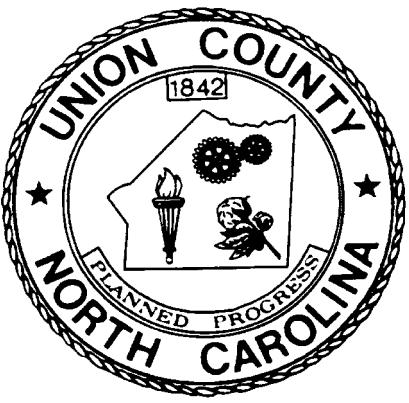




**UNION COUNTY
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2003**

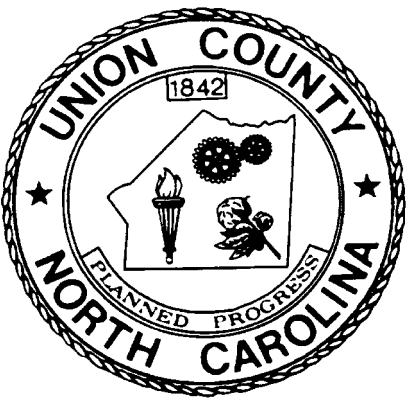


Union County, North Carolina

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2003

Prepared by
Finance Department
Kai D. Nelson
Finance Director



Union County, North Carolina
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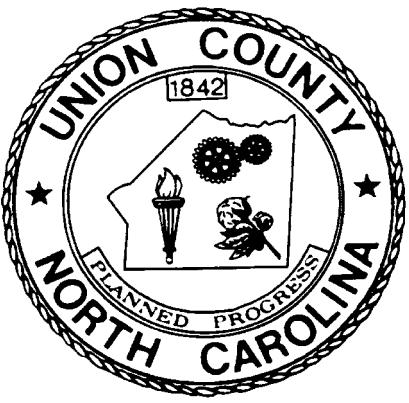
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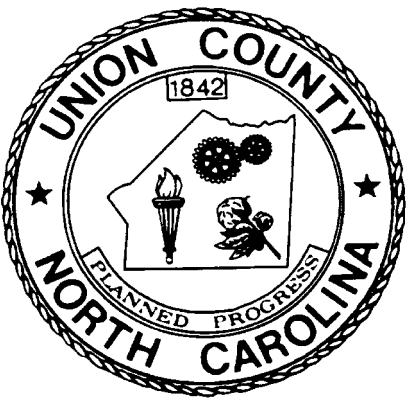
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Introductory Section





UNION COUNTY FINANCE DEPARTMENT

500 NORTH MAIN STREET, SUITE 901, MONROE, NORTH CAROLINA 28112
PHONE: (704) 283-3813 FAX: (704) 225-0664

December 15, 2003

The Board of County Commissioners
Mike Shalati, County Manager
Citizens of Union County, North Carolina

Laws of the State of North Carolina, along with policies and procedures of the North Carolina Local Government Commission, require that all local governments in the State publish a complete set of financial statements annually. The financial statements must be presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to those requirements, I hereby issue the comprehensive annual financial report (CAFR) of Union County for the fiscal year ended June 30, 2003.

This report consists of management's representations concerning the finances of Union County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. Management, to provide a reasonable basis for making these representations, has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the County's internal control structure has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Dixon Odom *PLLC*, a firm of licensed certified public accountants. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor rendered an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. This opinion can be found at the beginning of the financial section of this document. In addition to the independent audit of the financial statements, the County is required to undergo an annual "Single Audit" designed to meet the special needs of federal and state grantor agencies. Information regarding this audit is submitted as a separate report, which includes the schedules of financial assistance and findings and questioned costs and the independent auditors' report on internal control and compliance.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of independent auditors.

COUNTY PROFILE

Union County was established in 1842 and is located in the south-central portion of North Carolina adjacent to Charlotte/Mecklenburg County and bordering South Carolina.

The County operates under a Commission-Manager form of government. The governing body of the County is the Board of County Commissioners, which formulates policies for the administration of the County. In addition, the Board annually adopts a balanced budget and establishes a tax rate for the support of the County's programs. The Board consists of five commissioners, elected on a staggered basis for terms of four years. The County Manager is appointed by, and serves at the pleasure of the Board as the County's Chief Executive Officer. The Manager has appointive and removal authority over department heads and other employees of the County. The County Manager is responsible for the daily operations of the County Government. In addition, the Manager's responsibilities include implementation of policies established by the Board of Commissioners, as well as the administration of the annual budget adopted by the Board.

The County provides a wide range of services including public safety, human services (Social Services, Health, Aging and Transportation), funds for education, cultural and recreational activities, and general administration functions. Additionally, the County owns and operates water, sewer and solid waste systems. This CAFR includes all funds of the County including all activities considered to be part of (controlled by or dependent on) the County.

The budget serves as the foundation for Union County's financial planning and control. As required by the North Carolina Budget and Fiscal Control Act, the County adopts an annual budget for all governmental funds except those authorized by project ordinance that are multi-year in nature. Appropriations to the various funds are formally budgeted on a departmental basis. The County Manager is authorized to approve appropriation transfers within all departments. The Board must approve transfers that alter the total appropriation of any department. However, for expenditure control purposes the budget is monitored and controlled on a departmental and line-item level.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Local economy. Union County forms a part of the seven county Charlotte-Gastonia-Rock Hill, NC-SC MSA – a region with a reputation as a business leader. The region's economic performance has been characterized by a shift to the finance/insurance/real estate and professional services sectors with relatively low unemployment rates when compared to those of the State, region and nation. Light manufacturing centers in the region are moving to the Route 74 (a U.S. highway that traverses the region in an east/west director) corridor.

The gradual completion of the 63-mile I-485 Charlotte/Mecklenburg outerbelt has opened up suburban counties such as Union for residential development. New home construction continues on a record pace in the MSA, as well as Union County. A majority of the population growth and new residents have moved into the western part of the County resulting in increased buying power, a growing labor force, changing land use patterns, and challenges on the existing infrastructure. New home prices in the County exceed those of the Charlotte/Mecklenburg area. The County's median family income is the seventh highest in the State.

Long-term financial planning. Union County's population grew by 47% from 1990-2000, reaching 123,677 in 2000. From 2000 to 2002, the population increased by 12.3% to 138,928. The North Carolina State Demographics Unit expects the County's population to grow another 17% or 23,831 between 2003-2009, reaching 163,859 by the year 2009. Public school enrollment, currently at 25,434, is projected to increase to 35,773, or 41% by 2010. The County's utility system has been adding over 1,500 new connections every year. Residential building permits and new construction values reached record high levels in fiscal year 2003.

This population growth has, and will continue, to have significant impact on the County's infrastructure.

The County's voters passed school bond referendums in 1998, 2000 and 2002 aggregating \$177.7 million. At June 30, 2003, the County's remaining authorization from these three referendums totaled \$95 million. The school system anticipates using the bond proceeds to construct four elementary schools, one middle schools and two high schools by the 2005-2006 academic year. The school system anticipates the need for an additional high and middle school in 2008-2009 and elementary schools in 2007-2008 (based on an NC State University study released in October 2002). Utility system improvements to accommodate the County's residential growth are also required including expansion of the County's water and wastewater treatment facilities along with its major outfalls, force mains, distribution and collection systems. Finally, the County anticipates completing needed improvements to its judicial and court system, libraries and community college facilities.

These capital improvements, along with increased operating costs, will have a significant impact on the County's budget and will require prudent planning and the development of long-term financing plans to moderate the impact of these improvements on our citizens.

Cash and investment management policies and practices. The investment policy of the County is guided in a large part by State statute. The County believes strongly in making the best possible use of idle cash resources and as a result, investments have been made in securities that insure that ample funds are available as needed to meet disbursement requirements as well as to take advantage of market fluctuations. The approach allows the County to maximize financial return with the parameters of acceptable risk. For the fiscal year ended June 30, 2003, the County earned an equivalent of 2.4 cents on its ad valorem tax rate in investment earnings.

Debt administration. The County maintains a Aa3/AA-/AA on its general obligation debt from the three national rating agencies of Moody's Investors Service, Standard & Poors and Fitch. The County's key financial ratios relating to debt are summarized in the following table.

	30-Jun-03	30-Jun-02	30-Jun-01	30-Jun-00	30-Jun-99
Assessed Value	\$ 10,245,798,518	\$ 9,525,585,673	\$ 8,920,994,930	\$ 6,316,967,744	\$ 5,835,050,674
Net Tax Supported Debt	\$ 161,186,650	\$ 130,528,914	\$ 137,959,777	\$ 87,531,087	\$ 62,058,001
Net Tax Supported Debt as a Percentage of Assessed Value	1.57%	1.37%	1.55%	1.39%	1.06%
Debt Service as a Percent of Expenditures	13.3%	14.0%	12.0%	11.5%	11.7%
Population	138,928	132,086	124,793	115,344	110,110
Debt per Capita	\$ 1,160.22	\$ 988.21	\$ 1,105.51	\$ 758.87	\$ 563.60
Available Fund Balance as a Percent of General Fund Expenditures	39.4%	53.8%	69.7%	70.1%	59.5%

The establishment of a debt management policy is becoming increasingly critical in light of the County's projected infrastructure requirements and its current debt ratios.

Risk management. The County is exposed to various risks of loss related to assets, liabilities claimed by third parties and employee injury. The County is fully insured through a commercial insurance company for these exposures, with the exception of injuries to employees. The County self-insures workers' compensation claims with claims exceeding \$250,000 covered by excess reinsurance.

There has been no significant reduction in insurance coverage from the previous year and settled claims have not exceeded insurance policy limits in the last three years.

Pension plans. County employees are required to participate in one of several multiple-employer, defined benefit pension plans administered by the State of North Carolina. In addition to the pension plans administered by the State, the County administers a single-employer defined benefit plan for certain qualified employees and a supplemental retirement income plan. All of these plans are discussed in the notes to the financial statements.

Awards and acknowledgements. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Union

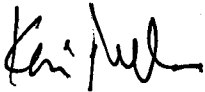
County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002. This marks the seventh consecutive year that Union County has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents must conform to program standards. Such reports 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 our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Each County department's strong commitment to the goals, vision and mission statements of the County are reflected in their provision of services to the residents of Union County. We appreciate the cooperation of all County departments in conducting financial activities, including the preparation of this report. We would like to commend the members of the Finance and Internal Audit Departments, particularly, for their contributions in completing this report. Significant and notable progress was made in insuring that audit work papers and schedules were prepared accurately and made available to the external auditors in a timely fashion. The Finance Department members' planning and preparedness was evident and reflected in the external auditor's ability to efficiently complete their engagement.

We also wish to express appreciation to the Board of County Commissioners and County Manager Mike Shalati for their leadership in making Union County a fiscally sound, well-governed organization.

Respectfully submitted,



Kai Nelson
Finance Director



Andrea Robinson
Assistant Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Union 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

Union County, North Carolina
List of Principal Officials
June 30, 2003

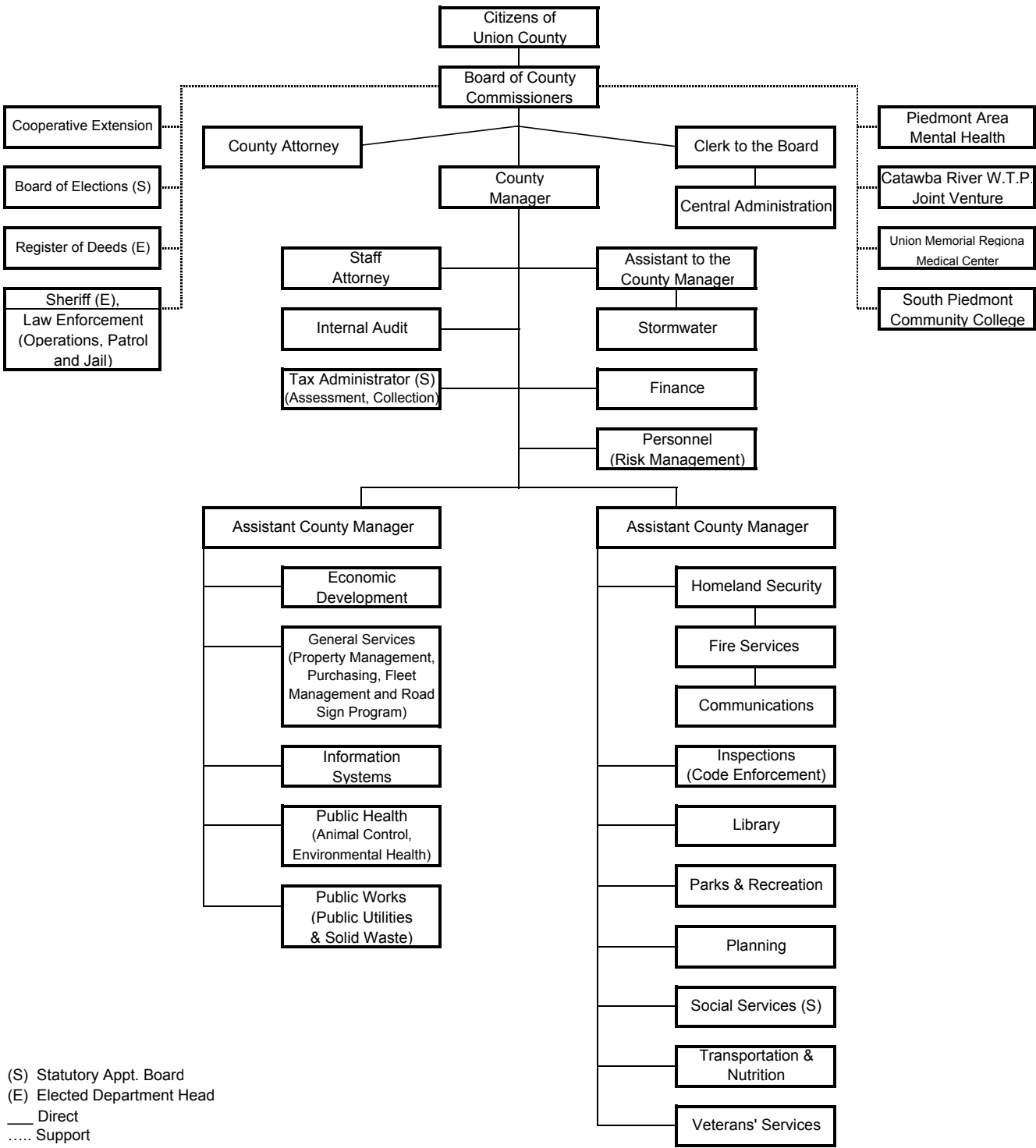
Board of County Commissioners

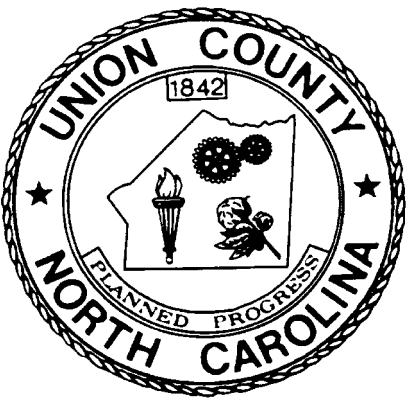
Paul A. Standridge, Chairman
Stony Rushing, Vice-Chairman
H. Clayton Loflin
Hughie Sexton
Richard Stone

County Officials

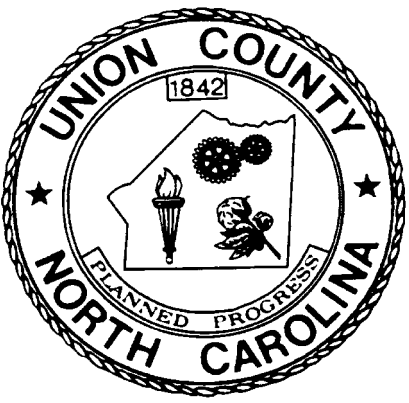
Mike Shalati	County Manager
Joe Lesch	Assistant County Manager
Vacant	Assistant County Manager
Christie Putnam	Assistant to the County Manager
Lynn G. West	Clerk to the Board
Minor Plyler	Communications Director
Jerry Simpson	Cooperative Extension Service Director
Don Perry	County Attorney
Vacant	Economic Development Director
Shirley Tinsley	Elections Director
Kai D. Nelson	Finance Director
Neal Speer	Fire Marshall
Barry Wyatt	General Services Director
Lorey White	Public Health Director
Patrick Beekman	Homeland Security Director
Carl Lucas	Information Systems Director
Donald Moore	Inspections Director
Wesley Baker	Internal Auditor
David Eden	Library Director
Wanda Smith	Parks and Recreation Director
Mark Watson	Personnel Director
Richard Black	Planning Director
Jon Dyer	Public Works Director
Judy Price	Register of Deeds
Eddie Cathey	Sheriff
Roy Young	Social Services Director
Jeff Crook	Staff Attorney
Brent Weisner	Tax Administrator
Annette Sullivan	Transportation & Nutrition Director
Kenneth Rogers	Veterans' Services Director

Union County, North Carolina Organizational Chart





Financial Section





DIXON ODOM PLLCTM
Certified Public Accountants and Consultants

Independent Auditors' Report

To the Board of County Commissioners
Union County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Union County, North Carolina, as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Union County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Union County, North Carolina, as of June 30, 2003, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for 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 and the required supplementary information related to the Special Separation Allowance are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires 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 September 12, 2003 on our consideration of Union County's internal control over financial reporting and 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.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Union County, North Carolina. The combining and individual fund nonmajor fund schedules, 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, 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 introductory and statistical sections listed in the table of contents and, accordingly, we do not express an opinion or any other form of assurance on them.

Dixon Odom PLLC

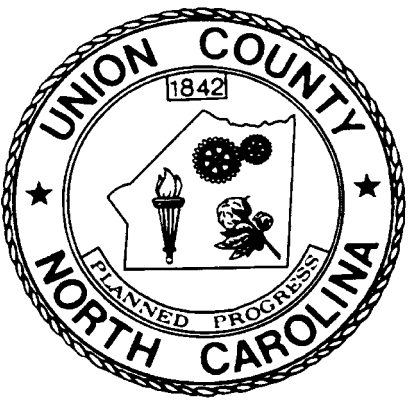
September 12, 2003

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accounting firms throughout the world.

103 Dorsett Drive
P.O. Box 1945
Salisbury, NC 28145-1945
704-636-9090, Fax 704-639-0047



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Union County, we offer readers of Union County's financial statements this narrative overview and analysis of the financial activities of Union County 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 our letter of transmittal, which can be found on pages 3-6 of this report, and the County's financial statements, which follow this narrative.

