118,863,929
Cultural and recreation	6,161,896	6,771,004	-	-	6,161,896	6,771,004
Interest on long-term debt	19,633,769	19,753,394	-	-	19,633,769	19,753,394
Landfill	-	-	1,312,509	2,333,383	1,312,509	2,333,383
Total expenses	202,573,985	242,938,624	1,312,509	2,333,383	203,886,494	245,272,007
Increase (decrease) in net assets	(826,958)	(30,507,195)	(56,081)	(1,016,354)	(883,039)	(31,523,549)
Net assets, July 1	(78,928,543)	(48,421,348)	3,762,059	4,778,413	(75,166,484)	(43,642,935)
Net assets, June 30	<u>\$(79,755,501)</u>	<u>\$(78,928,543)</u>	<u>\$ 3,705,978</u>	<u>\$ 3,762,059</u>	<u>\$(76,049,523)</u>	<u>\$ (75,166,484)</u>

Governmental activities

Governmental activities decreased Cabarrus County's net assets by \$826,958, thereby accounting for 93.6% of the total decrease in the net assets of County. Key elements of this net decrease are as follows:

Operating grants and contributions experienced a \$1,337,191 or 6.1% decrease from FY 10 to FY 11. This decrease was due to State budget cuts in the day care program and the Federal Government ARRA fund distributions coming to an end.

Capital grants and contributions experienced a net \$5,873,759 or 91.5% decrease. During FY 10, \$6,149,845 of Lottery Proceeds was received to build a new school and add a wing to an existing school. The funds were not received again in FY 11.

Due to the slow economy, property and sales tax revenues declined by \$754,702 (0.5%) and \$2,679,825 (9.2%) respectively.

General Government expenditures increased \$819,175 or 3.9% due to individual small personnel and operating increases including an increase contribution to the pension trust fund.

Public Safety expenditures increased \$4,098,200 or 12.8% due to the operating and staffing of a new Jail Housing Unit which opened during FY 11.

Human Service expenditures decreased \$2,909,602 or 7.1%. Major events that contributed to this decrease included State budget cuts to day care reimbursements and the State takeover of a portion of CAP (Community Alternative Program).

Education expenditures decreased \$41,642,773 or by 35%. This major decrease was the result of three school construction projects at June 30, 2010 were approximately 95% completed. During FY 11 only 2 additional schools were still under construction. The majority of expenditures for all school construction projects were experienced prior to June 30, 2011.

Business-type activities

The County's Business-type activity, the Landfill, experienced a \$1,020,874 decrease or 44% decrease. A transfer to the County Closure/Post closure Liability reserve of \$957,917 was made in FY 10 as estimated by the County's third party Engineers. No transfer was estimated and recommended by the Engineers in FY 11.

Financial Analysis of the County's Funds

As noted earlier, Cabarrus County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The County's four major funds, as defined by GAAP for the fiscal year ended June 30, 2011, were the *General Fund*, the *Certificates of Participation 2009 Fund*, the *Qualified School Construction Bond Fund* and the *Landfill Fund*, with the last fund being accounted for as an Enterprise Fund.

Governmental Funds. The focus of Cabarrus County's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing Cabarrus County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Cabarrus County. At the end of the current fiscal year, Cabarrus County's fund balance available in the General Fund was \$63,755,334, while total fund balance reached \$74,013,411. The Governing Body of Cabarrus County has determined that the county should maintain an available fund balance of 15% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow of the County. The County currently has an available fund balance of 31.3% of general fund expenditures, while total fund balance represents 36.4% of that same amount. Of the \$63,755,334 available fund balance, the County has assigned \$16,955,100 (26.6%) of their available fund balance for specific projects and obligations. Following the fund balance policy, \$30,509,956 (47.9%) of the available fund balance has been set aside for working capital. This leaves \$16,290,278 (25.5%) of fund balance remaining for appropriation.

At June 30, 2011, the governmental funds of Cabarrus County reported a combined fund balance of \$126,272,933, a 6.0% decrease or \$8,008,475 decrease from last year.