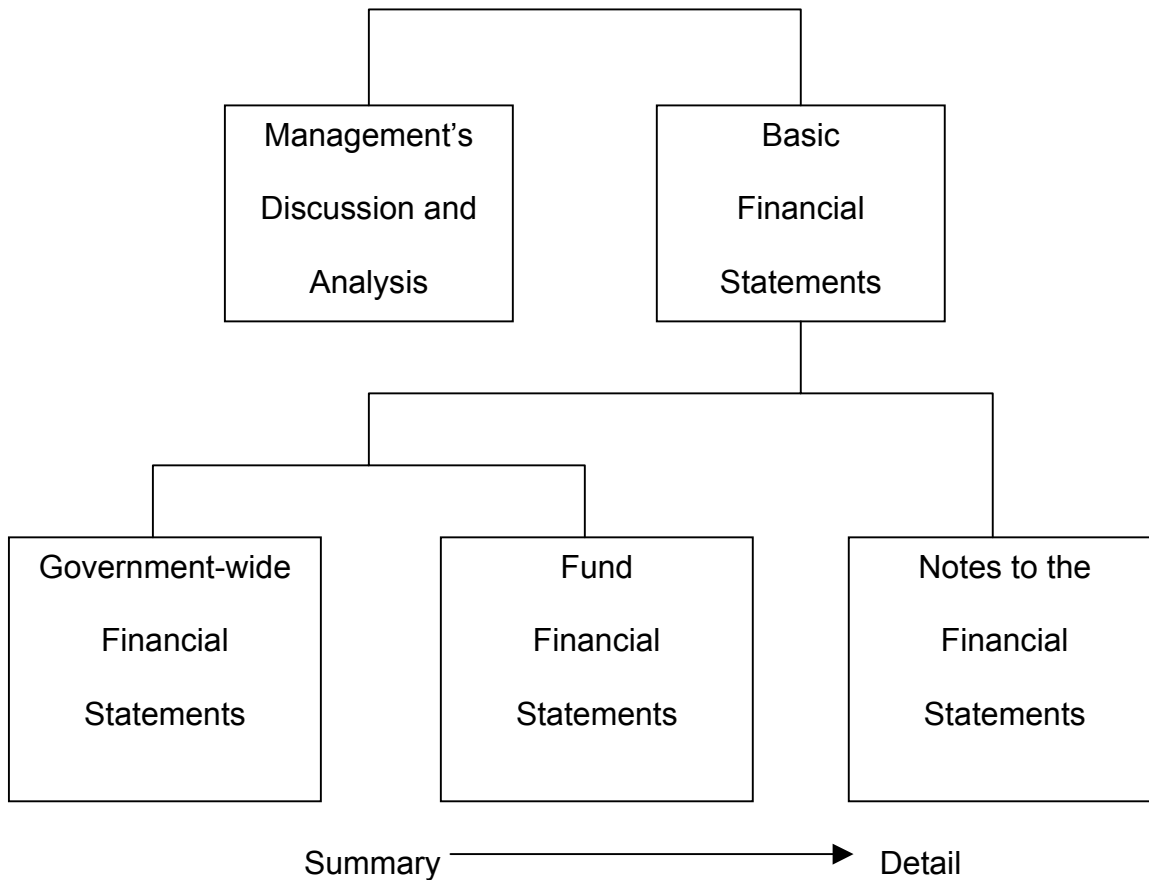
Financial Highlights

- The assets of Union County exceeded its liabilities at the close of the fiscal year by \$87,934,157 (*net assets*), an increase of \$772,770 from the prior fiscal year.
- The total net assets of governmental activities was a deficit \$13,999,475 a decrease of \$19,222,689 from the prior year's amount of \$5,223,214, primarily due to school capital spending and the issuance of an installment financing obligation for general public improvements. 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 school assets are not reflected in the County's financial statements, school capital improvements are expensed.
- As of the close of the current fiscal year, Union County's governmental funds reported combined ending fund balances of \$105,858,629, an increase of \$9,049,429 in comparison with the prior year. The increase is mainly attributable to the net effect of the sources associated with an installment financing (\$34.9 million) and school capital construction expenditures of \$25.4 million. Approximately 45.2 percent of this total amount, or \$47,922,715, is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, the unreserved and undesignated portion of fund balance for the General Fund was \$34,427,942, or 32.6 percent of total general fund expenditures and other financing uses for the fiscal year.
- Union County's total debt increased by \$61,078,310 (34.5%) during the current fiscal year with the increase attributable to the issuance of the Enterprise Systems Revenue Bonds, Series 2003A and the Certificates of Participation, Series 2003.
- Union County maintained its Aa3/AA-/AA general obligation bond rating.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Union 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 will enhance the reader's understanding of the financial condition of Union County.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) 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 C through L) 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, 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 *statement of net assets* presents information on all of Union County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful way to gauge the County's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the County's basic services such as public safety, human services, education, cultural and recreational, general government, and economic and physical development. Property taxes, local option sales 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 the water and sewer and solid waste services offered by Union County.

The government-wide financial statements are on Exhibits A and B 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. Union 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 North Carolina General Statutes or the County's budget ordinance. All of the funds of Union 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. However, unlike the government-wide financial statements, governmental fund financial statements 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. Most of the County's basic services are accounted for in governmental funds. 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.

Union County adopts an annual budget for its General Fund, as required by North Carolina 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 of County Commissioners (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 General Fund budgetary comparison statement uses the budgetary basis of accounting, modified accrual, 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.

The basic governmental fund financial statements are Exhibits C through G of this report.

Proprietary Funds – Union County maintains two types of proprietary funds, Enterprise and Internal Service. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. Union County uses enterprise funds to account for its Water and Sewer and Solid Waste operations. Internal service funds are an accounting mechanism used to accumulate and allocate costs internally among Union County's various functions. Union County uses internal service funds to account for the financing of goods and services provided by the Health Benefit and Workers' Compensation Funds on a cost reimbursement basis. As both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer and Solid Waste operations. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Union County has eight fiduciary funds, one of which is a pension trust fund 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 start on page 41 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Union County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 76 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 80-141 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The figure below depicts the County's net assets for fiscal year 2003 and provides comparative data, including the percentage change, from fiscal year 2002.

Union County's Net Assets
Figure 2

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2002	2003	2002	2003	2002	2003	2002-2003
Current and other assets	\$ 109,870,975	\$ 118,865,830	\$ 45,634,642	\$ 78,514,409	\$ 155,505,617	\$ 197,380,239	26.93%
Capital assets	37,470,210	40,464,605	87,958,771	107,025,743	125,428,981	147,490,348	17.59%
Total assets	147,341,185	159,330,435	133,593,413	185,540,152	280,934,598	344,870,587	22.76%
Long-term debt outstanding	130,528,914	161,186,650	44,883,742	75,304,316	175,412,656	236,490,966	34.82%
Other liabilities	11,589,057	12,143,260	6,771,498	8,302,204	18,360,555	20,445,464	11.36%
Total liabilities	142,117,971	173,329,910	51,655,240	83,606,520	193,773,211	256,936,430	32.60%
Net assets							
Invested in capital assets, net of related debt	32,457,899	31,763,862	43,593,411	51,981,910	76,051,310	83,745,772	10.12%
Restricted	3,915,730	33,500,043	143,400	2,882,255	4,059,130	36,382,298	796.31%
Unrestricted	(31,150,415)	(79,263,380)	38,201,362	47,069,467	7,050,947	(32,193,913)	-556.59%
Total net assets	\$ 5,223,214	\$ (13,999,475)	\$ 81,938,173	\$ 101,933,632	\$ 87,161,387	\$ 87,934,157	0.89%

The assets of Union County exceeded liabilities by \$87,934,157 as of June 30, 2003. The County's net assets increased by \$772,770 for the fiscal year ended June 30, 2003. One of the largest portions of net assets 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. Union County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Union 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 in the amount of \$36,382,298 of Union County's net assets represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of \$32,193,913 is unrestricted.

As with many counties in the State of North Carolina, the County's Governmental Activities deficit in unrestricted net assets is due primarily to the portion of the County's outstanding debt incurred for the Union County Board of Education (the "school") and the South Piedmont Community College (the "community college"). Under North Carolina law, the County is responsible for providing capital funding for the school and community college systems. The County has chosen to meet its legal obligation to provide the systems capital funding by using a mixture of County funds, general obligation debt and installment financings. The assets funded by the County; however, are titled to, and utilized by the school and community college systems. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. As of June 30, 2003, \$134,520,098 of the outstanding debt, including accrued interest, on the County's financial statements was related to assets included in the school and community college systems' financial statements. The outstanding amount of this debt of \$134.5 million has been reported as a reduction of unrestricted net assets for governmental activities, resulting in a deficit balance of \$49,688,227 for this category of net assets. Had this debt not been reported as a reduction of

unrestricted net assets, the balance of unrestricted net assets for governmental activities would be \$84,831,871 and total net assets would be \$120,520,623.

The vast majority of this school and community college system related debt is general obligation debt; therefore, 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.

**Union County Changes in Net Assets
Figure 3**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2002-2003
	2002	2003	2002	2003	2002	2003	
Revenues:							
Program revenues:							
Charges for services	\$ 10,527,281	\$ 11,672,719	\$ 19,449,449	\$ 16,362,345	\$ 29,976,730	\$ 28,035,064	-6.48%
Operating grants and contributions	15,645,861	14,747,734	163,467	182,406	15,809,328	14,930,140	-5.56%
Capital grants and contributions	514,540	898,117	42,000	13,547,273	556,540	14,445,390	2495.57%
General revenues:							
Property taxes	46,522,266	49,606,797	-	-	46,522,266	49,606,797	6.63%
Other taxes	18,692,227	20,632,688	-	-	18,692,227	20,632,688	10.38%
Grants and contributions not restricted to specific programs	1,691,404	60,838	-	-	1,691,404	60,838	-96.40%
Other	3,120,730	1,901,095	1,130,262	741,494	4,250,992	2,642,589	-37.84%
Total revenues	96,714,309	99,519,988	20,785,178	30,833,518	117,499,487	130,353,506	10.94%
Expenses:							
General government	10,399,708	10,560,289	-	-	10,399,708	10,560,289	1.54%
Public safety	19,458,701	21,273,554	-	-	19,458,701	21,273,554	9.33%
Economic and physical development	1,084,390	1,168,550	-	-	1,084,390	1,168,550	7.76%
Human services	27,244,747	27,692,374	-	-	27,244,747	27,692,374	1.64%
Cultural and recreational	2,631,521	4,892,846	-	-	2,631,521	4,892,846	85.93%
Education	44,726,510	46,645,607	-	-	44,726,510	46,645,607	4.29%
Interest and fees on long term debt	7,563,464	6,509,457	-	-	7,563,464	6,509,457	-13.94%
Water and sewer	-	-	14,828,450	14,765,162	14,828,450	14,765,162	-0.43%
Solid waste	-	-	3,073,860	3,150,037	3,073,860	3,150,037	2.48%
Total expenses	113,109,041	118,742,677	17,902,310	17,915,199	131,011,351	136,657,876	4.31%
Increase (decrease) in net assets before transfers and special item							
	(16,394,732)	(19,222,689)	2,882,868	12,918,319	(13,511,864)	(6,304,370)	-53.34%
Transfers	46,066	-	(46,066)	-	-	-	-
Special item	-	-	(860,220)	7,077,140	(860,220)	7,077,140	-922.71%
Increase (decrease) in net assets	(16,348,666)	(19,222,689)	1,976,582	19,995,459	(14,372,084)	772,770	-105.38%
Net assets, July 1	21,571,880	5,223,214	79,961,591	81,938,173	101,533,471	87,161,387	-14.16%
Net assets, June 30	\$ 5,223,214	\$ (13,999,475)	\$ 81,938,173	\$ 101,933,632	\$ 87,161,387	\$ 87,934,157	0.89%

Governmental activities: Governmental activities decreased the County's net assets by \$19,222,689 compared with the prior year's decrease of \$16,348,666. Key elements of this decrease when compared to the prior year are as follows:

- Unrestricted investment earnings decreased by \$1.2 million 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 during the year for investment purposes.
- Intergovernmental revenues (including operating grants and contributions) decreased by approximately \$2.5 million with a majority of the reduction occurring as a result of the

withholding of state shared revenues (tax reimbursements of \$1.6 million and Public School Building Capital Funds of \$782,000) by the Governor.

- Increased Education (\$1.9 million – current expense and school facilities), Public Safety (\$1.8 million – personnel and depreciation of assets) and Cultural and Recreational (\$2.3 million – personnel, community grants and depreciation of assets) also contributed to the decline in net assets.
- These decreases were partially offset by an increase in revenue collected from property taxes of \$3.1 million due to increases in the County's tax base which is attributable principally to new construction and imposition of a ½ cent local option sales tax (\$1.8 million).

Business-type activities: Net assets in the Business-type activities increased by \$19,995,459, offsetting all of the decrease reflected in governmental activities. Solid Waste services had a decrease in net assets of \$274,571, while Water and Sewer services had an increase in net assets of \$20,270,030.

Financial Analysis of the County's Funds

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

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

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved and undesignated fund balance of the General Fund was \$34,427,942, while total fund balance was \$60,834,031. As a measure of the general fund's liquidity, it may be useful to compare both unreserved and undesignated fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 32.6 percent of total General Fund expenditures and other financing uses, while total fund balance represents 57.6 percent of that same amount.

At June 30, 2003, the governmental funds of the County reported a combined fund balance of \$105,858,629, a 9.3 percent increase or \$9.0 million from last year. The primary reason for this increase relates to the issuance in June 2003 of the Certificates of Participation, Series 2003 for general public improvements. A significant portion of the proceeds remains unspent at June 30; thereby increasing fund balances at fiscal year end. The combined fund balance increase was mitigated by the reduction (\$13.7 million) of fund balance reported in the school's capital projects funds due to continued expenditures associated with the public schools' capital improvement plan. Another contributing factor which mitigated the overall increase in the combined fund balance was a \$2.1 million decrease in the General Fund's fund balance – an improvement over the prior year's General Fund fund balance decrease of \$7.6 million.

In addition to the General Fund, Union County maintains one other major governmental fund – the General Capital Projects Fund. This capital project fund is used to account for a portion of the Certificates of Participation, Series 2003 proceeds, public schools capital outlay funded from

current resources and other miscellaneous projects. Fund balance at fiscal year end totaled \$25.4 million which is to be utilized for various Board approved projects.

General Fund Budgetary Highlights: The beginning of fiscal year 2003 marked uncertainty surrounding the State of North Carolina's budget situation. That uncertainty quickly dissolved with the State authorizing the County to levy an additional ½ cent local option sales tax which replaced several tax reimbursements provided by the State to the County. County ad valorem revenues continue to reflect robust growth due to the local housing construction market attributable to the proximity of the County to the Charlotte MSA. Fiscal year 2003 revenues reflect continued improvement over fiscal year 2002 while fiscal year 2003 expenditures and other financing uses reflect more moderate increases when compared to fiscal year 2002.

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 decreased revenues and other financing sources and expenditures and other financing uses by \$6,099,181 or 5.1%.

The actual operating revenues for the General Fund were greater than the budgeted amount by \$4,856,419 with the majority of net favorable balance resulting from a combination of favorable property tax revenues (\$2.5 million), local option sales tax (\$2.1 million), and permits and fees (\$1.1 million) with unfavorable intergovernmental revenues (\$1.1 million). Actual expenditures were under the final budget by \$8,403,039 with the majority of the positive variances occurring in General Government and Human Services. Actual fund balance use was \$2.1 million compared to the final budget of \$15.4 million.

Proprietary Funds: The County'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 totaled \$3,958,670, and those for the Water and Sewer Fund totaled \$37,053,475. The total increase (decrease) in net assets for both funds was (\$263,330) and \$20,337,028, respectively. The significant increase in net assets of the Water and Sewer Fund is attributable to the gain of \$7 million associated with the sale of a portion of the system's assets (surplus land and a portion of the distribution/collection system to another municipality) and the recording of capital contributions principally in the form of developers equity.

Capital Asset and Debt Administration

Capital assets: The County's investment in capital assets for its governmental and business-type activities as of June 30, 2003, totaled \$146,701,339 (net of accumulated depreciation), an increase of \$21,272,358 over the prior year's amount of \$125,428,981. These assets include land, buildings, equipment, plants and utility infrastructure.

Major capital asset transactions during the year include:

- Purchase and replacement of public safety vehicles
- Purchase of E-911 system hardware and software
- Purchase of computer servers
- Expansion of the Monroe Library and construction of Union West and Marshville libraries

- Continued construction of 24,000 linear feet of sewer lines along Little Twelve Mile Creek
- Continued construction of approximately 16,000 linear feet of sewer lines along Blythe Creek that will extend service outward into western Union County and will allow several small collection system pump stations in Waxhaw to be replaced by gravity sewer
- Continued construction of approximately 25,000 linear feet of water lines to feed the Stallings area
- Continued construction of the Catawba Water Treatment Plant expansion that will increase the plants capacity from 18 million gallons per day to 36 million gallons per day, which will increase the County's allocation by 50% or 9 million gallons per day
- Continued construction of approximately 41,000 linear feet of 42 inch transmission main from the Catawba Water Treatment Plant to Sims Road to feed into the County's water distribution system
- Beginning construction of the Sims Road ground storage tank and pump station to facilitate the expanded water capacity to come from the Catawba Water Treatment Plant
- Beginning construction of 50,000 linear feet of water lines to provide water and fire protection to the South Altan area of the County
- Receipt of contributed capital consisting of approximately \$8.6 million for water and sewer distribution and collection systems

Union County's Capital Assets
Figure 4

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2002	2003	2002	2003	2002	2003	2002-2003
Land	\$ 6,134,898	\$ 6,134,898	\$ 1,956,791	\$ 1,479,381	\$ 8,091,689	\$ 7,614,279	-5.90%
Construction in progress	6,083,677	2,213,496	13,887,287	10,278,185	19,970,964	12,491,681	-37.45%
Other improvements	650,755	1,030,264	32,387	77,610	683,142	1,107,874	62.17%
Buildings	19,536,568	24,449,703	2,429	-	19,538,997	24,449,703	25.13%
Furniture and equipment	2,917,814	4,012,659	907,616	1,150,404	3,825,430	5,163,063	34.97%
Vehicles	2,146,498	1,834,576	1,078,577	945,532	3,225,075	2,780,108	-13.80%
Plant and collection systems	-	-	44,198,000	56,750,840	44,198,000	56,750,840	28.40%
Plant and distribution systems	-	-	25,895,684	36,343,791	25,895,684	36,343,791	40.35%
	<u>\$ 37,470,210</u>	<u>\$ 39,675,596</u>	<u>\$ 87,958,771</u>	<u>\$ 107,025,743</u>	<u>\$ 125,428,981</u>	<u>\$ 146,701,339</u>	<u>16.96%</u>

Additional information on the County's capital assets can be found in Note 6 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2003, the County had total debt outstanding of \$236,490,996. General obligation debt, secured by the full faith and credit of the County, totaled \$135,323,485, a decline from the previous year. Revenue bonds, certificates of participation, installment financings and other debt totaled \$101,167,481, an increase of \$70,278,357. The increase is attributable to the issuance in fiscal year 2003 of the Series 2003 Revenue Bonds and Certificates of Participation. A summary of total long-term debt is shown in Figure 5.

**General Obligation Bond, Revenue Bonds and Notes Payable
Figure 5**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2002-2003
	2002	2003	2002	2003	2002	2003	
General obligation bonds	\$ 122,001,614	\$ 115,636,279	\$ 22,521,920	\$ 9,687,206	\$ 144,523,534	\$ 135,323,485	-6.37%
Certificates of participation	4,850,000	45,550,371	-	-	4,850,000	45,550,371	839.18%
Installment financing	3,677,300	-	-	-	3,677,300	-	-100.00%
Revenue bonds	-	-	18,378,932	51,989,396	18,378,932	51,989,396	182.87%
Other	-	-	3,982,892	3,627,714	3,982,892	3,627,714	-8.92%
	<u>\$ 130,528,914</u>	<u>\$ 161,186,650</u>	<u>\$ 44,883,744</u>	<u>\$ 75,304,316</u>	<u>\$ 175,412,658</u>	<u>\$ 236,490,966</u>	<u>34.82%</u>

The County's total net debt increased by \$61,078,310 or 34.8 percent during the past fiscal year.

The County's most recent general obligation bond ratings, affirmed in connection with the County's Certificates of Participation, Series 2003 issue, are shown below:

Moody's Investor Services	Aa3
Standard & Poor's	AA-
Fitch IBCA	AA

The County's most recent utility revenue bond ratings, received in connection with the Enterprise System Revenue Bonds, Series 2003A and Series 2003B issues, are shown below:

Moody's Investor Services	A2
Standard & Poor's	A
Fitch IBCA	A+

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 Union County is \$559,193,125. The County has \$95,000,000 in bonds authorized but unissued at June 30, 2003.

Additional information regarding the County's long-term debt can be found in Note 16.

Economic Factors and Next Year's Budgets and Rates

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

Indicator	Union County	North Carolina
Population Increase 1990-2000	46.9%	21.4%
Population Increase 2000-2002	12.3%	3.4%
Projected Population Increase 2003-2009	17.0%	10.5%
Unemployment Rate (2002)	5.2%	6.7%
Unemployment Rate (09/2003)	4.7%	6.0%
Per Capita Personal Income (2001)	\$24,890	\$27,308
Median Family Income (2000)	\$57,100	\$46,150

Data source: North Carolina Department of Commerce, North Carolina State Demographics Unit, NC Employment Security Commission

Budget Highlights for the Fiscal Year Ending June 30, 2004

Governmental Activities: The County has approved a \$112.1 million General Fund budget for fiscal year 2004 which represents a \$8.1 million or 6.7% decrease from fiscal year 2003's original adopted budget. A significant portion of the decrease is attributable to several capital improvements funded in the fiscal year 2003 budget from the proceeds of an installment financing agreement. The original adopted budget contained a fund balance appropriation of \$6.5 million to balance the fiscal year 2004 budget – representing a decrease from fiscal year 2003's initial budgeted fund balance appropriation of \$13.1 million. The reduction in the amount appropriated from fund balance was achieved, in part, through an increase in the countywide tax rate of approximately 6 cents per \$100 of assessed valuation. Subsequent to budget approval, the Board of Education filed notice that it intended to dispute the amounts appropriated by the County Commission to the current expense and capital outlay amounts for the County's public school system. The County and Board of Education reached agreement with regard to the County's appropriation by providing an additional \$2.1 million beyond the initial amounts contained in the original budget ordinance. Funding for such additional amounts was provided from a fund balance appropriation.

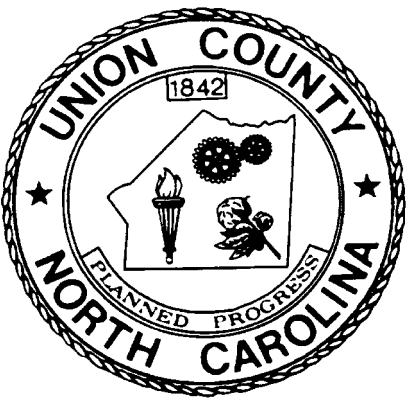
The County anticipates issuing a portion of its \$95 million general obligation bond authorization in fiscal year 2004 through the development of a commercial paper program to finance the public school system's capital construction program.

Business – type Activities: In June 2003 the County issued its Series 2003 Enterprise Systems Revenue Bonds to finance, in part, approximately \$75.4 million in capital improvements to the water and sewer system. In connection with the Series 2003 Revenue Bonds, the County contracted with a firm to conduct a financial feasibility of the proposed financing. The County anticipates updating the financial feasibility, to include the capital improvement program, in fiscal year 2004 and to identify the necessary revenues and rate structures, to support future operations, maintenance, debt service costs and the capital improvement program. The County did not budget any increases in water and sewer rates and fees in connection with the approved budget pending the results of the updated feasibility study.

Over the past several years, Solid Waste Fund expenditures, on a modified accrual basis, have exceeded revenues each year in the range of 2 to 7%. Late in fiscal year 2003, the County reduced its costs associated with transporting and disposal of municipal solid waste and in fiscal year 2004, the County increased its tipping fees. The County believes that these combined initiatives will have the effect of mitigating the losses that the Solid Waste Fund has experienced in recent years.

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, Union County, 500 N. Main Street, Suite 901, Monroe, NC 28110.



Basic Financial Statements

Statement of Net Assets

June 30, 2003

	Governmental Activities	Business Type Activities	Total Primary Government
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 16,794,758	\$ 13,786,237	\$ 30,580,995
Investments	36,293,767	29,848,884	66,142,651
Property taxes receivable (net)	1,455,737	-	1,455,737
Accounts receivable (net)	8,448,610	3,051,260	11,499,870
Inventories	37,013	428,896	465,909
Internal balances	144,640	(144,640)	-
Cash equivalents, restricted	55,691,305	19,104,954	74,796,259
Total current assets	<u>118,865,830</u>	<u>66,075,591</u>	<u>184,941,421</u>
Noncurrent assets:			
Unamortized bond issuance cost	789,009	1,155,529	1,944,538
Investment in joint venture	-	11,283,289	11,283,289
Capital assets:			
Land and other assets not being depreciated	8,348,394	11,757,567	20,105,961
Buildings, equipment and infrastructure, net of depreciation	31,327,202	95,268,176	126,595,378
Total noncurrent assets	<u>40,464,605</u>	<u>119,464,561</u>	<u>159,929,166</u>
Total assets	<u>159,330,435</u>	<u>185,540,152</u>	<u>344,870,587</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	6,459,552	4,914,158	11,373,710
Unearned revenue	569,128	-	569,128
Customer deposits	266,335	126,508	392,843
Current portion of long-term obligations	8,497,421	4,841,504	13,338,925
Liabilities payable from restricted assets	2,362,826	-	2,362,826
Workers' compensation claims	337,831	-	337,831
Health care benefits	6,490	-	6,490
Total current liabilities	<u>18,499,583</u>	<u>9,882,170</u>	<u>28,381,753</u>
Noncurrent liabilities:			
Accrued landfill postclosure care costs	-	2,959,313	2,959,313
Compensated absences	2,141,098	302,225	2,443,323
Noncurrent portion of long-term obligations	152,689,229	70,462,812	223,152,041
Total noncurrent liabilities	<u>154,830,327</u>	<u>73,724,350</u>	<u>228,554,677</u>
Total liabilities	<u>173,329,910</u>	<u>83,606,520</u>	<u>256,936,430</u>
NET ASSETS			
Invested in capital assets, net of related debt	31,763,862	51,981,910	83,745,772
Restricted for:			
Public safety	2,424,872	-	2,424,872
Education	31,075,171	-	31,075,171
Debt service	-	2,882,255	2,882,255
Unrestricted	(79,263,380)	47,069,467	(32,193,913)
Total net assets	<u>\$ (13,999,475)</u>	<u>\$ 101,933,632</u>	<u>\$ 87,934,157</u>

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

Statement of Activities
Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 10,560,289	\$ 1,888,212	\$ 145,572	\$ -	\$ (8,526,505)	\$ -	\$ (8,526,505)
Public safety	21,273,554	5,122,180	1,160,601	-	(14,990,773)	-	(14,990,773)
Economic and physical development	1,168,550	33,251	34,036	-	(1,101,263)	-	(1,101,263)
Human services	27,692,374	4,198,542	12,643,288	126,896	(10,723,648)	-	(10,723,648)
Cultural and recreational	4,892,846	430,534	214,715	771,221	(3,476,376)	-	(3,476,376)
Education	46,645,607	-	549,522	-	(46,096,085)	-	(46,096,085)
Interest and fees on long term debt	6,509,457	-	-	-	(6,509,457)	-	(6,509,457)
Total governmental activities	<u>118,742,677</u>	<u>11,672,719</u>	<u>14,747,734</u>	<u>898,117</u>	<u>(91,424,107)</u>	<u>-</u>	<u>(91,424,107)</u>
Business-type activities:							
Water and sewer	14,765,162	13,805,194	11,611	13,547,273	-	12,598,916	12,598,916
Solid waste	3,150,037	2,557,151	170,795	-	-	(422,091)	(422,091)
Total business-type activities	<u>17,915,199</u>	<u>16,362,345</u>	<u>182,406</u>	<u>13,547,273</u>	<u>-</u>	<u>12,176,825</u>	<u>12,176,825</u>
Total primary government	<u>\$ 136,657,876</u>	<u>\$ 28,035,064</u>	<u>\$ 14,930,140</u>	<u>\$ 14,445,390</u>	<u>(91,424,107)</u>	<u>12,176,825</u>	<u>(79,247,282)</u>
General revenues:							
Property taxes levied for general purposes					49,606,797	-	49,606,797
Local option sales tax					18,384,358	-	18,384,358
Other taxes and licenses					2,248,330	-	2,248,330
Grants and contributions not restricted to specific programs					60,838	-	60,838
Investment earnings, unrestricted					1,709,041	690,069	2,399,110
Miscellaneous, unrestricted					37,492	-	37,492
Gain (loss) on sale of capital assets					154,562	51,425	205,987
Special item:							
Gain on sale of system assets					-	7,077,140	7,077,140
Total general revenues and special item					<u>72,201,418</u>	<u>7,818,634</u>	<u>80,020,052</u>
Change in net assets					(19,222,689)	19,995,459	772,770
Net assets - beginning					<u>5,223,214</u>	<u>81,938,173</u>	<u>87,161,387</u>
Net assets - ending					<u>\$ (13,999,475)</u>	<u>\$ 101,933,632</u>	<u>\$ 87,934,157</u>

Balance Sheet
Governmental Funds
June 30, 2003

	General	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 14,973,358	\$ -	\$ 797,353	\$ 15,770,711
Investments	32,349,770	-	1,726,563	34,076,333
Property taxes receivable (net)	1,498,624	-	17,285	1,515,909
Accounts receivable (net)	8,033,817	-	157,214	8,191,031
Due from other funds	9,453,351	-	-	9,453,351
Inventories	37,013	-	-	37,013
Restricted cash equivalents and investments	906,225	34,182,104	20,602,976	55,691,305
Total assets	<u>\$ 67,252,158</u>	<u>\$ 34,182,104</u>	<u>\$ 23,301,391</u>	<u>\$ 124,735,653</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 4,091,218	\$ 40,472	\$ 576,470	\$ 4,708,160
Deferred revenue	1,499,939	-	17,285	1,517,224
Unearned revenue	560,635	-	8,493	569,128
Deposits	266,335	-	-	266,335
Liabilities payable from restricted assets	-	1,099,248	1,263,578	2,362,826
Due to other funds	-	7,684,360	1,768,991	9,453,351
Total liabilities	<u>6,418,127</u>	<u>8,824,080</u>	<u>3,634,817</u>	<u>18,877,024</u>
FUND BALANCES				
Reserved for encumbrances	1,696,985	-	581,545	2,278,530
Reserved by State statute	17,522,866	-	157,214	17,680,080
Reserved for drug enforcement	-	-	160,555	160,555
Unreserved				
Designated for subsequent years' expenditures	6,497,003	13,048,364	-	19,545,367
Designated for subsequent years' expenditures, reported in nonmajor:				
Special revenue	-	-	679,926	679,926
Capital projects	-	-	16,542,368	16,542,368
Designated for special purpose	689,235	-	-	689,235
Undesignated	34,427,942	12,309,660	-	46,737,602
Undesignated, reported in nonmajor:				
Special revenue	-	-	1,411,160	1,411,160
Capital projects	-	-	133,806	133,806
Total fund balances	<u>60,834,031</u>	<u>25,358,024</u>	<u>19,666,574</u>	<u>105,858,629</u>
Total liabilities and fund balances	<u>\$ 67,252,158</u>	<u>\$ 34,182,104</u>	<u>\$ 23,301,391</u>	<u>\$ 124,735,653</u>

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

**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	\$ 105,858,629
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	39,675,596
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,457,053
Internal service funds are used by management to charge the costs of health and dental insurance to individual funds. The current assets and liabilities of this internal service fund are included in governmental activities in the statement of net assets.	503,952
Internal service funds are used by management to charge the costs of workers' compensation to individual funds. The current assets and liabilities of this internal service fund are included in governmental activities in the statement of net assets.	2,625,163
Internal balance due from Business Type Activities to Governmental Activities.	144,640
Long-term liabilities for compensated absences are not due and payable in the current period and therefore are not reported in the funds.	(2,141,098)
Long-term liabilities, including bonds and installment financing payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(162,123,410)</u>
Net assets of governmental activities	<u>\$ (13,999,475)</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances**Governmental Funds**

For the Year Ended June 30, 2003

	General	General Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Ad valorem taxes	\$ 49,023,950	\$ -	\$ 710,548	\$ 49,734,498
Local option sales tax	18,180,313	-	204,045	18,384,358
Other taxes and licenses	1,398,707	-	1,020,075	2,418,782
Intergovernmental	14,863,357	-	512,444	15,375,801
Permits and fees	4,902,295	-	1,438,243	6,340,538
Sales and services	3,348,469	-	-	3,348,469
Investments earnings	1,244,153	-	395,989	1,640,142
Miscellaneous	1,983,618	120,000	295,070	2,398,688
Total revenues	<u>94,944,862</u>	<u>120,000</u>	<u>4,576,414</u>	<u>99,641,276</u>
EXPENDITURES				
Current:				
General government	10,332,088	-	-	10,332,088
Public safety	17,198,979	-	3,020,381	20,219,360
Economic and physical development	1,136,928	-	-	1,136,928
Human services	27,374,397	-	-	27,374,397
Cultural and recreational	4,152,424	-	-	4,152,424
Intergovernmental:				
Education	21,196,766	-	-	21,196,766
Capital outlay:				
General Government	-	831,295	-	831,295
Public Safety	-	102,171	-	102,171
Economic and Physical Development	-	29,413	-	29,413
Cultural and Recreational	-	59,594	2,978,112	3,037,706
Education	-	11,640,466	13,742,015	25,382,481
Debt service:				
Principal retirement	7,390,004	-	-	7,390,004
Interest and fees	6,665,543	789,009	-	7,454,552
Total expenditures	<u>95,447,129</u>	<u>13,451,948</u>	<u>19,740,508</u>	<u>128,639,585</u>
Deficiency of revenues under expenditures	<u>(502,267)</u>	<u>(13,331,948)</u>	<u>(15,164,094)</u>	<u>(28,998,309)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	504,505	3,024,518	822,318	4,351,341
OFS/OFU (Govt)	-	-	-	-
Transfers to other funds	(3,100,836)	-	(1,250,505)	(4,351,341)
Proceeds from refunding installment financing	7,116,113	-	-	7,116,113
Proceeds from installment financing	858,482	34,901,154	2,824,674	38,584,310
Payments to refunded debt escrow agents	(6,977,686)	-	(674,999)	(7,652,685)
Total other financing sources (uses)	<u>(1,599,422)</u>	<u>37,925,672</u>	<u>1,721,488</u>	<u>38,047,738</u>
Net change in fund balances	(2,101,689)	24,593,724	(13,442,606)	9,049,429
FUND BALANCES				
Beginning	62,935,720	764,300	33,109,180	96,809,200
Ending	<u>\$ 60,834,031</u>	<u>\$ 25,358,024</u>	<u>\$ 19,666,574</u>	<u>\$ 105,858,629</u>

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

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities**

For the 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	\$ 9,049,429
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 outlays exceeded depreciation in the current period.	2,271,100
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets.	(62,486)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(127,701)
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.	(29,712,639)
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.	(128,418)
The internal service fund is used by management to charge the costs of health and dental insurance costs.	(258,193)
The internal service fund is used by management to charge the costs of workers' compensation costs.	(253,781)
Change in net assets of governmental activities	<u>\$ (19,222,689)</u>

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

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund**

For the Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 46,511,943	\$ 46,511,943	\$ 49,023,950	\$ 2,512,007
Local option sales tax	16,075,000	16,075,000	18,180,313	2,105,313
Other taxes and licenses	1,236,000	1,236,000	1,398,707	162,707
Intergovernmental	16,930,834	15,981,598	14,863,357	(1,118,241)
Permits and fees	3,779,450	3,779,450	4,902,295	1,122,845
Sales and services	3,269,343	3,273,475	3,348,469	74,994
Investments earnings	1,600,000	1,300,000	1,244,153	(55,847)
Miscellaneous	2,034,461	1,930,977	1,983,618	52,641
Total revenues	<u>91,437,031</u>	<u>90,088,443</u>	<u>94,944,862</u>	<u>4,856,419</u>
EXPENDITURES				
Current:				
General government	13,016,383	14,052,822	10,332,088	3,720,734
Public safety	17,814,970	18,055,452	17,198,979	856,473
Economic and physical development	1,634,115	1,652,125	1,136,928	515,197
Human services	29,711,100	30,125,405	27,374,397	2,751,008
Cultural and recreational	4,107,139	4,737,344	4,152,424	584,920
Intergovernmental:				
Education	33,982,196	21,197,847	21,196,766	1,081
Debt service:				
Principal retirement	7,390,007	7,390,007	7,390,004	3
Interest and fees	6,719,166	6,639,166	6,665,543	(26,377)
Contingency	500,000	-	-	-
Nondepartmental	1,447,884	-	-	-
Total expenditures	<u>116,322,960</u>	<u>103,850,168</u>	<u>95,447,129</u>	<u>8,403,039</u>
Deficiency of revenues under expenditures	<u>(24,885,929)</u>	<u>(13,761,725)</u>	<u>(502,267)</u>	<u>13,259,458</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	1,228,028	659,442	504,505	(154,937)
Transfers to other funds	(3,855,407)	(3,109,018)	(3,100,836)	8,182
Proceeds from refunding installment financing	-	-	7,116,113	7,116,113
Proceeds from installment financing	14,498,000	7,978,112	858,482	(7,119,630)
Payments to refunded debt escrow agents	(45,000)	(7,165,000)	(6,977,686)	187,314
Appropriated fund balance	13,060,308	15,398,189	-	(15,398,189)
Total other financing sources (uses)	<u>24,885,929</u>	<u>13,761,725</u>	<u>(1,599,422)</u>	<u>(15,361,147)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(2,101,689)</u>	<u>\$ (2,101,689)</u>
FUND BALANCES				
Beginning			62,935,720	
Ending			<u>\$ 60,834,031</u>	

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

Statement of Net Assets**Proprietary Funds**

June 30, 2003

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 11,631,058	\$ 2,155,179	\$ 13,786,237	\$ 1,024,046
Investments	25,183,586	4,665,298	29,848,884	2,217,434
Accounts receivable (net)	2,610,669	440,591	3,051,260	257,579
Inventories	428,896	-	428,896	-
Cash, customer deposits	-	-	-	-
Cash equivalents, restricted	19,104,954	-	19,104,954	-
Total current assets	<u>58,959,163</u>	<u>7,261,068</u>	<u>66,220,231</u>	<u>3,499,059</u>
Noncurrent assets:				
Unamortized bond issuance costs	1,155,529	-	1,155,529	-
Investment in joint venture	11,283,289	-	11,283,289	-
Land and other assets not being depreciated	11,447,309	310,258	11,757,567	-
Buildings, equipment and infrastructure, net of depreciation	93,781,762	1,486,414	95,268,176	10,760
Total noncurrent assets	<u>117,667,889</u>	<u>1,796,672</u>	<u>119,464,561</u>	<u>10,760</u>
Total assets	<u>\$ 176,627,052</u>	<u>\$ 9,057,740</u>	<u>\$ 185,684,792</u>	<u>\$ 3,509,819</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 4,618,967	\$ 295,191	\$ 4,914,158	\$ 25,625
Customer deposits	122,628	3,880	126,508	-
Long-term liabilities, due within one year:				
General obligation bonds payable	2,968,779	-	2,968,779	-
Revenue bonds payable	1,515,000	-	1,515,000	-
State sanitary sewer loan payable	233,697	-	233,697	-
Sewer plant acquisition payable	124,028	-	124,028	-
Workers' compensation claims payable	-	-	-	337,831
Health care benefits payable	-	-	-	6,490
Total current liabilities	<u>9,583,099</u>	<u>299,071</u>	<u>9,882,170</u>	<u>369,946</u>
Noncurrent liabilities				
Accrued landfill postclosure care costs	-	2,959,313	2,959,313	-
Compensated absences	258,211	44,014	302,225	-
Long-term liabilities, due in more than one year:				
General obligation bonds	16,718,427	-	16,718,427	-
Revenue bonds	50,474,396	-	50,474,396	-
State sanitary sewer loan	3,038,056	-	3,038,056	-
Sewer plant acquisition payable	231,933	-	231,933	-
Total noncurrent liabilities	<u>70,721,023</u>	<u>3,003,327</u>	<u>73,724,350</u>	<u>-</u>
Total liabilities	<u>80,304,122</u>	<u>3,302,398</u>	<u>83,606,520</u>	<u>369,946</u>
NET ASSETS				
Invested in capital assets, net of related debt	56,387,200	1,796,672	58,183,872	10,760
Restricted for debt service	2,882,255	-	2,882,255	-
Unrestricted	37,053,475	3,958,670	41,012,145	3,129,113
Total net assets	<u>\$ 96,322,930</u>	<u>\$ 5,755,342</u>	<u>102,078,272</u>	<u>\$ 3,139,873</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(144,640)	
Net assets of business-type activities			<u>\$ 101,933,632</u>	