The *General Fund* balance increased \$8,357,473. Property taxes are our largest revenue source. Though the collection rate slightly declined from the prior year, it remained relatively high, ending the year with a collection rate of 97.20%. Due to conservative budgeting, property taxes revenue came in at \$3,619,887 or 2% over budget. The most significant variance was in the collection of delinquent taxes.

Cabarrus County is home to the number one tourist attraction in North Carolina which is Concord Mills Mall. In FY2010, sales taxes were collected in excess of anticipated amounts; however in FY2011 sales tax revenues came in at \$1,065,646 or 3.9% less than budgeted. The decline in the sales tax revenue is attributed to the decrease in retail sales as the economy continues to wane and an increasing number of sales tax refunds that the County made to companies obtaining non-profit status.

Permits and Fees are primarily collected by the Register of Deeds for the recording and dissemination of records and by Commerce for inspection fees related to construction standards. The economy continued

to affect fees related to building and other construction related permits as well as document recording fees. In addition, while there have been a decrease in land records recorded, there has been an increase in trustee deeds due to an increase in foreclosures. While this is another indicator of the economy's negative impact on the community, this resulted in increased revenue for this category, collecting \$365,309 or 15% more than budgeted.

The *Certificates of Participation 2009 Fund* balance decreased \$25,233,673. Certificates of Participation were issued during the fiscal year ended June 30, 2010 in the amount of \$85,170,000 for the construction of four schools and the renovation and wing addition at a fifth school. This project will span over several years. Debt was issued in fiscal year 2010. However expenditures of \$21,302,227 were recorded in fiscal year 2011.

The *Qualified School Construction Bond Fund* balance increased \$14,639,218. Certificates of Participation were issued during the fiscal year ended June 30, 2011 in the amount of \$14,637,157 for the planning, design, renovations and repairs of local schools. This project will span over three years.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund's budget amounted to an increase of \$27,719,414.

At year-end, *actual* general fund revenues and transfers in exceeded *final amended budget* numbers by 1.07%. Actual general fund expenditures and transfers out were less than *final budgetary* figures by 4.73%, thus eliminating the need to draw upon existing fund balance.

Major budget increases (decreases) during the year include:

- **Two American Reinvestment and Recovery Act (ARRA) Grants for Juvenile Crime Prevention:** \$108,720 for Juvenile Crime Prevention Council Gang Prevention and Intervention Pilot administered through the Bureau of Justice Assistance Edward Byrne Memorial Justice Assistance Grant Program and \$75,000 in additional ARRA funds for gang violence prevention administered through Department of Juvenile Justice and Delinquency Prevention and awarded to Cabarrus Health Alliance and Boys and Girls Club.
- **Additional ARRA Funds for Energy Programs:** \$611,066 awarded to the Commerce department to increase energy efficiency in the community.
- **Contributions from Other Funds:** \$350,000 contribution from capital reserve fund to the general fund for economic incentive grant to Celgard, LLC for the purchase, closing and recording of real estate at the International Business Park in Cabarrus County. \$2,579,438 fund balance re-appropriation from prior year for projects that were not completed in FY2010 and were ongoing in FY2011.
- **Contributions to Other Funds:** (\$348,407) transferred from the general fund to the special projects fund for Agriculture Department of Farmland & Preservation grant/project. Funds transferred were taxes collected and interest earned on farm land. (\$570,000) transferred from general fund to worker's compensation fund for insurance and claims and to replenish the worker's compensation fund's reserve balance.
- **Cannon Funds:** \$753,910 contribution from Cannon Memorial Trust for renovations to the Cannon Memorial Library and another \$50,000 received from the Cannon foundation to support the County's Council for Sustainable Local Economy, which funded one part-time position and other operational needs for the program.
- **Additional funding for Health and Human Services:** \$132,182 received from NC Division of Aging for the Title V Senior Community Employment Program. This additional funding provided for the 13 temporary part-time positions for low income individuals age 55 years or older.

\$399,937 received from the federal government for Social Services Crisis Intervention Program. Funds are used for social service clients who are in need of emergency assistance to pay utilities. \$ 172,000 in additional dollars Medicaid funds to provide additional transportation services for Medicaid clients.