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets**Proprietary Funds**

For the Year Ended June 30, 2003

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Total	
OPERATING REVENUES				
Charges for services	\$ 13,502,339	\$ 2,550,031	\$ 16,052,370	\$ 3,669,847
Disposal fees	-	170,795	170,795	-
Other operating revenue	302,855	7,120	309,975	319,415
Total operating revenues	<u>13,805,194</u>	<u>2,727,946</u>	<u>16,533,140</u>	<u>3,989,262</u>
OPERATING EXPENSES				
Personnel	3,717,207	747,595	4,464,802	-
Operating expenses	5,044,981	2,128,017	7,172,998	167,736
Depreciation	3,524,150	228,018	3,752,168	3,228
Operating leases	652,148	-	652,148	-
Landfill closure	-	35,166	35,166	-
Workers' compensation claims	-	-	-	245,854
Health benefit claims and premiums	-	-	-	4,231,555
Total operating expenses	<u>12,938,486</u>	<u>3,138,796</u>	<u>16,077,282</u>	<u>4,648,373</u>
Operating income (loss)	<u>866,708</u>	<u>(410,850)</u>	<u>455,858</u>	<u>(659,111)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	542,549	147,520	690,069	68,896
Water and sewer taps	4,556,927	-	4,556,927	-
Intergovernmental	11,611	-	11,611	-
Gain on sale of capital assets	51,425	-	51,425	-
Interest and fees on long term debt	(1,636,777)	-	(1,636,777)	-
Loss on investment in joint venture	(122,901)	-	(122,901)	-
Total nonoperating revenue (expense)	<u>3,402,834</u>	<u>147,520</u>	<u>3,550,354</u>	<u>68,896</u>
Income (loss) before contributions	<u>4,269,542</u>	<u>(263,330)</u>	<u>4,006,212</u>	<u>(590,215)</u>
OTHER CHANGES IN NET ASSETS				
Capital contributions	8,990,346	-	8,990,346	-
Special item:				
Gain on sale of system assets	<u>7,077,140</u>	<u>-</u>	<u>7,077,140</u>	<u>-</u>
Change in net assets	<u>20,337,028</u>	<u>(263,330)</u>	<u>20,073,698</u>	<u>(590,215)</u>
NET ASSETS				
Beginning	<u>75,985,902</u>	<u>6,018,672</u>	<u>82,004,574</u>	<u>3,730,088</u>
Ending	<u>\$ 96,322,930</u>	<u>\$ 5,755,342</u>	<u>\$ 102,078,272</u>	<u>\$ 3,139,873</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>(144,640)</u>	
Change in net assets of business-type activities			<u>\$ 101,933,632</u>	

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

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2003

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Water and Sewer Fund	Solid Waste Fund	Total	Internal Service Funds
OPERATING ACTIVITIES				
Cash received from customers for services	\$ 13,998,529	\$ 2,479,958	\$ 16,478,487	\$ 3,412,268
Other operating revenue	302,855	177,915	480,770	319,415
Cash paid to employees	(3,643,129)	(749,138)	(4,392,267)	-
Cash paid for goods and services	(4,466,530)	(2,020,856)	(6,487,386)	(4,530,582)
Net cash provided (used) by operating activities	6,191,725	(112,121)	6,079,604	(798,899)
NONCAPITAL FINANCING ACTIVITIES				
Payments on interfund loan	(444,151)	-	(444,151)	-
Net cash used by noncapital financing activities	(444,151)	-	(444,151)	-
CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from revenue bonds	54,065,000	-	54,065,000	-
Proceeds from sale of capital assets	7,604,550	-	7,604,550	-
Proceeds from tap fees	4,556,927	-	4,556,927	-
Proceeds from federal grant	199,405	-	199,405	-
Proceeds from grant	11,611	-	11,611	-
Proceeds from developer contributions	64,062	-	64,062	-
Payments to defease debt	(18,315,000)	-	(18,315,000)	-
Payments on general obligation bond debt	(2,980,664)	-	(2,980,664)	-
Payments on revenue bond debt	(490,000)	-	(490,000)	-
Payments on state sanitary loan	(233,697)	-	(233,697)	-
Payments on sewer plant acquisition	(121,479)	-	(121,479)	-
Issuance costs paid for bonds	(1,041,090)	-	(1,041,090)	-
Remove old revenue bond unamortized issuance costs	231,626	-	231,626	-
Add new revenue bond unamortized defeasance	(2,620,000)	-	(2,620,000)	-
Remove old revenue bond outstanding unamortized discount	201,540	-	201,540	-
Add new revenue bond unamortized premium	746,351	-	746,351	-
Interest paid on bonds and other debt	(2,346,871)	-	(2,346,871)	-
Acquisition and construction of capital assets	(18,525,778)	(101,789)	(18,627,567)	-
Net cash provided (used) by capital and related financing activities	21,006,493	(101,789)	20,904,704	-
INVESTING ACTIVITIES				
Proceeds from sale of investments	52,964,651	12,269,393	65,234,044	6,899,666
Purchase of investments	(59,599,301)	(12,459,829)	(72,059,130)	(6,540,675)
Investment earnings	485,936	144,053	629,989	71,262
Net cash provided (used) by investing activities	(6,148,714)	(46,383)	(6,195,097)	430,253
Net increase (decrease) in cash and cash equivalents	20,605,353	(260,293)	20,345,060	(368,646)
CASH AND CASH EQUIVALENTS				
Beginning of year	10,130,659	2,415,472	12,546,131	1,392,692
End of year	\$ 30,736,012	\$ 2,155,179	\$ 32,891,191	\$ 1,024,046
Reconciliation of cash and cash equivalents to the Statement				
Cash and cash equivalents	\$ 11,631,058	\$ 2,155,179	\$ 13,786,237	\$ 1,024,046
Cash and equivalents, restricted assets:				
Cash equivalents, restricted	19,104,954	-	19,104,954	-
Total Statement of Net Assets cash and cash equivalents	\$ 30,736,012	\$ 2,155,179	\$ 32,891,191	\$ 1,024,046

Statement of Cash Flows

(continued)

Proprietary Funds

For the Year Ended June 30, 2003

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 866,708	\$ (410,850)	\$ 455,858	\$ (659,111)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	3,524,150	228,018	3,752,168	3,228
Provision for uncollectible accounts	147,799	12,944	160,743	-
Landfill closure and post closure care costs	-	35,166	35,166	-
Changes in assets and liabilities				
(Increase) decrease in accounts receivable (net)	341,085	(83,017)	258,068	(257,579)
(Increase) in inventories	(77,939)	-	(77,939)	-
Increase in accounts payable	1,342,990	107,994	1,450,984	114,563
Increase in deposits	7,306	-	7,306	-
Increase (decrease) in compensated absences payable	39,626	(2,376)	37,250	-
Total adjustments	<u>5,325,017</u>	<u>298,729</u>	<u>5,623,746</u>	<u>(139,788)</u>
Net cash provided by (used in) operating activities	<u>\$ 6,191,725</u>	<u>\$ (112,121)</u>	<u>\$ 6,079,604</u>	<u>\$ (798,899)</u>
Noncash investing, capital, and financing activities:				
Loss on investment in joint venture	\$ (122,901)	\$ -	\$ (122,901)	\$ -
Contribution of capital	<u>\$ 8,726,879</u>	<u>\$ -</u>	<u>\$ 8,726,879</u>	<u>\$ -</u>
Increase in fair value of investments	<u>\$ 58,730</u>	<u>\$ 10,880</u>	<u>\$ 69,610</u>	<u>\$ 4,828</u>

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2003

	Special Separation Allowance Pension Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 425,320	\$ 175,990
Investments	920,973	168,697
Property taxes receivable (net)	-	243,407
Accounts receivable (net)	4,532	851,388
Total assets	1,350,825	1,439,482
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	-	1,341,399
Due to program participants	-	98,083
Total liabilities	-	\$ 1,439,482
NET ASSETS		
Held in Trust for:		
Employees' pension benefits	1,350,825	
Total net assets	\$ 1,350,825	

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

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund - Pension Trust Fund -
Special Separation Allowance Fund
 For the Year Ended June 30, 2003

	Special Separation Allowance Pension Trust Fund
<hr/>	
ADDITIONS	
Employer contributions	\$ 362,209
Net investment income	29,278
Total additions	<hr/> 391,487
 DEDUCTIONS	
Benefits	<hr/> 362,905
 Change in net assets	 28,582
 NET ASSETS	
Beginning	<hr/> 1,322,243
Ending	<hr/> <hr/> \$ 1,350,825

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

Union County, North Carolina

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Union County, North Carolina conform to generally accepted accounting principles (GAAP) 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 five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10 (hereinafter references to the North Carolina General Statutes will be cited as G.S.). As required by generally accepted accounting principles, the county has determined that it has two component units, legally separate entities for which the county is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the county's operations.

Union County Industrial Facilities and Pollution Control Financing Authority

Union County Industrial Facilities and Pollution Control Financing Authority (Authority) is a component unit of the county and exists to issue and service revenue bond debt for private business for economic development purposes. The Authority is governed by a seven-member board, all of whom are appointed by the County Board of Commissioners (Board). The Board can remove any Authority member with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Authority does not issue separate financial statements.

Union County Public Facilities Corporation

Union County Public Facilities Corporation (Corporation) is a blended component unit of the county and exists to encourage the modernization of public facilities, through the financing, acquisition, construction, operation and lease of real estate, improvements, facilities, and equipment for the use of Union County. The Corporation is governed by a three-member board, all of whom are appointed by the County Board of Commissioners. The Board can remove any Corporation member with or without cause. The Corporation's transactions are reported within the General and Capital Projects Funds. The Corporation does not issue separate 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 (Union County). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the county. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Fund Financial Statements: The fund financial statements provide information about the county's funds, including its fiduciary funds. 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 funds are aggregated and reported as nonmajor funds.

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

The county reports the following major governmental funds:

General Fund – This is the county's primary operating fund. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary sources are ad valorem taxes, sales taxes, federal and state grants, and various other taxes and licenses. The primary expenditures are for general government, public safety, human services, education and debt service.

General Capital Project Fund - The sources of this fund are primarily proceeds from installment financing and contributions from the General Fund which are expended for capital asset acquisition, improvement and construction for various capital projects.

The county reports the following major enterprise funds:

Water and Sewer Fund – This fund accounts for the county's water and sewer operations. The Water and Sewer Capital Reserve Fund was established to cover costs of extending water and sewer to prospective industries. The Water and Sewer Capital Project Funds along with the Water and Sewer Capital Reserve Fund are consolidated with Water and Sewer Fund (the operating fund) for financial reporting purposes.

Solid Waste Fund – The Solid Waste Fund accounts for the county's solid waste operations. The Solid Waste Capital Reserve Fund is a reserve established by the county to accumulate the funds necessary to cover the post closure care costs that will be incurred by the landfill in the future. The Solid Waste Capital Reserve Fund is consolidated with the Solid Waste Fund (the operating fund) for financial reporting purposes.

Additionally, the county reports the following fund types:

Special Revenue Funds - Special Revenue Funds account for specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The county maintains six Special Revenue Funds: the Hemby Bridge Fire District Fund, the Stallings Fire District Fund, the Reappraisal Fund, the Emergency Telephone System Fund the Fee Supported Fire Districts Fund and the General Special Revenue Ordinance Fund.

Debt Service Fund - The Debt Service Fund accounts for the accumulation of resources and payment of installment financing principal and interest from governmental resources. The county maintains one Debt Service Fund: the Detention Facility Debt Service Fund. The Detention Facility Debt Service Fund was established as required by the installment financing agreement. The assets of this fund are held by a trustee for the benefit of Certificate of Participation holders.

Capital Project Funds - Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds). The county has four nonmajor capital project funds: Library Capital Reserve Fund, Library Capital Project Fund, School Bond Fund-55 and School Bond Fund-58.

Proprietary Funds are used to account for the county's business-type activities. The county reports the Water and Sewer Fund and the Solid Waste fund as major enterprise funds. Proprietary funds include the following fund types:

Internal Service Funds - Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the government, on a cost reimbursement basis. The county has two Internal Service Funds, the Health Benefits Fund and Workers' Compensation Fund. The Health Benefits Fund accounts for the accumulation and allocation of costs associated with insurance for employee and family medical and dental claims. The Workers' Compensation Fund accounts for the costs associated with workers' compensation claims.

Fiduciary Funds account for the assets held by the county in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Fiduciary Funds include the following funds:

Pension Trust Fund - The county has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the accumulation of assets and the payment of retirement benefits offered by the county. The Special Separation Allowance Fund is a single-employer, public employee retirement system.

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 seven Agency Funds: the Social Services Fund, which accounts for monies deposited with the Department of Social Services for the benefit of certain individuals; the Fines and Forfeitures Fund, which accounts for various legal fines and forfeitures that the county is required to remit to the Union County Public Schools Board of Education; the Jail Inmate Fund, which accounts for monies deposited and held for individual inmates in the Union County Jail; the Monroe and Union County School District Funds, which account for the ad valorem school tax assessed, and other taxes that the county is required to remit to the Union County Public Schools Board of Education; the Municipal Tax Collection Fund, which accounts for registered motor vehicle property taxes that are billed and collected by the county for various municipalities within the county; and the Gross Rental Receipts Tax Fund, which accounts for municipalities that levy a local tax on gross receipts derived from the short-term lease or rental of vehicles at retail to the general public, which serves as a substitute to the ad valorem tax previously levied on such property.

C. Measurement Focus and 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 pension trust fund financial statements are reported using the economic resources 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. Internally dedicated resources are reported as general revenues rather than 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 Water and Sewer Fund, Solid Waste Fund and the government's internal service funds are charges to customers for sales and services. The Water and Sewer Fund also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements. Governmental Funds are accounted for 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 generally considers all revenues available if they are collected within 60 days after year-end, except for property taxes and intangibles 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. Therefore, the net receivable amount is offset by a deferred revenue. 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, the 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. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the fiscal year 2003-2004 and are not shown as receivables at June 30, 2003. For those motor vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which the interest begins to accrue both were 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 2003-2004 fiscal year.

Those revenues susceptible to accrual are sales taxes, both collected and held by the state at year-end on behalf of the county, and investment earnings. 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.

As permitted by generally accepted accounting principles, the county has elected to apply all FASB Statements and Interpretations, upon issuance, in all of its governmental and business-type activities and enterprise funds, unless those pronouncements conflict with GASB pronouncements.

D. Budgetary Data

The county's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund; Hemby Bridge Fire District, Stallings Fire District, Reappraisal, Emergency Telephone System, and Fee Supported Fire District Special Revenue Funds; Debt Service Fund; Library Capital Reserve Fund, Proprietary Funds and Pension Trust Fund. All annual appropriations lapse at fiscal year end. Project ordinances (multi-year budgets) are adopted for the General Special Revenue Ordinance Fund, Library Capital Project Fund, School Bond Fund-55, School Bond Fund-58, General Capital Project Fund and the Water and Sewer Capital Projects Fund which is consolidated with the enterprise operating funds for reporting purposes. 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 Enterprise Funds, and at the fund level for the Capital Project Funds. The county manager is authorized by the budget ordinance to transfer appropriations within a department at the request of the department head; however, any revisions that alter total expenditures of any department must be approved by the governing board. During the year, several budget amendments to the original budget became necessary. Budget data presented in the financial statements represent the final authorized amounts as of June 30, 2003. 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.

E. Assets, Liabilities, and Fund Equity

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the county 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).

The county's 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 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 and non-participating interest investment contracts are reported at amortized cost.

2. Cash and Cash Equivalents

The county pools monies from several funds to facilitate disbursement and investment and maximize investment income. The county considers demand deposits and investments purchased with an original maturity of three months or less, that are not limited as to use, to be cash and cash equivalents. The amounts of cash and cash equivalents on Exhibit J include the amounts shown as restricted assets on Exhibit A.

3. Restricted Assets

The unexpended bond proceeds of the School Bond Fund-55, School Bond Fund-58, and the Water and Sewer Fund's bonds issued by the county are classified as restricted assets because their use is completely restricted to the purpose for which the bonds were originally issued.

4. Ad Valorem Taxes Receivable and Deferred Revenues

In accordance with G.S. 105-347 and G.S. 159-13(a), the county levies ad valorem taxes, except for ad valorem taxes on certain vehicles, on July 1, the beginning of the fiscal year. These taxes are due on September 1; however, interest and penalties are not assessed until the following January 6, when property taxes attach as enforceable liens. The taxes are based on the assessed values as of January 1, 2002.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventories

The inventories of the county are valued at cost (first-in, first-out), which approximates market. The county's General Fund inventory consists of expendable and consumable supplies that are recorded as expenditures when purchased.

The inventory of the county's Enterprise Funds consists of materials and supplies held for consumption. The cost is recorded as an expense when the inventory is consumed.

7. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Furniture and office equipment	5-10
Vehicles	4-5
Land Improvements	20-30
Buildings	25-40
Building Improvements	7-30
Plant Distribution, Collection	25

8. Long-term Obligations (Debt)

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. The Water and Sewer Fund's revenue bond and general obligation bond debt service requirements are being met by water and sewer revenues, but the county's taxing power is pledged to make the general obligation debt service payments if water and sewer revenues should ever be insufficient.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

9. Interest Rate Swaps

The County enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

10. Compensated Absences

The vacation policy of the county provides for the accumulation of up to thirty (30) days earned vacation leave. The compensatory time policy for overtime hours worked provides for time off in lieu of immediate overtime pay for covered nonexempt employees at the option of the County Manager. Time off may be accrued at the rate of one and one-half hours for each hour of overtime worked. The maximum compensatory time that may be accrued by an affected employee shall be 480 hours (320 actual overtime hours) for nonexempt law enforcement and detention employees and 240 hours (160 actual overtime hours) for all other nonexempt employees. Once the maximums have been met, overtime compensation will be paid for any additional overtime hours worked. Both vacation leave and compensatory time are fully vested when earned. For the county's government-wide and proprietary funds, an expense and a liability for these compensated absences and the salary-related payments are recorded within those funds as the leave is earned.

The county's sick leave policy provides for an 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 the county has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Assets / Fund Balances

Net Assets

Net asset 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 these 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 encumbrances - portion of fund balance available to pay for any commitments related to purchase orders and contracts which 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) and 159-13(b)(16)]. This amount is usually comprised of accounts receivable and interfund receivables which are not offset by deferred revenues.

Reserved for drug enforcement - portion of fund balance representing monies returned from drug enforcement seizures and the Controlled Substance Tax which must be used to enhance the programs of the Sheriff's Department.

Reserved for register of deeds – portion of fund balance reserved for computer equipment and imaging technology for the register of deed's office.

Unreserved

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

Designated for special purpose - portion of total fund balance available for appropriation which has been designated for particular programs and projects in the revised 2003-2004 budget ordinance.

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

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term

liabilities, including bonds and installment financing payables are not due and payable in the current period, therefore are not recorded in the funds. The details of this \$162,123,410 difference are as follows:

Description	Amount
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds and installment financing principal payments	\$ (161,186,650)
Accrued interest payable, net of unamortized bond issuance costs	(936,760)
Net adjustment attributable to liabilities not recorded in the fund statements	<u>\$ (162,123,410)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$28,272,118 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 5,513,760
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(3,242,660)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	7,390,004
Proceeds of installment financing are reported as a source of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	(45,700,423)
Installment financing issuance costs are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements until amortized	789,009
Remittance of funds to escrow agent to defease COPs and Installment Financing	7,652,685
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	156,086
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(128,418)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements.	
Reversal of deferred tax revenue recorded at 7/1/02	(1,584,754)
Recording of tax receipts deferred in the fund statements as of 6/30/03	1,457,053
Investment earnings accrual	68,899
Loss on disposal of capital asset	(62,486)
Health and dental insurance costs	(264,951)
Workers' compensation costs	(315,922)
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets-governmental activities	<u><u>\$ (28,272,118)</u></u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2003, the expenditures for School Debt Service in the General Fund exceeded the appropriations authorized by the governing board by \$67,451. This was due

to interest accrued and due on the defeased installment financing debt. This interest was remitted to the escrow agent and was budgeted in that expenditure category which had a favorable variance of actual less than budget of \$187,314. Also, the Special Revenue Fund – Fee Supported Fire Districts Fund exceeded the appropriations authorized by the governing board for operating expenditures by \$5,410. This over-expenditure occurred due to higher than expected accrual of charges to the fund for the cost of elections for five volunteer fire departments. This is the first time an election was held for this purpose and we do not anticipate a repeat occurrence of this type of over expenditure issue. Also, the expenditures of the Detention Facility Debt Service Fund exceeded the appropriations authorized by the governing board for other financing uses by \$1,239. This was due to higher than anticipated revenues available in the fund to use towards defeasing debt.

NOTE 4 - DEPOSITS AND INVESTMENTS

The county pools cash resources into a centralized cash account (Central Depository) to facilitate the management of cash and maximize investment income. The Central Depository is used by all funds except the Social Services Fund and the Jail Inmate Fund. Each fund owns a pro rata share of the cash and cash equivalents, and the amount applicable to a particular fund is readily identifiable. Allocation of investment income is made to each fund based on its pro rata share.

The Social Services Fund and the Jail Inmate Fund monies are each held in official depositories of the county in separate accounts for the benefit of certain individuals.

All of the county'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 agent in the county's name. 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, these deposits are considered to be held by the county's agent in the county's name. 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 or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the county 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 \$213,791 and a bank balance of \$448,561. Of the bank balance, \$285,231 was covered by federal depository insurance and \$163,330 in interest bearing deposits were covered by collateral held under the Pooling Method. Also, at June 30 2003, the county had \$35,212 cash on hand.

The county's investments are categorized to give an indication of the level of custodial risk assumed by the entity at year-end. In the following tables, Category A includes investments that are insured or registered or for which the securities are held by the county or its agent in the county's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the county's name. Category 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 name. The county has no such investments, so Category C is not shown. The county's investments in the North Carolina Capital Management Trust are exempt from risk categorization because the county does not own any identifiable securities in this fund, but is a shareholder of a percentage of this fund.

At June 30, 2003 the county's investment balances were as follows:

	Categories		Reported Amount	Fair Value
	A	B		
Commercial Paper	\$ 21,975,355	\$ 15,592,045	\$ 37,567,400	\$ 37,603,291
U.S. Government Agencies	30,423,277	8,618,167	39,041,444	39,040,506
Banker's Acceptance	-	8,404,903	8,404,903	8,406,485
	<u>\$ 52,398,632</u>	<u>\$ 32,615,115</u>	<u>85,013,747</u>	<u>85,050,282</u>
NCCMT			87,948,135	87,948,135
Total Investments			<u>\$ 172,961,882</u>	<u>\$ 172,998,417</u>

Concentrations

Cash and cash equivalents and investments are pooled with other county cash resources. Each fund owns a pro rata share of the cash and cash equivalents and investments. At June 30, 2003, the following cash equivalents, other than U.S. government securities and mutual funds, individually represent 5% or more of the total portfolio: Commercial Paper – Goldman Sachs.

NOTE 5 - RECEIVABLES

A. Receivables and Allowances for Doubtful Accounts

Receivables and their associated allowance for doubtful accounts at the government-wide level at June 30, 2003, were as follows:

	Accounts	Taxes	Due from other funds	Total
<u>Governmental Activities:</u>				
General	\$ 8,033,817	\$ 1,964,971	\$ 9,597,991	\$ 19,596,779
Special Revenue	156,756	16,475	-	173,231
Capital Projects	458	-	(9,453,351)	(9,452,893)
Internal Service	257,578	-	-	257,578
Total Receivables	8,448,609	1,981,446	144,640	10,574,695
Allowance for doubtful accounts	-	(525,709)	-	(525,709)
Total-governmental activities	<u>8,448,609</u>	<u>1,455,737</u>	<u>144,640</u>	<u>10,048,986</u>
<u>Business-type Activities:</u>				
Solid Waste	462,620	-	(21,049)	441,571
Water and Sewer	3,416,732	-	(123,591)	3,293,141
Total Receivables	3,879,352	-	(144,640)	3,734,712
Allowance for doubtful accounts	(828,092)	-	-	(828,092)
Total-business-type activities	<u>\$ 3,051,260</u>	<u>\$ -</u>	<u>\$ (144,640)</u>	<u>\$ 2,906,620</u>

B. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the general statutes, the county may tax agriculture, horticulture, and forestland at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Levied	Tax	Interest	Total
1999	\$ 871,814	\$ 285,519	\$ 1,157,333
2000	1,217,703	289,204	1,506,907
2001	1,286,551	189,766	1,476,317
2002	1,293,920	74,400	1,368,320
	<u>\$ 4,669,988</u>	<u>\$ 838,889</u>	<u>\$ 5,508,877</u>

NOTE 6 - CAPITAL ASSETS

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

Governmental activities:	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 6,134,898	\$ -	\$ -	\$ -	\$ 6,134,898
Construction in progress	6,083,677	-	-	(3,870,181)	2,213,496
Total capital assets not being depreciated	12,218,575	-	-	(3,870,181)	8,348,394
Capital assets being depreciated:					
Other improvements	2,623,109	72,887	1,522	-	2,694,474
Buildings	28,444,670	6,443,323	-	-	34,887,993
Furniture and equipment	10,213,658	2,049,434	1,405,038	(4,474)	10,853,580
Vehicles	5,581,619	818,296	571,833	7,252	5,835,334
Total capital assets being depreciated	46,863,056	9,383,940	1,978,393	2,778	54,271,381
Less accumulated depreciation for:					
Other improvements	1,607,615	56,595	-	-	1,664,210
Buildings	9,272,841	1,165,449	-	-	10,438,290
Furniture and equipment	7,295,844	934,330	1,389,253	-	6,840,921
Vehicles	3,435,121	1,089,514	523,877	-	4,000,758
Total accumulated depreciation	21,611,421	3,245,888	1,913,130	-	22,944,179
Total capital assets being depreciated, net	25,251,635	6,138,052	65,263	2,778	31,327,202
Governmental activities capital assets, net	\$ 37,470,210	\$ 6,138,052	\$ 65,263	\$ (3,867,403)	\$ 39,675,596

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

General government	\$ 959,701
Public safety	1,500,460
Economic and physical development	17,710
Human services	292,202
Cultural and recreational	409,834
Education	65,981
Total depreciation expense	\$ 3,245,888

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

Business-type activities:	Beginning Balances	Additions	Retirements	Ending Balances
Solid Waste				
Capital assets not being depreciated:				
Land	\$ 310,258	\$ -	\$ -	\$ 310,258
Capital assets being depreciated:				
Other improvements	40,110	47,318	-	87,428
Plant and collection systems	1,960,751	27,259	-	1,988,010
Equipment	1,989,585	3,224	-	1,992,809
Vehicles	1,243,958	23,988	132,848	1,135,098
Total capital assets being depreciated	5,234,404	101,789	132,848	5,203,345
Less accumulated depreciation for:				
Other improvements	7,723	2,095	-	9,818
Plant and collection systems	678,206	90,156	-	768,362
Equipment	1,831,736	71,585	-	1,903,321
Vehicles	1,104,096	64,182	132,848	1,035,430
Total accumulated depreciation	3,621,761	228,018	132,848	3,716,931
Total capital assets being depreciated, net	1,612,643	(126,229)	-	1,486,414
Solid Waste capital assets, net	1,922,901	(126,229)	-	1,796,672
Water and Sewer				
Capital assets not being depreciated:				
Land	1,646,533	-	477,410	1,169,123
Construction in progress	13,887,287	10,478,882	14,087,983	10,278,186
Total capital assets not being depreciated	15,533,820	10,478,882	14,565,393	11,447,309
Capital assets being depreciated:				
Plant and collection systems	54,760,261	14,358,425	-	69,118,686
Plant and distribution systems	37,143,396	11,600,938	-	48,744,334
Equipment	2,350,125	618,718	-	2,968,843
Vehicles	2,302,086	266,622	97,170	2,471,538
Total capital assets being depreciated	96,555,868	26,844,703	97,170	123,303,401
Less accumulated depreciation for:				
Plant and collection systems	11,842,376	1,745,118	-	13,587,494
Plant and distribution systems	11,247,712	1,152,831	-	12,400,543
Equipment	1,600,358	307,569	-	1,907,927
Vehicles	1,363,371	323,106	60,802	1,625,675
Total accumulated depreciation	26,053,817	3,528,624	60,802	29,521,639
Total capital assets being depreciated, net	70,502,051	23,316,079	36,368	93,781,762
Water and Sewer capital assets, net	86,035,871	33,794,961	14,601,761	105,229,071
Business-type activities capital assets, net	\$ 87,958,772	\$ 33,668,732	\$ 14,601,761	\$ 107,025,743

Interest and fees expense for the Water and Sewer Fund for the year ended June 30, 2003 consisted of the following:

Capitalized interest	\$ 907,532
Other interest and fees	<u>1,636,777</u>
Total interest and fees costs	<u>\$ 2,544,309</u>

The special item on Exhibit B in the amount of \$7,077,140 represents the gain on the sale of land at the Twelve Mile Creek Sewer Plant for a net gain of \$6,022,590 and the Providence Hills Country Club water system for a net gain of \$1,054,550.

NOTE 7 – LIABILITIES

Payables at the government-wide level at June 30, 2003 including liabilities payable from restricted assets, were as follows:

Payables:	Governmental Activities	Business Type Activities	Total Primary Government
Vendors	\$ 5,468,292	\$ 4,324,229	\$ 9,792,521
Salaries and benefits	1,582,957	231,224	1,814,181
Accrued Interest	<u>1,771,129</u>	<u>358,705</u>	<u>2,129,834</u>
Total	<u>\$ 8,822,378</u>	<u>\$ 4,914,158</u>	<u>\$ 13,736,536</u>

NOTE 8 - PENSION PLAN OBLIGATIONS

A. Local Governmental Employees' Retirement System

Description

The county contributes 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. LGERS 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 6% of their annual covered salary. The county is required to contribute at an actuarially determined rate. For the county, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.64% respectively, of annual covered payroll. The contribution requirements of members and of the county 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 \$1,280,776, \$1,209,477, and \$1,124,911 respectively. The contributions made by the county equaled the required contributions for each year.

B. Special Separation Allowance

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 employees. The Separation Allowance was enacted by the General Assembly on January 1, 1987 for law enforcement officers. The Union County Board of Commissioners extended this benefit to all

county employees effective July 1, 1990. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the employee 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. The Separation Allowance does not issue separate financial statements.

All permanent full-time and permanent part-time county employees are covered by the Separation Allowance. At December 31, 2002, the Separation Allowance's membership consisted of:

Retirees receiving benefits	32
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>806</u>
Total	<u><u>838</u></u>

Summary of Significant Accounting Policies

Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the county has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at cost, amortized cost or market value. Short-term debt instruments, deposits, repurchase agreements, 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 \$362,209 or 1.35% of annual covered payroll. 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 fiscal year ended June 30, 2003 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 and (b) projected salary increases ranging from 5.9% to 9.8% per year. The inflation component was 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 annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 332,581
Interest on net pension obligation	(10,099)
Adjustment to annual required contribution	<u>7,483</u>
Annual pension cost	329,965
Contributions made	<u>(362,209)</u>
Increase (decrease) in net pension obligation	(32,244)
Net pension obligation - beginning of year	<u>(139,295)</u>
Net pension obligation - end of year	<u><u>\$ (171,539)</u></u>

Three year trend information:

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation/(Credit) End of Year
June 30, 2001	\$ 269,657	88%	\$ (92,018)
June 30, 2002	303,833	116%	(139,295)
June 30, 2003	329,965	102%	(171,539)

C. Supplemental Retirement Income Plan

Description

All regular full-time and regular part-time Union County employees participate in the Supplemental Retirement Income Plan (401-K), 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 Union County Board of County Commissioners has agreed to extend this benefit to all non-law enforcement employees. 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 5% of each officer's salary and the Union County Board of County Commissioners has agreed to contribute an equal amount for all regular full-time and regular part-time non-law enforcement employee salaries. All amounts contributed are vested immediately. County employees may also make voluntary contributions to the plan. Contributions for the year ended June 30, 2003 were \$1,904,520, which consisted of \$1,373,186 from the county and \$531,334 from employees.

D. Register of Deeds' Supplemental Pension Fund

Description

The county also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), a noncontributory, defined contribution pension plan administered by the North Carolina Department of State Treasurer. The fund provides supplemental pension benefits to any eligible 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 the State Treasurer an amount equal to 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 the State Treasurer divides 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 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 \$72,439.

NOTE 9 – 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 distribution is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 10 - POST-EMPLOYMENT BENEFITS

A. Health Care Benefits

Under the terms of a Board of Commissioner's resolution, the county has elected to provide post-retirement health care benefits to retirees of the county who participate in the LGERS and have at least five years of creditable service with the county. The county pays the full cost of coverage for these benefits on a pay-as-you-go basis. Also, retirees can purchase coverage for their dependents at the county's group rates. Currently, 127 retirees are eligible for post-retirement health benefits. For the fiscal year ended June 30, 2003, the county made payments for post-retirement health benefit premiums of \$552,967. The county obtains health care coverage through private insurers and accounts for health benefit premiums and claims through an Internal Service Fund.

B. Death Benefits

Under the terms of a Board of Commissioner's resolution, the county provides death benefits to employees through the Death Benefit Plan for members of the LGERS (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 service in the retirement 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. A lump sum death benefit payment to a beneficiary is equal to the employee's highest 12 months salary in a row during the 24 months prior to his/her 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. For the fiscal year ended June 30, 2003, the county made contributions to the state for death benefits of \$26,438. The county's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .09% and .14% of covered payroll, respectively. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

NOTE 11 – CLOSURE AND POST CLOSURE CARE COSTS-LANDFILL FACILITY

State and federal laws and regulations required the county to place a final cover on its landfill facility when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs have been accumulated up to the date of closure, the county has reported a portion of these closure and post closure care costs as an operating expense in each prior period based on landfill capacity used as of each balance sheet date. The county stopped accepting waste into its Austin-Chaney Road facility, permit number 90-01, on December 31, 1997. The site still serves as a transfer station for the collection of local waste, which is transported to other sites outside of the county. The \$2,959,313 reported as landfill post closure care liability at June 30, 2003 represents a cumulative amount reported to date, based on the use of 100% of the total estimated capacity of the landfill. At June 30, 2003 there was an increase of \$35,166 from the prior year. The liability represents the estimated present value of the amount needed to fund the post closure care costs that will be incurred during the 30 year period after closure. Actual post closure 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 post closure care requirements. However, the county elected to establish a reserve fund several years ago to accumulate resources for the payment of closure and post closure care costs. The actual landfill closure costs have been substantially less than engineering estimates due to use of county personnel for closure activities and proper planning for closure. The Solid Waste Capital Reserve Fund has remaining funds being held in investments with a cost of \$4,548,946 (market value \$4,548,946) at year-end. The county expects that future inflation costs will be paid from the interest earnings on these remaining funds. However, if interest earnings are inadequate or additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future transfer station users or by future tax revenues.

NOTE 12 - COMMITMENTS

A. Contractual Commitments

The county had several outstanding projects as of June 30, 2003. At year end the significant contractual commitments include the following:

Project	Spent to Date	Remaining Commitment
<u>Water Capital Projects:</u>		
18 MGD Expansion to Existing Catawba River WTP	\$ 4,933,766	\$ 2,108,629
Water Main to Sims Rd	3,155,468	4,117,969
County Wide Water Main Phase I	546,640	203,674
<u>Sewer Capital Projects:</u>		
Crooked Creek Force Main	2,004,792	251,859
Little Twelve Mile Creek	1,577,075	197,820
Blythe Creek	823,136	750,061
Upgrade Crooked Creek	63,043	101,111
<u>Library Projects Fund:</u>		
Marshville Library	831,200	565,199
<u>General Capital Projects Fund:</u>		
Justice Center	904,440	12,247,312
<u>General Fund:</u>		
Cane Creek ADA Improvements	-	219,890
Cane Creek Electrical Upgrade	-	106,918
Total	\$ 14,839,560	\$ 20,870,442

The Water and Sewer capital projects are commitments of the county's Water and Sewer Capital Projects Fund and are funded by a combination of revenue bonds and other enterprise fund monies. The Library capital projects are commitments of the Library Capital Project Fund and are being funded by a combination of certificates of participation, grants, contributions and donations, and General Fund monies. The General capital projects are commitments of the General Capital Projects Fund and are funded by a combination of certificates of participation and General Fund monies. The General projects are commitments of the General Fund and are funded by General Fund monies.

B. Other Commitments

The county has an economic development and incentive grants program that is offered to companies meeting certain agreed upon criteria. Amounts to be paid in the future under these agreements are not readily determinable; however, management and internal audit estimates a range of \$809,648 to \$879,032 and expects the payments to be made over the next four years.

NOTE 13 - RISK MANAGEMENT

The county is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The county is fully insured through a commercial insurance company for these exposures, with the exception of injuries to employees. The county self-insures workers' compensation claims.

There has been no significant reduction in insurance coverage from the previous year and settled claims have not exceeded insurance policy limits in the last three years.

On July 1, 1999 the county purchased a fully insured HMO health insurance plan and continues to be fully insured. On July 1, 2000 the county elected to self-insure dental benefits.

The county has established two Internal Service Funds to account for self-insured risk financing:

Funding of the Health Benefit Fund's dental benefit is based upon an independent analysis of historical claims paid by the third party administrator. Funding of the Workers' Compensation Fund is based upon payroll and rates established by the State of North Carolina.

The county's workers' compensation is self-insured with claims exceeding \$250,000 covered by a stop-loss insurance company which provides statutory benefits. Claims are administered under contract with a local third party administrator. Claim reserves are established when an injury occurs and the ultimate expected liability of each claim can be reasonably estimated by the third party claims administrator.

Unpaid liabilities at year end for these two Internal Service Funds are as follows:

	Health Benefit Fund		Workers' Compensation Fund	
	Year Ended	Year Ended	Year Ended	Year Ended
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
Unpaid Claims beginning of fiscal year	\$ 1,019	\$ 20,143	\$ 252,598	\$ 79,617
Incurred claims and premiums	4,237,026	4,365,402	331,087	639,658
Claims and premiums paid	(4,231,555)	(4,384,526)	(245,854)	(466,677)
Unpaid Claims end of fiscal year	\$ 6,490	\$ 1,019	\$ 337,831	\$ 252,598

NOTE 14 - CLAIMS AND JUDGEMENTS

The county was a defendant in various matters of litigation as of June 30, 2003. While any litigation contains an element of uncertainty, county officials believe that the outcome of any lawsuit or claim which is pending, or all of them combined, will not have a materially adverse effect on the county's financial condition or operations. In addition, there are known incidents that may result in the assertion of claims, as well as claims from unknown incidents that may be asserted for which the county could be liable for a material amount. However, since such claims have not been asserted and are not determinable or measurable, no provision for loss has been included in the financial statements. Also, county officials believe the county's insurance is adequate for the actual or pending lawsuits or claims mentioned above.

NOTE 15 - OPERATING LEASES

The county has entered into a 20 year agreement with Anson County for the use of a 20-inch water line to the county. The county has agreed to pay 70% of the actual principal and interest due on the installment financing arranged by Anson County. The county has also entered into a 25 year agreement with the City of Charlotte (CMUD) for the treatment of wastewater in the Six Mile Creek drainage basin located within both Union and Mecklenburg Counties. Under the agreement, the county is responsible for one sixteenth of the debt service on debt issued by the City of Charlotte to construct the new outfall lines and plant expansion. During fiscal year 2002, the City of Charlotte completed an additional expansion project related to this agreement and the county's share of this

project is \$1,765,000. In consideration for the debt service payments made by the county, the county receives the exclusive right to convey up to 1 million gallons per day of wastewater into the McAlpine Creek WWTP at cost. The county can increase its allocation up to a maximum of three million gallons per day by the assumption of further debt service used to construct the McAlpine Creek WWTP, outfall lines and pump stations. Rents paid under all operating leases totaled \$1,405,839 for the year ended June 30, 2003.

Minimum future lease payments are as follows:

Year Ending June 30	Anson County	CMUD	Other
2004	\$ 164,153	\$ 205,456	\$ 708,956
2005	164,153	205,456	695,869
2006	164,153	205,456	675,001
2007	164,153	205,456	633,090
2008	164,153	205,456	52,554
2009-2013	820,766	1,027,279	-
2014-2018	-	1,027,279	-
2019-2023	-	1,027,279	-
Thereafter	-	508,555	-
	<u>\$ 1,641,531</u>	<u>\$ 4,617,672</u>	<u>\$ 2,765,470</u>

On July 17, 1997, Union County entered into a lease agreement for the premises known as Union Village. This facility houses most of the offices of the Department of Social Services and the Health Department. Payments made under this lease are included in the schedule of minimum lease payments. This lease agreement expires on June 30, 2007, but can be extended for two successive five-year periods. The premises include additional space, which is subleased to Piedmont Area Mental Health under a sublease agreement entered into on October 5, 1998. This agreement is coterminous with the July 17, 1997 lease agreement. The sublessee is required to extend the sublease agreement if Union County elects to exercise the option to extend the term of the original lease agreement. Amounts received under this agreement totaled \$333,000 during the fiscal year ended June 30, 2003. During the remaining term of the sublease agreement, rent paid by sublessee shall be increased or decreased based on the rent paid as of the expiration of the preceding one-year period in the same percentage as the percentage change in the cost of living index for the month of June just prior to the preceding one-year term until the month of June just prior to the current term. The cost of living index shall be measured by the Personal Consumption Expenditure (PCE) index as published in The Wall Street Journal.