- **NC Dept of Crime Control Grant:** \$190,000 Buffer zone Protection Grant received from the North Carolina Department of Crime Control and Public Safety to enhance emergency management and security at Charlotte Motor Speedway.
- **Refinancing of Debt:** On September 22, 2010, the County refinanced all of the callable 2001 Certificates of Participation debt. The savings over the remaining 11 years totals \$2,366,350 or 10.47%. The overall yield is 2.390%. The County will experience this savings over the next 10 years at an amount of approximately \$235,000 per year. This transaction resulted in proceeds and premium in the amount of \$21,163,703 with a required disbursement to the Bond trustee in the amount of \$20,902,811.

Proprietary Funds. Cabarrus County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. The *Landfill Fund* is the County's sole Enterprise Fund. Net assets for the *Landfill Fund* decreased \$56,081 during the fiscal year ended June 30, 2011. Due to economic times, Landfill tipping fees decreased \$54,062 or 7% from the previous fiscal year.

Capital Asset and Debt Administration

Capital assets. Cabarrus County's investment in capital assets for its governmental and business-type activities as of June 30, 2011, totals \$222,903,667 (net of accumulated depreciation). These assets include buildings, building improvements, land, land improvements, reservoir, equipment, furniture and fixtures, vehicles, and construction in progress.

Major capital asset transactions during the year include:

- Purchased 14 new vehicles for the Sheriff's department, 7 vehicles for General Services, 2 ambulances, 1 vehicle for Emergency Medical Services and 1 vehicle for the Department of Social Services.
- Purchased a horse trailer for Animal Control, a medically equipped evacuation utility vehicle for Emergency Medical Services and a golf cart for the Fair Grounds.
- Purchased and renovated premises for the Board of Elections.
- Projects that have started but are not complete include a Jail Housing Unit, Arena storage facility, Concord Library expansion, Landfill expansion and soccer complex improvements.
- Completed projects include a Library Automation system and a Transportation Mobile Data System.
- Renovations were completed for the Governmental Center, Firing Range, Emergency Medical Services and Mt. Pleasant Library.
- Purchased a Caterpillar bulldozer and Bobcat skid steer for Landfill operations.

Cabarrus County's Capital Assets
(net of accumulated depreciation)

Figure 4

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Land	\$ 24,009,781	\$ 24,013,499	\$ 490,447	\$ 490,447	\$ 24,500,228	\$ 24,503,946
Land Improvements	4,282,568	4,701,248	842,857	919,231	5,125,425	5,620,479
Buildings	87,103,964	88,805,728	1,124,715	1,157,319	88,228,679	89,963,047
Building Improvements	12,779,927	12,820,428	4,113	4,250	12,784,040	12,824,678
Equipment	4,586,849	5,616,904	42,426	66,210	4,629,275	5,683,114
Furniture and Fixtures	98,496	156,596	-	-	98,496	156,596
Vehicles	3,289,387	3,905,741	1,121,197	1,195,384	4,410,584	5,101,125
Reservoir	21,417,248	21,439,013	-	-	21,417,248	21,439,013
Construction in progress	61,357,015	57,542,697	352,677	215,961	61,709,692	57,758,658
Total	\$ 218,925,235	\$ 219,001,854	\$ 3,978,432	\$ 4,048,802	\$ 222,903,667	\$ 223,050,656

Additional information on the County's capital assets can be found in note 2 section E of the Basic Financial Statements.

Long-term Debt. As of June 30, 2011, Cabarrus County had total debt outstanding of \$414,200,193 of which includes General Obligation Bonds that are backed by the full faith and credit of the County and all other debt is covered by pledged collateral and is subject to appropriation.