NOTE 16 - LONG - TERM OBLIGATIONS

A. General Obligation Bonds, Certificates of Participation, Revenue Bonds' Indebtedness, and Derivatives

The general obligation bonds and certificates of participation (COPs) for school facilities, watershed improvement and various general government capital projects and items are serviced by the General Fund. The general obligation bonds and revenue bonds issued to finance the construction of facilities or purchase equipment utilized in the operations of the water and sewer systems are being retired by their resources. Principal and interest requirements are appropriated when due for all debt. The general obligation bonds are collateralized by the full faith, credit and taxing power of the county. The revenue bonds are secured by the pledge of net revenues derived from the acquired or constructed assets of the water and sewer system. The derivative is an interest swap agreement with the objective of protecting Union County against the risk of interest rate changes due to the variable rate revenue refunding bonds issued. Any derivative that the county enters into must first have the approval of the Local Government Commission (LGC) and the County Commissioners. The COPs are collateralized by the assets financed and are not secured by the taxing power of the county. The COPs require the county to follow customary covenants including providing insurance certificates, budget data and financial information on an annual basis.

Long-term obligations at June 30, 2003 are comprised of the following individual issues:

	<u>Principal Outstanding</u>
<u>1. General Obligation Bonds</u>	
\$10,000,000 1995 Series B School Facility serial bonds due in annual installments ranging from \$316,825 to \$1,267,300 through June 1, 2013; interest payable semi-annually at varying rates from 5.0% to 5.2%.	\$ 7,215,275
\$2,725,000 1995 Series A School Facility serial bonds due in annual installments ranging from \$75,000 to \$300,000 through June 1, 2013; interest payable semi-annually at varying rates from 5.0% to 5.2%.	1,950,000
\$3,260,000 1996 Series A School Facility serial bonds due in annual installments ranging from \$150,000 to \$250,000 through May 1, 2016; interest payable semi-annually at varying rates from 5.25% to 5.3%.	2,360,000
\$8,000,000 1996 Series B School Facility serial bonds due in annual installments ranging from \$400,000 to \$550,000 through May 1, 2016; interest payable semi-annually at varying rates from 5.25% to 5.3%.	5,600,000
\$11,340,560 1996 School Refunding serial bonds due in annual installments ranging from \$338,492 to \$1,222,452 through May 1, 2011; interest payable semi-annually at varying rates from 4.75% to 5.20%.	7,047,964
\$4,050,000 1999 Series A School Facility serial bonds due in annual installments ranging from \$200,000 to \$250,000 through March 1, 2020; interest payable semi-annually at varying rates from 5.00% to 5.40%.	3,450,000
\$26,000,000 1999 Series B School Facility serial bonds due in annual installments ranging from \$800,000 to \$1,800,000 through March 1, 2020; interest payable semi-annually at varying rates from 5.00% to 5.40%.	23,150,000
\$14,673,549 1999 School Refunding serial bonds due in annual installments ranging from \$625,768 to \$2,360,852 through March 1, 2011; interest payable semi-annually at varying rates from 4.40% to 5.00%.	11,694,040
\$56,700,000 2001 School Facility serial bonds due in annual installments ranging from \$1,800,000 to \$5,100,000 through March 1, 2020; interest payable semi-annually at varying rates from 4.00% to 4.75%.	53,100,000
\$400,000 1973 Watershed Improvement serial bonds due in annual installments ranging from \$7,000 to \$17,500 through June 1, 2008; interest payable annually at 3.463%.	69,000
\$1,077,000 1992 Water refunding bonds due in annual installments ranging from \$66,300 to \$161,800 through June 1, 2008; interest payable semi-annually at 7.50%.	669,000
\$3,455,559 1993 Refunding Water bonds due in annual installments ranging from \$182,703 to \$340,112 through March 1, 2006; interest payable semi-annually at varying rates from 4.0% to 4.1%. The amount shown is net of the unamortized deferred loss on the defeasance of \$26,280 (a).	888,504
\$11,424,720 1996 Refunding Water bonds due in annual installments ranging from \$341,004 to \$1,231,524 through May 1, 2011; interest payable semi-annually at varying rates from 4.75% to 5.20%. The amount shown is net of the unamortized deferred loss on the defeasance of \$211,251, unamortized gain of \$41,067 and unamortized premium of \$2,685 (b).	6,932,769
\$5,961,452 1999 Refunding Water bonds due in annual installments ranging from \$254,232 to \$959,148 through March 2011; interest payable semi-annually at varying rates from 4.40% to 5.0%. The amount shown is net of the unamortized deferred loss on the defeasance of \$73,052 and unamortized gain of \$13,519(c).	4,691,428
\$1,545,000 1991 Sanitary Sewer refunding bonds due in annual installments ranging from \$30,000 to \$160,000 through March 2005; interest payable semi-annually at varying rates from 5.7% to 6.0%.	125,000
\$2,437,277 1993 Refunding Sanitary Sewer bonds due in annual installments ranging from \$128,864 to \$239,888 through March 1, 2006; interest payable semi-annually at varying rates from 4.0% to 4.1%. The amount shown is net of the unamortized deferred loss on the defeasance of \$18,169 (a).	627,047
\$5,000,000 1995 Series Sanitary Sewer serial bonds due in annual installments ranging from \$158,175 to \$637,700 through June 1, 2013; interest payable semi-annually at varying rates from 5.0% to 5.2%.	3,609,725

	Principal Outstanding
1. General Obligation Bonds (continued)	
\$3,534,720 1996 Refunding Sewer bonds due in annual installments ranging from \$105,504 to \$381,024 through May 1, 2011; interest payable semi-annually at varying rates from 4.75% to 5.20%. The amount shown is net of the unamortized deferred loss on the defeasance of \$65,013, unamortized gain of \$11,185 and unamortized premium of \$793 (b).	2,143,733
Total General Obligation Bonds	<u>135,323,485</u>
2. Certificates of Participation	
\$43,760,000 2003 Multi-purpose certificates of participation due in annual installments ranging from \$1,895,000 to \$2,245,000 through June 1, 2025; interest payable semi-annually at varying rates from 2.0% to 5.0%. The amount shown is net of the unamortized deferred loss on the defeasance of \$150,052 and unamortized premium of \$1,940,423 (d).	45,550,371
Total Certificates of Participation	<u>45,550,371</u>
3. Revenue Bonds	
\$33,130,000 2003 Enterprise System, Series 2003A revenue bonds due in annual installments ranging from \$745,000 to \$4,625,000 through June 1, 2029; interest payable semi-annually at varying rates from 2.0% to 5.0%. The amount shown is net of the unamortized premium of \$746,351.	33,876,351
\$20,935,000 2003 Enterprise System, Series 2003B variable rate revenue bonds due in annual installments ranging from \$770,000 to \$1,395,000 through June 1, 2021; interest payable semi-annually at variable rates established weekly by a Remarketing Agent based on comparable tax-exempt obligations. The amount shown is net of the unamortized deferred loss on the defeasance of \$2,620,000 and unamortized discount of \$201,955 (e) (f)	18,113,045
Total Revenue Bonds	<u>51,989,396</u>
Total General Obligation Bonds, Certifications of Participation and Revenue Bonds Indebtedness	<u>\$ 232,863,252</u>

(a) On October 30, 1993, the county issued general obligation refunding bonds totaling \$6,460,000 with interest rates ranging from 4.0 to 4.1% to advance refund the 1988 Public Improvement Bonds, with interest rates on the refunded issue ranging from 7.0 to 7.1%. The proceeds of the new bond issue 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 refunded bonds. As a result, the bonds described above are considered to be defeased and the liability for those bonds has been removed from the balance sheet. The advanced refunding reduced cash flow required for debt service on the general obligation bonds by \$324,737. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$263,016. On March 1, 1998, the final debt service payment was made on the refunded bonds and the amount held in escrow by the escrow agent on June 30, 1998 was zero.

(b) On October 29, 1996, the county issued general obligation refunding bonds totaling \$26,300,000 with interest rates ranging from 4.75 to 5.20% to partially advance refund the 1989 Water serial bonds and the 1991 School Facility, Water and Sanitary Sewer serial bonds with interest rates on the refunded issues ranging from 6.4 to 6.5%. The proceeds of the new bond issues 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 refunded bonds. As a result, the bonds described above are considered to be partially defeased and the liability for the defeased portion of the bonds has been removed from the balance sheet. The advanced refunding reduced cash flow required for debt service on the general obligation bonds by \$923,394. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$760,318. On April 1, 2001, the final debt service payment was made on the refunded bonds and the amount held in escrow by the escrow agent on June 30, 2001 was zero.

(c) On August 10, 1999, the county issued general obligation refunding bonds totaling \$20,635,000 with interest rates ranging from 4.40 to 5.00% to partially advance refund the 1992 Water serial bonds and the 1992 School Facility serial bonds with interest rates on the refunded issues ranging from 5.8 to 5.9%. The proceeds of the new bond issues 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 refunded bonds. As a result, the bonds described above are considered to be partially defeased and the liability for the defeased portion of the bonds has been removed from the balance sheet. The advanced refunding reduced cash flow required for debt service on the general obligation bonds by \$677,271. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$527,923. On March 1, 2002, the final debt service payment was made on the refunded bonds and the amount held in escrow by the escrow agent on June 30, 2002 was zero.

(d) On June 12, 2003, the county issued certificates of participation totaling \$7,125,000 with interest rates ranging from 2.0 to 5.0% to current refund the 1992 Detention Facility certificates of participation and the 1997 School Facility installment financing. The proceeds of the new certificates of participation were delivered to the corporate trust bond administrator with the administrators using the proceeds for the final debt service payment for each of the refunded debt issuances. The current refunding reduced cash flow required for debt service on the refunded debt by \$887,778. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$779,941.

(e) On June 12, 2003, the county issued revenue bonds totaling \$20,935,000 with interest rates ranging from 2.0 to 5.0% to advance refund the 1996 Enterprise System revenue bonds with interest rates on the refunded issues ranging from 4.85 to 5.10%. The proceeds of the new bond issues 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 refunded bonds. As a result, the bonds described above are considered to be defeased and the liability for the defeased bonds has been removed from the balance sheet. The advanced refunding reduced cash flow required for debt service on the revenue bonds by \$1,078,445. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$806,674. On June 30, 2003 the amount held in escrow by the escrow agent was \$20,501,835.

(f) Derivative Disclosure - Pay-Fixed, Receive-Variable Interest Rate Swap – Assumptions

Objective of the interest rate swap. As a means to lower the County's borrowing costs and increase its savings, when compared to fixed-rate refunding bonds at the time of issuance in June 2003, the County of Union entered into an interest rate swap in connection with its \$20,935,000 Variable Rate Enterprise Systems Revenue Refunding Bonds, Series 2003B (the "Bonds"). The intention of the swap agreement was to effectively change the County's interest rate on the Bonds to a synthetic fixed rate of 2.995%.

Terms. Under the terms of a swap agreement dated May 14, 2003 and effective June 12, 2003, Citibank, N.A. New York ("Citibank") pays the County of Union interest on the notional amount of \$20,935,000 based on the Bond Rate, representing the rate paid on the Bonds on a semi-annual basis. The notional value of the swap and the principal amount of the associated debt decline in unison over the term of the swap agreement and Bonds. The swap agreement is subject to yield adjustments in certain circumstances. On a semiannual basis, the County of Union pays Citibank interest at the fixed rate of 2.995%. The notional amount of the swap reduces annually; the reductions begin on June 1, 2004, and end on June 1, 2021. The agreement matures June 1, 2021. As of June 30, 2003, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Fixed payment to Citibank	Fixed	2.995%
Variable payment from County of Union	Bond Rate	0.950%
Net interest rate swap payments		2.045%
Variable rate bond coupon payments		0.950%
Synthetic interest rate on Bonds		2.995%

Fair Value. As of June 30, 2003, the agreement had a negative fair value of \$273,211. The fair value was developed by Citibank based on estimates of the amounts that would be paid for replacement transactions using the zero coupon method. This method calculates the future net settlement payments required by the agreement assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted

using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk. As of June 30, 2003, the County of Union was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the County of Union would be exposed to credit risk in the amount of the derivative's positive fair value. Citibank, rated "Aa1" by Moody's Investor's Service, "AA" by Standard and Poor's Ratings Services, and "AA+" by Fitch Ratings as of June 30, 2003, will collateralize any market value positive to the County of Union over a predetermined threshold that varies depending on Citibank's ratings. At Citibank's current ratings, such threshold is \$20,000,000.

Basis Risk. The County of Union receives the Bond Rate representing the rate paid on the Bonds from Citibank and pays the Bond Rate to its bondholders set by the remarketing agent. The County of Union is exposed to basis risk when its Bonds begin to trade at a yield which exceeds 61.5% of LIBOR plus 0.36% for 180 consecutive days on average. In the event of such an occurrence, Citibank payments to the County of Union are limited to 61.5% of LIBOR plus 0.36%. Should the relationship of the County of Union's Bonds trade to a percentage of LIBOR greater than 61.5% plus 0.36%, the County of Union will experience an increase in debt service above the fixed rate on the swap.

Termination Risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the County of Union being required to make an unanticipated termination payment.

Swap payments and associated debt: Using rates as of June 30, 2003, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Bonds		Interest Rate Swaps, Net *	Total
	Principal	Interest		
2004	\$ 770,000	\$ 198,883	\$ 428,121	\$ 1,397,004
2005	785,000	191,568	412,374	1,388,942
2006	810,000	184,110	396,321	1,390,431
2007	1,240,000	176,415	379,757	1,796,172
2008	1,235,000	164,635	354,399	1,754,034
2009-2013	6,040,000	648,662	1,396,326	8,084,988
2014-2018	5,995,000	366,227	788,348	7,149,575
2019-2021	4,060,000	77,948	167,793	4,305,741
Total	<u>\$ 20,935,000</u>	<u>\$ 2,008,448</u>	<u>\$ 4,323,439</u>	<u>\$ 27,266,887</u>

* Computed using $(2.995\% - 0.950\%) \times (\$20,935,000 - \text{annual reduction})$

The preceding long-term obligations are included in Exhibit A as follows:

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 115,636,279	\$ 19,687,206	\$ 135,323,485
Certificates of Participation	45,550,371	-	45,550,371
Revenue Bonds	-	51,989,396	51,989,396
Total	<u>\$ 161,186,650</u>	<u>\$ 71,676,602</u>	<u>\$ 232,863,252</u>

B. Future Maturities of Long-Term Obligations

Annual debt service requirements to maturity, including interest, are as follows (excluding compensated absences):

	General Obligation Bonds		Certificates of Participation and Installment Financing		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities								
2004	\$ 6,337,421	\$ 5,749,527	\$ 2,160,000	\$ 1,569,458	\$ -	\$ -	\$ 8,497,421	\$ 7,318,985
2005	6,311,663	5,451,770	2,190,000	1,589,763	-	-	8,501,663	7,041,533
2006	6,287,303	5,139,360	2,215,000	1,545,963	-	-	8,502,303	6,685,323
2007	6,658,761	4,826,973	2,245,000	1,501,662	-	-	8,903,761	6,328,635
2008	6,623,500	4,494,838	2,040,000	1,456,762	-	-	8,663,500	5,951,600
2009-2013	35,407,631	17,269,673	10,170,000	6,210,213	-	-	45,577,631	23,479,886
2014-2018	35,510,000	8,356,440	9,475,000	4,289,806	-	-	44,985,000	12,646,246
Thereafter	12,500,000	883,400	13,265,000	2,238,469	-	-	25,765,000	3,121,869
	<u>115,636,279</u>	<u>52,171,981</u>	<u>43,760,000</u>	<u>20,402,096</u>	<u>-</u>	<u>-</u>	<u>159,396,279</u>	<u>72,574,077</u>
Business-type Activities								
2004	2,968,779	1,005,356	-	-	1,515,000	1,897,226	4,483,779	2,902,582
2005	2,935,838	864,000	-	-	1,570,000	1,917,078	4,505,838	2,781,078
2006	2,742,596	721,609	-	-	1,610,000	1,878,695	4,352,596	2,600,304
2007	2,458,839	586,027	-	-	2,055,000	1,838,435	4,513,839	2,424,462
2008	2,443,300	458,864	-	-	2,070,000	1,785,708	4,513,300	2,244,572
2009-2013	6,462,370	807,901	-	-	10,525,000	8,053,149	16,987,370	8,861,050
2014-2018	-	-	-	-	11,285,000	6,361,185	11,285,000	6,361,185
2019-2023	-	-	-	-	10,665,000	4,126,480	10,665,000	4,126,480
2024-2028	-	-	-	-	8,145,000	2,347,675	8,145,000	2,347,675
Thereafter	-	-	-	-	4,625,000	231,250	4,625,000	231,250
	<u>20,011,722</u>	<u>4,443,757</u>	<u>-</u>	<u>-</u>	<u>54,065,000</u>	<u>30,436,881</u>	<u>74,076,722</u>	<u>34,880,638</u>
Total	<u>\$ 135,648,001</u>	<u>\$ 56,615,738</u>	<u>\$ 43,760,000</u>	<u>\$ 20,402,096</u>	<u>\$ 54,065,000</u>	<u>\$ 30,436,881</u>	<u>\$ 233,473,001</u>	<u>\$ 107,454,715</u>

The table in part B differs from the long-term obligations in part A due to the following:

	Unamortized Deferred Loss on Defeasance	Unamortized Gain	Unamortized Premium / (Discount)	Total
1993 Refunding Water and Sanitary Sewer General Obligation Bonds	\$ (44,449)	\$ -	\$ -	\$ (44,449)
1996 Refunding Water and Sanitary Sewer General Obligation Bonds	(276,264)	52,252	3,478	(220,534)
1999 Refunding Water General Obligation Bonds	(73,052)	13,519	-	(59,533)
2003 Multi-purpose Certificates of Participation	(150,052)	-	1,940,423	1,790,371
2003 Enterprise System, Series 2003A Revenue Bonds	-	-	746,351	746,351
2003 Enterprise System, Series 2003B Revenue Bonds	(2,620,000)	-	(201,955)	(2,821,955)
Total	<u>\$ (3,163,817)</u>	<u>\$ 65,770</u>	<u>\$ 2,488,298</u>	<u>(609,749)</u>
Future Maturities of Long-term Obligations (per Note 16, B)				<u>233,473,001</u>
Long-term Obligations - (per Note 16, A)				<u>\$ 232,863,252</u>

As of June 30, 2003, Union County had \$95,000,000 general obligation bonds authorized but unissued and had a legal debt margin of \$559,193,125.

C. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2003:

	Balance June 30, 2002	Increases	Decreases	Balance June 30, 2003	Current Portion of Balances
Governmental Activities:					
By Type:					
General obligation bonds	\$ 122,001,614	\$ -	\$ 6,365,335	\$ 115,636,279	\$ 6,337,421
Certificates of participation	4,850,000	43,760,000	4,850,000	43,760,000	2,160,000
Installment financing	3,677,300	-	3,677,300	-	-
Compensated absences	2,012,680	2,159,671	2,031,253	2,141,098	-
	<u>\$ 132,541,594</u>	<u>\$ 45,919,671</u>	<u>\$ 16,923,888</u>	<u>\$ 161,537,377</u>	<u>\$ 8,497,421</u>
By Purpose:					
General government	\$ -	\$ 15,568,913	\$ -	\$ 15,568,913	\$ 782,426
Public safety	4,850,000	4,440,804	4,850,000	4,440,804	183,014
Economic/physical development	-	4,873,359	-	4,873,359	234,965
Human services	-	46,614	-	46,614	2,247
Education	125,592,414	16,013,955	10,025,135	131,581,234	7,141,481
Cultural and recreational	86,500	2,816,355	17,500	2,885,355	153,288
Compensated absences	2,012,680	2,159,671	2,031,253	2,141,098	-
	<u>\$ 132,541,594</u>	<u>\$ 45,919,671</u>	<u>\$ 16,923,888</u>	<u>\$ 161,537,377</u>	<u>\$ 8,497,421</u>
Business-type Activities:					
By Type:					
General obligation bonds	\$ 22,992,386	\$ -	\$ 2,980,664	\$ 20,011,722	\$ 2,968,779
Revenue bonds	18,805,000	54,065,000	18,805,000	54,065,000	1,515,000
N. C. Clean Water Revolving Loan	3,505,451	-	233,698	3,271,753	233,697
Hunley Creek Sewer System Purchase	477,441	-	121,480	355,961	124,028
Compensated absences	264,975	249,399	212,149	302,225	-
	<u>\$ 46,045,253</u>	<u>\$ 54,314,399</u>	<u>\$ 22,352,991</u>	<u>\$ 78,006,661</u>	<u>\$ 4,841,504</u>
By Purpose:					
Water and sewer systems	\$ 45,780,278	\$ 54,065,000	\$ 22,140,842	\$ 77,704,436	\$ 4,841,504
Compensated absences	264,975	249,399	212,149	302,225	-
	<u>\$ 46,045,253</u>	<u>\$ 54,314,399</u>	<u>\$ 22,352,991</u>	<u>\$ 78,006,661</u>	<u>\$ 4,841,504</u>

Compensated absences typically have been liquidated in the General Fund for governmental activities on a LIFO (last-in, first-out) basis, assuming that employees are taking leave time as earned.

D. Revenue Bonds

The County issued combined system enterprise revenue bonds for water and sewer system improvements pursuant to a General Trust Indenture dated as of May 1, 1996 and a Series Indenture, Number 2, dated as of May 15, 2003 (together the "Indentures") between the County and Wachovia Bank, National Association, as trustee. The Indentures authorize and secure all outstanding revenue bonds of the County's water and sewer system and contain several financial and operating covenants governing such matters as rates, additional bonds, reserve funds, annual budgets, maintenance of the system and insurance. The County was in compliance with all such covenants during the fiscal year ended June 30, 2003.

The County has covenanted that it will maintain various debt service coverage ratios. The calculation for the various debt service coverage ratios for the year ended June 30, 2003 is as follows:

Revenues	\$ 26,044,846
Current Expenses	<u>9,414,336</u>
Net revenues available for debt service	16,630,510
Add: 20% of preceding year's Surplus Fund	<u>5,738,188</u>
Adjusted net revenues available for debt service per Rate Covenant	<u>\$ 22,368,698</u>
Senior debt service coverage:	
Debt service, principal and interest paid	\$ 1,506,033
Subordinate debt service:	
Debt service, principal and interest paid	<u>4,514,193</u>
Total debt service:	
Total debt service, principal and interest paid	6,020,226
Add: 20% of senior debt service	<u>301,207</u>
Adjusted debt service requirements	<u>\$ 6,321,433</u>
Coverage Test 1	
Adjusted net revenues/adjusted debt service	3.54
Coverage Test 2	
Net revenues/total debt service	2.76

E. Other Long-Term Debt

North Carolina Clean Water Revolving Loan - During fiscal year ending June 30, 1996, the county received approval on a loan from the North Carolina Clean Water Revolving Loan and Grant Fund with a maximum limit of \$4,673,933. This loan is payable over 20 years with interest at 5.3% and is secured by the net revenues of the water and sewer system. This loan contains certain financial and operating covenants. The County was in compliance with all such covenants as of June 30, 2003. The amount outstanding at June 30, 2003 is \$3,271,753. These funds are being used for the Crooked Creek sewer project of the county's Water and Sewer Enterprise Fund.

The following table summarizes the annual requirements to amortize the long-term debt associated with this loan.

Year Ending June 30	Principal	Interest
2004	\$ 233,697	\$ 112,221
2005	233,697	104,205
2006	233,697	96,190
2007	233,697	88,174
2008	233,697	80,158
Next five years	1,168,483	280,553
Thereafter	<u>934,785</u>	<u>80,158</u>
	<u>\$ 3,271,753</u>	<u>\$ 841,659</u>

Hunley Creek Sewer System Purchase - On August 19, 1991, the county entered into an agreement with Fairview Developers, Inc. for the management and operation of a sewer system known as the Hunley Creek Wastewater Treatment Plant. This plant was constructed by Fairview Developers at a cost of \$924,724. Under the terms of this agreement, transfer of the plant, its related sewer system components and collector lines would be made to the county at the end of five years after the plant became operational. This transfer was completed by agreement on June 23, 1997. Under the terms of this transfer agreement, consideration for the transfer will be the remittance of one-third of all service charges collected from the customers of the system, not to exceed the construction cost of \$924,724, nor exceeding a fifteen year period. The county's obligation for payment has been calculated based on the present value of the estimated future collections, using a 6% interest rate. It is estimated that the obligation will be fulfilled during the 2005-2006 fiscal year. No interest is to be accrued and no additional consideration is required if the amount remitted has

not reached construction cost at the end of the fifteen-year period ending June 30, 2012. The county made payments of \$121,479 during the fiscal year ended June 30, 2003. The following table summarizes the estimated collections and therefore, the outstanding obligation the county has to Fairview Developers, Inc. for the purchase of the plant as of June 30, 2003.

Year Ending June 30	Estimated Obligation
2004	\$ 124,028
2005	124,028
2006	107,905
	<u>\$ 355,961</u>

F. Conduit Debt Obligations

Union County Industrial Facility and Pollution Control Financing Authority (the 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 six series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$33,550,000.

NOTE 17 - INTERFUND BALANCES AND ACTIVITY

INTERFUND BALANCES

The General Fund advanced to the General Capital Project Fund, Library Capital Project Fund, School Bond Fund-55 and School Bond Fund-58 to cover negative cash balances due to unreimbursed expenditures from debt proceeds. The composition of interfund balances as of June 30, 2003 is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	General Capital Project Fund	\$ 7,684,360	Note 1
General Fund	Library Capital Project Fund	1,657,912	Note 1
General Fund	School Bond Fund-55	14,061	Note 1
General Fund	School Bond Fund-58	97,018	Note 1
		<u>\$ 9,453,351</u>	
General Fund	Water & Sewer Fund	\$ 123,591	Note 2
General Fund	Solid Waste Fund	21,049	Note 2
		<u>\$ 144,640</u>	

Note 1: Cash advance from the General Fund. Project funds were pending receipt of expenditure reimbursements from Certificate of Participation proceeds (as shown on Exhibit C).

Note 2: Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds (as shown on Exhibit A).

INTERFUND ACTIVITY

Transfer Out:	Transfer In:				Purpose
	Governmental Activities:				
	General Fund	General Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds	
Governmental activities:					
General Fund	\$ -	\$ 2,958,518	\$ 142,318	\$ 3,100,836	Note 1
Nonmajor governmental funds	504,505	66,000	680,000	1,250,505	Note 2
Total transfers out	<u>\$ 504,505</u>	<u>\$ 3,024,518</u>	<u>\$ 822,318</u>	<u>\$ 4,351,341</u>	

Note 1: The transfer from the General Fund to the General Capital Projects Fund was for the following projects: law enforcement software (\$98,518), fiscal year 2003 school capital outlay contribution (\$2,800,000) and Cane Creek Park festival area (\$60,000).

The transfer from the General Fund to the General Special Revenue Ordinance Fund (a nonmajor governmental fund) was to set up a multi year special revenue fund for restricted drug enforcement revenues.

Note 2: The transfer from the nonmajor governmental funds to the General Fund was for the following purposes: Detention Facility Debt Service Fund's contribution to debt service (\$4,740), the closure of the Reappraisal Fund into the General Fund (\$164,075), the contribution of investment earnings from the School Bond Fund -55 (\$224,408) and School Bond Fund - 58 (\$111,282) for school debt service paid by the General Fund.

The Emergency Telephone System Fund (a nonmajor governmental fund) contributed funds (\$66,000) to the General Capital Project Fund for the law enforcement software.

The Library Capital Reserve Fund (a nonmajor governmental fund) transferred funds (\$680,000) to the Library Capital Project Fund (also a nonmajor governmental fund).

NOTE 18 - DEFERRED / UNEARNED REVENUES

The balance in deferred and unearned revenue on the fund statements and unearned revenue on the government-wide statements at year-end is composed of the following elements:

	Deferred Revenue	Unearned Revenue	Total
Prepaid taxes not yet earned (General)	\$ -	\$ 560,635	\$ 560,635
Prepaid taxes not yet earned (Special Revenue)	-	8,493	8,493
Taxes receivable, net (General)	1,499,939	-	1,499,939
Taxes receivable, net (Special Revenue)	17,285	-	17,285
	<u>\$ 1,517,224</u>	<u>\$ 569,128</u>	<u>\$ 2,086,352</u>

NOTE 19 - JOINT VENTURES

A. Catawba River Treatment Plant

Union County and Lancaster County Water and Sewer District (district) constructed a water impoundment and treatment facility on the Catawba River in Lancaster County. The joint venture is known as the Catawba River Water Treatment Plant. The agreement between the two parties called for the payment of one-half the audited and agreed upon costs of acquiring, constructing and equipping the project. The county has a 50% undivided interest in the facility. Management of the facility is the responsibility of a joint board. The joint board is composed of an equal number of members from the district and county. A minimum of three (3) members from the district and county each serve on the joint board. The district has responsibility for operating the facility under the joint board's direction.

The agreement further calls for an annual audit each June 30 to determine actual expenses and gallons used. A final settlement will be made each year based on audited amounts. Operating costs of the facility will be split between the parties based on metered gallons drawn by each. The joint venture serves only the county and district as customers. All purchases of water are considered to be related party transactions. During the year, the county purchased \$ 994,404 of water.

The county's net investment is recorded in the Water and Sewer Enterprise Fund and is accounted for on the equity method. The county's equity interest as of June 30, 2003 was \$6,316,441. This included the county's recognized loss of \$122,901 for the year. Complete separate financial statements for the joint venture may be obtained from Catawba River Water Treatment Plant, 5107 Riverside Road, P.O. Box 214, Van Wyck, SC 29744. Summary financial information as of, and for the fiscal year ended June 30, 2003, is as follows:

Cash and investments	\$ 1,058,336
Other assets	20,932,129
Total assets	<u>\$ 21,990,465</u>
Total liabilities	\$ 95,038
Total net assets	<u>21,895,427</u>
Total liabilities and net assets	<u>\$ 21,990,465</u>
Total revenues	\$ 1,903,039
Total expenses	<u>2,148,840</u>
Net decrease in net assets	<u>\$ (245,801)</u>

B. Union Memorial Regional Medical Center

On August 27, 1995, the county entered into a contract with Union Memorial Regional Medical Center, Inc. (UMRMC), a subsidiary of the Charlotte-Mecklenburg Hospital Authority (CMHA), to operate Union Memorial Regional Medical Center (formerly known as Union Memorial Hospital). The county appoints two of the five members on the governing body. The agreement with UMRMC requires an annual payment of rent to the county equal to the greater of \$1,400,000 or the "network development fee" that UMRMC must pay to Carolinas Hospital Network, Inc., also a subsidiary of CMHA. UMRMC is to pay an annual "network development fee" equal to the greater of \$1,200,000 or the sum of 7.5% of UMRMC's earnings on investments (as determined by GAAP) and 10% of income from operations (as determined by GAAP) before interest, taxes, depreciation and amortization; provided, however, that the fee will not be paid to the extent that it would produce a deficit in UMRMC's annual operating results. The amount of rent that Union County received in the current fiscal year was \$1,400,000. The county does not provide any financial assistance for operating expenses. The county does not have an equity interest in the joint venture; therefore, no equity interest is reflected in the county's financial statements. Complete financial statements may be obtained at the Union Memorial Regional Medical Center offices at P.O. Box 5003, Monroe, NC 28111.

The North Carolina Medical Care Commission (the "Commission") issued \$25,000,000 Health Care Facilities Revenue Bonds, Series 2002A (the "Series 2002A Bonds") dated June 15, 2002 and \$15,000,000 Health Care Facilities Revenue Bonds, Series 2002B (the "Series 2002B Bonds" and collectively, with the Series 2002A Bonds the "Bonds") dated July 11, 2002 for the Union Regional Medical Center Project (the "Project").

Concurrently with the issuance of the Bonds, the Commission entered into a loan agreement with Union Regional Memorial Medical Center, Inc. d/b/a Union Regional Medical Center (the "Corporation"), a North Carolina nonprofit corporation. The Commission lent the proceeds of the Bonds to the Corporation for the purpose of providing funds, together with other available funds, for the purpose of paying costs of facility expansions and improvements, repayment of an interim financing incurred by the Corporation in connection with the Project, a debt service reserve fund and issuance expenses.

The Bonds are limited obligations of the Commission, payable solely from money received from the Corporation pursuant to the terms of the loan agreement issued by the Corporation to the Commission. Neither the faith and credit nor the taxing power of the State of North Carolina or Union County is pledged as security for the Bonds.

C. South Piedmont Community College

The county, in conjunction with the State of North Carolina and Anson County Community College, participates in a joint venture to operate the Union Campus of South Piedmont Community College. The county appoints three members of the 14 member board of trustees of each community college. The president of the community colleges' student government association serves as a non-voting, ex-officio member of the board of trustees. The community colleges are included as component units of the state. The county contributed \$525,000 to South Piedmont Community College for operating purposes during the fiscal year ended June 30, 2003. 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 colleges may be obtained from the community colleges' administrative offices at South Piedmont Community College, East Campus, P.O. Box 126, Polkton, NC 28135.

D. Piedmont Area Mental Health Developmental Disabilities and Substance Abuse Authority

The county also participates in a joint venture to operate Piedmont Area Mental Health Developmental Disabilities and Substance Abuse Authority (PAMH) with three other local governments. Each participating government appoints four board members to the 16 member board. The county has an ongoing financial responsibility for the joint venture because PAMH's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in PAMH, so no equity interest has been reflected in the financial statements at June 30, 2003. In accordance with the intergovernmental agreement between the participating governments, the county contributed \$534,967 to PAMH to supplement its activities for the year ended June 30, 2003. Complete financial statements for PAMH can be obtained from PAMH's offices at 245 Le Phillip Court, NE, Concord, NC 28025.

NOTE 20 - JOINTLY GOVERNED ORGANIZATION

Centralina Council of Governments

The Centralina Council of Governments is a voluntary association of nine county governments and seventy municipalities. The Council was established by the participating governments to coordinate funding from federal and state agencies. Each participating government appoints one member to the council's governing board, whose responsibilities include approving the budget and designating the management of the Council. The county paid membership dues of \$23,499 during the fiscal year ended June 30, 2003. The County was the sub-recipient of a grant for \$639,788 from the U.S. Department of Health and Human Services and the Division of Aging of the North Carolina Department of Human Resources that was passed through the Council.

NOTE 21 - SUPPLEMENTAL AND ADDITIONAL SUPPLEMENTAL ONE-HALF OF ONE PERCENT LOCAL GOVERNMENT SALES AND USE TAX

State law (G.S., 105, Articles 40 and 42) requires the county to use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes, for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2003, the county reported these local option sales taxes within its General Fund. The county expended the restricted portion of these taxes on public school capital outlays and school bond debt service.

NOTE 22 - PUBLIC BUILDING BOND ACT OF 1996

The General Assembly passed the Public School Building Bond Act of 1996 to provide for the issuance of \$1.8 billion in State bonds to be used for making grants to counties for qualified public school capital outlay projects. The Department of Public Instruction is responsible for project approval and the distribution of funds. The principal amounts of bonds or notes issued by the State in any twelve month period may not exceed \$450 million.

Of the total \$1.8 billion authorized, \$30 million will be allocated as grants to counties that have small county school systems, after considering whether the counties demonstrate both greater than average school construction needs and high property tax rates. The primary allocation of \$1.77 billion will be distributed to all counties based on the average daily membership, the ability to pay, and the growth rate of the school administrative units located within each county.

The distribution of the primary allocation is subject to the satisfaction of certain match requirements by the counties. Match requirements may be satisfied by non-State expenditures for public school facilities made on or after January 1, 1992. The county's matching requirement of \$.50 for each dollar of allocated bond proceeds has been fulfilled.

Because the county has met its matching requirement, the county recognizes revenues equal to the liabilities incurred for approved project expenditures. The county requests bond funds by project to be transferred to an account established by the Union County Public Schools Board of Education for payment of invoices. To date, the county has expended \$27,672,792 of their total allocation of \$27,672,792.

NOTE 23 - SCHOOL FACILITIES FINANCE ACT OF 1987

The 1987 General Assembly passed the School Facilities Finance Act of 1987 (Act) to assist county governments in meeting their public school facility capital needs. The Act created two new State-funded programs for the construction and renewal of school facilities: the Public School Building Capital Fund administered by the Office of State Budget and Management, and the Critical School Facilities Needs Fund administered by the State Board of Education. The Public School Building Capital Fund may also be used to finance equipment needs under the local school unit's technology plan. The county has not received any funding from the Critical School Facilities Needs Fund.

Public School Building Capital Fund

The Public School Building Capital Fund is funded using a portion of the corporate income taxes which are imposed on corporations doing business in the state. Each calendar quarter, the Department of Revenue deposits into the fund an amount equal to the applicable fraction provided by the following table of the net collections of corporate income taxes received during the previous quarter minus \$2.5 million which it deposits into the Critical School Facilities Needs Fund.

<u>Period</u>	<u>Fraction</u>
10/01/99 to 9/30/00	One fourteenth (1/14)
After 9/30/00	Five sixty-ninths (5/69)

The corporate income taxes deposited into the Public School Building Capital Fund are allocated to Union County on the basis of the average daily membership (ADM) for Union County Public Schools Board of Education as determined and certified by the State Board of Education. The Office of State Budget and Management establishes and maintains an ADM allocation account for the county. At June 30, 2003, the balance of the county's ADM allocation account was \$3,507. The county must match this balance on the basis of one dollar for every three dollars of State funds for financing the school unit's facilities capital needs. The local school technology plan does not require a county match.

After approving a school capital project authorized by the School Facilities Finance Act, the Office of State Budget and Management transfers funds from the county's allocation account to its disbursing account that is maintained with the State Treasurer. At June 30, 2003, the county's disbursing

account had a balance of zero. The county must match funds placed in the disbursing account on the basis of one dollar for every three dollars of state funds.

Funds in the allocation and disbursing accounts are considered State monies until the county issues warrants to disburse them. At that time, they are recognized in the county's General Fund as a restricted intergovernmental revenue.

NOTE 24 - BENEFIT PAYMENTS ISSUED BY THE STATE

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. 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 general purpose financial statements because they are not revenues and expenditures of the county.

	Federal	State
Work First/TANF	\$ 1,181,113	\$ -
AFDC Payments and Penalties	(31)	(8)
Low Income Energy Assistance	109,981	-
Refugee Assistance Payment	3,588	-
Adoption Subsidy and Vendor	(263)	149,524
IV-E Adoption Subsidy and Vendor	170,207	52,659
State/County Special Assistance for Adults	-	800,838
Women, Infants and Children	1,609,260	-
Medical Assistance Program	43,130,094	22,078,936
Food Stamp Program-Noncash	6,381,677	-
Food Distribution	15,941	-
	<u>\$ 52,601,567</u>	<u>\$ 23,081,949</u>

NOTE 25 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

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 monies 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 refund of grant monies.