Cabarrus County's Outstanding Debt
All Debt Funding Sources

Figure 5

	Governmental	
	Activities	
	2011	2010
General obligation bonds	\$ 105,660,000	\$ 112,565,000
Capital lease obligations	3,102,621	3,282,345
Certificates of participation	294,315,000	294,990,000
Installment financing	11,122,572	12,745,143
Total	\$ 414,200,193	\$ 423,582,488

As mentioned in the financial highlights section of this document, Cabarrus County maintained for the 2nd consecutive year its Aa1 rating from Moody's and a AA+ rating from Fitch. For the 3rd consecutive year, a rating of AA+ from Standard and Poor's has been maintained. These bond ratings are a clear indication of the sound financial condition of Cabarrus County.

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 Cabarrus County is \$1,285,458,907. Additional information regarding Cabarrus County's long-term obligations can be found beginning in note 2 section J of this report.

Economic Factors and Next Year's Budgets and Rates

Cabarrus County is a part of the Charlotte Metropolitan Statistical Area (MSA), which in the past before the current economic downturn, has proved beneficial in that the County has continued to experience economic growth during national and state economic downturns. As a direct result from current economic

conditions, FY 2010 and FY 2011 have created fiscal challenges. Overall, the County has a fiscally strong bottom line, with a balanced diverse economy, and commitment to conservatism and strategic focus in its approach to evaluating both revenue and expenditures for fiscal solutions. The following key economic indicators reflect the current dynamics facing the County.

Indicator	Cabarrus County
Population, 2010	178,011
Population, 2000 Census	131,063
Population Change 2000 - 2010	35.8%
Unemployment, Annual Average	11.3%
Per Capita Personal Income, 2009	\$34,083
Poverty, 2009	11.4%

Source: U.S. Census Bureau, Bureau of Economic Analysis and Employment Security Commission

Budget Highlights for the Upcoming Fiscal Year Ending June 30, 2012

Governmental Activities: The County's conservative financial management practices have positioned it to sustain services while keeping expenditures flat over the next five years. The County's five year financial plan freezes expenditures through 2016 and maintains a healthy fund balance. In developing the FY12 budget, the County froze spending at FY 2011 levels and stayed on course with the five year financial plan. In effect the County adopted its FY12 budget of \$214,872,987 at \$20.6 million, or 8.74%, less than the FY 2011 amended budget, maintaining the county's tax rate of \$0.63 per \$100 valuation.

A decline in the tax base and the reduction of one-time revenue sources reduced available revenues. The county is still feeling the effects of closure of its largest taxpayer, Philip Morris. In addition, there are a number of property tax appeals that remain unsettled. One-time revenues, specifically grant funds like those from the America Recovery and Reinvestment Act (ARRA), represent the second largest decrease in available revenue. Expenditures were decreased to match available funds.

There were some operational increases to the FY12 budget. Significant increases include the cost of adding 77 detention officers to staff the new jail facility. These positions were hired late FY 2011, the annualized salaries and benefits will the county expenditures by nearly \$3m. The County's personnel management plan calls for cost of living adjustment (COLA) based on December CPI. For FY 2012 this increase is 1.5%. The last significant increase was new debt service for the schools, which increased by \$4.7m.

Lastly, the county passed a ¼ cent sales tax referendum on May 17, 2011. This new sales tax, effective October 2011, is projected to generate \$3 million in FY 2012 and an additional \$1.6 million in FY 2013, its first full fiscal year of enactment. Collections will be used to pay school debt service. The new ¼ cent sales tax will position the County to replenish its capital reserve fund with revenues in excess of expenditures by FY2016.

Business-type Activities: The Solid Waste Management (Landfill) Fund budget decreased 61.59% from FY2011 to FY2012 to \$1,305,000. Prior to FY 2012, the Landfill and Waste Reduction programs constituted the Solid Waste Fund. Effective July 1, 2011, the Waste Reduction and Recycling programs were removed from Solid Waste Management Fund and transferred to the General Fund.

There were revenue changes as well. Most significantly, the disposal tax on white goods declined by 14.2% and tipping fees budgeted decreased by 7.8%, all primarily related to the current economic conditions. There is, however, a 1.63% increase in tire disposal fees.

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 Assistant Director of Finance, Cabarrus County, 65 Church Street SE, Concord, NC 28027, (704) 920-2894.