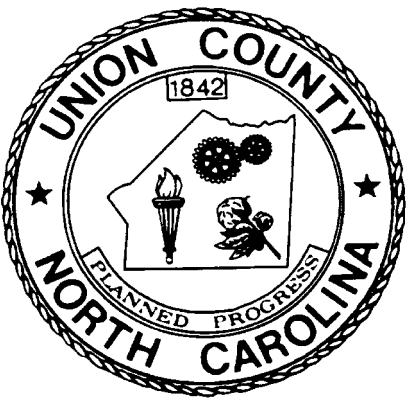
NOTE 26 - SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Prior to July 1, 2003, the County was fully insured with respect to the County's health insurance plan. Effective July 1, 2003, the County self-insured with respect to the health plan and retained a third party administrator to process the County's health benefit plan claims for its employees and dependents. The County purchased aggregate excess insurance for claims exceeding 125% of the plan's actuarially determined expected claims and also purchased individual specific excess insurance for claims up to \$2,000,000 (the plan's lifetime maximum benefit) in excess of \$75,000 per covered person. The health plan is being funded in fiscal year 2004 with employer and employee contributions, which are projected to be sufficient to meet the plan's projected claims, administration and insurance expenses.

On June 27, 2003, the County received a resolution from the Board of Education contesting the FY2004 budget appropriation for the public schools' current expense and capital outlay adopted on June 23, 2003 by the County Commission. The resolution called for the joint selection of a

mediator who would attempt to resolve the budget dispute as provided for in North Carolina General Statutes. On July 31, 2003, the County and the Board of Education reached an agreement with respect to the budget dispute with the County providing the Board of Education an additional \$2.1 million from its General Fund fund balance.

On July 10, 2003, the County entered into an agreement for the South Altan Phase II water main extension in the amount of \$928,488. This project will be funded with revenue bond proceeds, EPA grants and the resources of the Water and Sewer Enterprise Fund.



Required Supplementary Information

This section contains additional information required by generally accepted accounting principles.

Required Supplementary Information - Schedule of Funding Progress for Special Separation Allowance

Required Supplementary Information - Schedule of Employer Contributions for Special Separation Allowance

Notes to the Required Schedules for Special Separation Allowance

**Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress**

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date - Year Ended December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1) / (2)	Covered Payroll for Year Ending on Valuation Date	UAAL as a Percentage of Covered Payroll (3) / (5)
1993	441,049	1,009,251	568,202	43.70%	13,511,246	4.21%
1994	555,670	1,373,873	818,203	40.45%	15,142,982	5.40%
1995	680,880	1,608,531	927,651	42.33%	16,937,212	5.48%
1996	782,673	1,911,488	1,128,815	40.95%	17,727,009	6.37%
1997	877,247	2,195,993	1,318,746	39.95%	17,541,353	7.52%
1998	951,087	2,313,879	1,362,792	41.10%	18,564,084	7.34%
1999	1,032,298	2,560,399	1,528,101	40.32%	19,421,640	7.87%
2000	1,113,733	3,492,035	2,378,302	31.89%	22,061,331	10.78%
2001	1,267,791	3,814,601	2,546,810	33.24%	23,829,235	10.69%
2002	1,352,025	4,425,576	3,073,551	30.55%	25,006,925	12.29%

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability (AAL), and unfunded actuarial accrued liability (UAAL) in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employees' Retirement System (PERS). Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS. Ten year historical trend information for a single employer PERS is required supplementary information. The calendar year 1987 was the first year of the county's plan. Actuarial information was contracted for in 1988 and has since been updated annually.

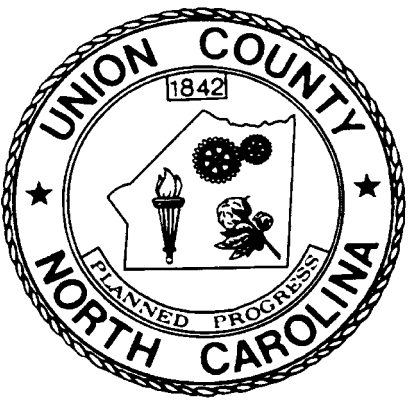
**Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions**

Fiscal Year	Annual Required Contribution	Percentage Contributed
1998	\$ 211,554	87%
1999	232,314	86%
2000	245,858	84%
2001	267,109	88%
2002	305,659	116%
2003	332,581	102%

Notes to the Required Schedules:

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

Valuation date	December 31, 2002
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period at December 31, 2002	28 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	7.25%
Projected salary increases *	5.9% to 9.8% per year
* Includes inflation at	3.75%
Cost-of-living adjustments	Not included



Combining and Individual Fund Statements

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2003

	Special Revenue Funds	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 753,528	\$ 43,825	\$ 797,353
Investments	1,631,665	94,898	1,726,563
Property taxes receivable (net)	17,285	-	17,285
Accounts receivable (net)	156,756	458	157,214
Restricted cash equivalents and investments	-	20,602,976	20,602,976
Total assets	<u>\$ 2,559,234</u>	<u>\$ 20,742,157</u>	<u>\$ 23,301,391</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 125,059	\$ 451,411	\$ 576,470
Deferred revenue	17,285	-	17,285
Unearned revenue	8,493	-	8,493
Liabilities payable from restricted assets	-	1,263,578	1,263,578
Due to other funds	-	1,768,991	1,768,991
Total liabilities	<u>150,837</u>	<u>3,483,980</u>	<u>3,634,817</u>
FUND BALANCES			
Reserved for encumbrances	-	581,545	581,545
Reserved by State statute	156,756	458	157,214
Reserved for drug enforcement	160,555	-	160,555
Unreserved			
Designated for subsequent years' expenditures	679,926	16,542,368	17,222,294
Undesignated	<u>1,411,160</u>	<u>133,806</u>	<u>1,544,966</u>
Total fund balances	<u>2,408,397</u>	<u>17,258,177</u>	<u>19,666,574</u>
Total liabilities and fund balances	<u>\$ 2,559,234</u>	<u>\$ 20,742,157</u>	<u>\$ 23,301,391</u>

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

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES				
Ad valorem taxes	\$ 710,548	\$ -	\$ -	\$ 710,548
Local option sales tax	204,045	-	-	204,045
Other taxes and licenses	1,020,075	-	-	1,020,075
Intergovernmental	30,944	-	481,500	512,444
Permits and fees	1,438,243	-	-	1,438,243
Investments earnings	43,557	3,470	348,962	395,989
Miscellaneous	5,349	-	289,721	295,070
Total revenues	<u>3,452,761</u>	<u>3,470</u>	<u>1,120,183</u>	<u>4,576,414</u>
EXPENDITURES				
Current:				
Public safety	3,020,381	-	-	3,020,381
Capital outlay:				
Cultural and Recreational	-	-	2,978,112	2,978,112
Education	-	-	13,742,015	13,742,015
Debt service:				
Total expenditures	<u>3,020,381</u>	<u>-</u>	<u>16,720,127</u>	<u>19,740,508</u>
Excess (deficiency) of revenues over (under) expenditures	<u>432,380</u>	<u>3,470</u>	<u>(15,599,944)</u>	<u>(15,164,094)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	142,318	-	680,000	822,318
Transfers to other funds	(230,075)	(4,740)	(1,015,690)	(1,250,505)
Proceeds from installment financing	-	-	2,824,674	2,824,674
Payments to refunded debt escrow agents	-	(674,999)	-	(674,999)
Total other financing sources (uses)	<u>(87,757)</u>	<u>(679,739)</u>	<u>2,488,984</u>	<u>1,721,488</u>
Net change in fund balances	344,623	(676,269)	(13,110,960)	(13,442,606)
FUND BALANCES				
Beginning	2,063,774	676,269	30,369,137	33,109,180
Ending	<u>\$ 2,408,397</u>	<u>\$ -</u>	<u>\$ 17,258,177</u>	<u>\$ 19,666,574</u>

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

June 30, 2003

	Hemby Bridge Fire District Fund	Stallings Fire District Fund	Emergency Telephone System Fund	Fee Supported Fire Districts Fund	General Special Revenue Fund	Total Nonmajor Special Revenue Funds
ASSETS						
Cash and cash equivalents	\$ 12,981	\$ 23,388	\$ 654,900	\$ 11,537	\$ 50,722	\$ 753,528
Investments	28,110	50,644	1,418,096	24,982	109,833	1,631,665
Property taxes receivable (net)	8,815	8,470	-	-	-	17,285
Accounts receivable (net)	29,989	34,187	84,971	35	7,574	156,756
Total assets	<u>\$ 79,895</u>	<u>\$ 116,689</u>	<u>\$ 2,157,967</u>	<u>\$ 36,554</u>	<u>\$ 168,129</u>	<u>\$ 2,559,234</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 123,580	\$ 1,479	\$ -	\$ 125,059
Deferred revenue	8,815	8,470	-	-	-	17,285
Unearned revenue	3,332	5,161	-	-	-	8,493
Total liabilities	<u>12,147</u>	<u>13,631</u>	<u>123,580</u>	<u>1,479</u>	<u>-</u>	<u>150,837</u>
FUND BALANCES						
Reserved by State statute	29,989	34,187	84,971	35	7,574	156,756
Reserved for drug enforcement	-	-	-	-	160,555	160,555
Unreserved						
Designated for subsequent years' expenditures	37,759	68,871	573,296	-	-	679,926
Undesignated	-	-	1,376,120	35,040	-	1,411,160
Total fund balances	<u>67,748</u>	<u>103,058</u>	<u>2,034,387</u>	<u>35,075</u>	<u>168,129</u>	<u>2,408,397</u>
Total liabilities and fund balances	<u>\$ 79,895</u>	<u>\$ 116,689</u>	<u>\$ 2,157,967</u>	<u>\$ 36,554</u>	<u>\$ 168,129</u>	<u>\$ 2,559,234</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2003

	Hemby Bridge Fire District Fund	Stallings Fire District Fund	Reappraisal Fund	Emergency Telephone System Fund	Fee Supported Fire Districts Fund	General Special Revenue Fund	Total Nonmajor Special Revenue Funds
REVENUES							
Ad valorem taxes	\$ 388,639	\$ 321,909	\$ -	\$ -	\$ -	\$ -	\$ 710,548
Local option sales tax	105,187	98,858	-	-	-	-	204,045
Other taxes and licenses	-	-	-	1,020,075	-	-	1,020,075
Intergovernmental	-	-	-	-	-	30,944	30,944
Permits and fees	-	-	-	-	1,438,243	-	1,438,243
Investments earnings	-	-	-	42,770	-	787	43,557
Miscellaneous	-	-	-	-	-	5,349	5,349
Total revenues	<u>493,826</u>	<u>420,767</u>	<u>-</u>	<u>1,062,845</u>	<u>1,438,243</u>	<u>37,080</u>	<u>3,452,761</u>
EXPENDITURES							
Current:							
Public safety	485,400	338,526	-	756,519	1,428,667	11,269	3,020,381
Excess of revenues over expenditures	<u>8,426</u>	<u>82,241</u>	<u>-</u>	<u>306,326</u>	<u>9,576</u>	<u>25,811</u>	<u>432,380</u>
OTHER FINANCING SOURCES (USES)							
Transfers from other funds	-	-	-	-	-	142,318	142,318
Transfers to other funds	-	-	(164,075)	(66,000)	-	-	(230,075)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(164,075)</u>	<u>(66,000)</u>	<u>-</u>	<u>142,318</u>	<u>(87,757)</u>
Net change in fund balances	8,426	82,241	(164,075)	240,326	9,576	168,129	344,623
FUND BALANCES							
Beginning	59,322	20,817	164,075	1,794,061	25,499	-	2,063,774
Ending	<u>\$ 67,748</u>	<u>\$ 103,058</u>	<u>\$ -</u>	<u>\$ 2,034,387</u>	<u>\$ 35,075</u>	<u>\$ 168,129</u>	<u>\$ 2,408,397</u>

**Combining Balance Sheet
Nonmajor Capital Project Funds**

June 30, 2003

	Library Capital Reserve Fund	Library Capital Project Fund	School Bond Fund-55	School Bond Fund-58	Total Nonmajor Capital Project Funds
ASSETS					
Cash and cash equivalents	\$ 43,825	\$ -	\$ -	\$ -	\$ 43,825
Investments	94,898	-	-	-	94,898
Accounts receivable (net)	458	-	-	-	458
Restricted cash equivalents and investments	-	2,824,674	11,887,737	5,890,565	20,602,976
Total assets	<u>\$ 139,181</u>	<u>\$ 2,824,674</u>	<u>\$ 11,887,737</u>	<u>\$ 5,890,565</u>	<u>\$ 20,742,157</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ -	\$ 451,411	\$ -	\$ -	\$ 451,411
Liabilities payable from restricted assets	-	-	701,979	561,599	1,263,578
Due to other funds	-	1,657,912	14,061	97,018	1,768,991
Total liabilities	<u>-</u>	<u>2,109,323</u>	<u>716,040</u>	<u>658,617</u>	<u>3,483,980</u>
FUND BALANCES					
Reserved for encumbrances	-	581,545	-	-	581,545
Reserved by State statute	458	-	-	-	458
Unreserved					
Designated for subsequent years' expenditures	138,723	-	11,171,697	5,231,948	16,542,368
Undesignated	-	133,806	-	-	133,806
Total fund balances	<u>139,181</u>	<u>715,351</u>	<u>11,171,697</u>	<u>5,231,948</u>	<u>17,258,177</u>
Total liabilities and fund balances	<u>\$ 139,181</u>	<u>\$ 2,824,674</u>	<u>\$ 11,887,737</u>	<u>\$ 5,890,565</u>	<u>\$ 20,742,157</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Capital Project Funds

For the Year Ended June 30, 2003

	Library Capital Reserve Fund	Library Capital Project Fund	School Bond Fund-55	School Bond Fund-58	Total Nonmajor Capital Project Funds
REVENUES					
Intergovernmental	\$ -	\$ 481,500	\$ -	\$ -	\$ 481,500
Investments earnings	13,392	-	224,330	111,240	348,962
Miscellaneous	-	289,721	-	-	289,721
Total revenues	<u>13,392</u>	<u>771,221</u>	<u>224,330</u>	<u>111,240</u>	<u>1,120,183</u>
EXPENDITURES					
Capital outlay:					
Cultural and Recreational	-	2,978,112	-	-	2,978,112
Education	-	-	8,570,167	5,171,848	13,742,015
Total expenditures	<u>-</u>	<u>2,978,112</u>	<u>8,570,167</u>	<u>5,171,848</u>	<u>16,720,127</u>
Excess (deficiency) of revenues over (under) expenditures	13,392	(2,206,891)	(8,345,837)	(5,060,608)	(15,599,944)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	680,000	-	-	680,000
Transfers to other funds	(680,000)	-	(224,408)	(111,282)	(1,015,690)
Proceeds from installment financing	-	2,824,674	-	-	2,824,674
Total other financing sources (uses)	<u>(680,000)</u>	<u>3,504,674</u>	<u>(224,408)</u>	<u>(111,282)</u>	<u>2,488,984</u>
Net change in fund balances	(666,608)	1,297,783	(8,570,245)	(5,171,890)	(13,110,960)
FUND BALANCES					
Beginning	805,789	(582,432)	19,741,942	10,403,838	30,369,137
Ending	<u>\$ 139,181</u>	<u>\$ 715,351</u>	<u>\$ 11,171,697</u>	<u>\$ 5,231,948</u>	<u>\$ 17,258,177</u>

**Combining Statement of Net Assets
Internal Service Funds**

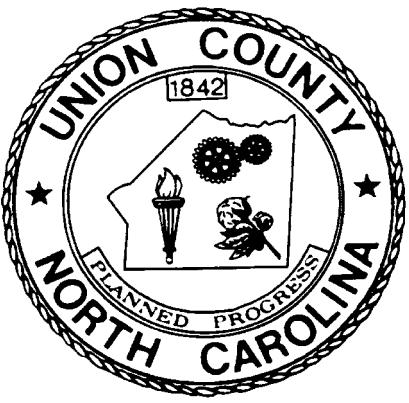
June 30, 2003

	Health Benefits Fund	Workers' Compensation Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 121,360	\$ 902,686	\$ 1,024,046
Investments	262,790	1,954,644	2,217,434
Accounts receivable (net)	148,828	108,751	257,579
Total current assets	532,978	2,966,081	3,499,059
Noncurrent assets:			
Buildings, equipment and infrastructure, net of depreciation	-	10,760	10,760
Total assets	532,978	2,976,841	3,509,819
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	22,536	3,089	25,625
Workers' compensation claims payable	-	337,831	337,831
Health care benefits payable	6,490	-	6,490
Total current liabilities	29,026	340,920	369,946
NET ASSETS			
Invested in capital assets, net of related debt	-	10,760	10,760
Unrestricted	503,952	2,625,161	3,129,113
Total net assets	\$ 503,952	\$ 2,635,921	\$ 3,139,873

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets**Internal Service Funds**

For the Year Ended June 30, 2003

	Health Benefits Fund	Workers' Compensation Fund	Total
OPERATING REVENUES			
Interfund charges and employee contributions	\$ 3,669,847	\$ -	\$ 3,669,847
Other operating revenue	312,936	6,479	319,415
Total operating revenues	<u>3,982,783</u>	<u>6,479</u>	<u>3,989,262</u>
OPERATING EXPENSES			
Operating expenses	54,180	113,556	167,736
Depreciation	-	3,228	3,228
Workers' compensation claims	-	245,854	245,854
Health benefit claims and premiums	4,231,555	-	4,231,555
Total operating expenses	<u>4,285,735</u>	<u>362,638</u>	<u>4,648,373</u>
Operating loss	(302,952)	(356,159)	(659,111)
NONOPERATING REVENUES			
Investment earnings	<u>6,755</u>	<u>62,141</u>	<u>68,896</u>
Change in net assets	(296,197)	(294,018)	(590,215)
NET ASSETS			
Beginning	<u>800,149</u>	<u>2,929,939</u>	<u>3,730,088</u>
Ending	<u>\$ 503,952</u>	<u>\$ 2,635,921</u>	<u>\$ 3,139,873</u>



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

	Health Benefits Fund	Workers' Compensation Fund	Total
OPERATING ACTIVITIES			
Cash received from customers for services	\$ 3,521,019	\$ (108,751)	\$ 3,412,268
Other operating revenue	312,936	6,479	319,415
Cash paid for goods and services	<u>(4,257,728)</u>	<u>(272,854)</u>	<u>(4,530,582)</u>
Net cash used in operating activities	<u>(423,773)</u>	<u>(375,126)</u>	<u>(798,899)</u>
INVESTING ACTIVITIES			
Proceeds from sale of investments	1,323,692	5,575,974	6,899,666
Purchase of investments	(1,067,801)	(5,472,874)	(6,540,675)
Investment earnings	8,294	62,968	71,262
Net cash provided by investing activities	<u>264,185</u>	<u>166,068</u>	<u>430,253</u>
Net decrease in cash and cash equivalents	(159,588)	(209,058)	(368,646)
CASH AND CASH EQUIVALENTS			
Beginning of year	280,948	1,111,744	1,392,692
End of year	<u>\$ 121,360</u>	<u>\$ 902,686</u>	<u>\$ 1,024,046</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (302,952)	\$ (356,159)	\$ (659,111)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	-	3,228	3,228
Change in assets and liabilities			
(Increase) decrease in accounts receivable	(148,828)	(108,751)	(257,579)
Increase (decrease) in accounts payable and accrued liabilities	28,007	86,556	114,563
Total adjustments	<u>(120,821)</u>	<u>(18,967)</u>	<u>(139,788)</u>
Net cash used in operating activities	<u>\$ (423,773)</u>	<u>\$ (375,126)</u>	<u>\$ (798,899)</u>

Union County, North Carolina

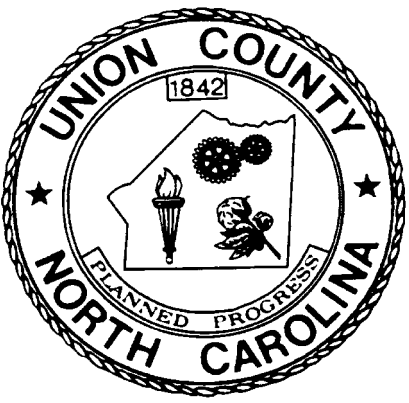
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds

June 30, 2003

	Social Services Fund	Fines and Forfeitures Fund	Jail Inmate Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 79,829	\$ -	\$ 18,254
Investments	-	-	-
Property taxes receivable (net)	-	-	-
Accounts receivable (net)	-	87,273	-
Total assets	<u>\$ 79,829</u>	<u>\$ 87,273</u>	<u>\$ 18,254</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ 87,273	\$ -
Due to program participants	79,829	-	18,254
Total liabilities	<u>\$ 79,829</u>	<u>\$ 87,273</u>	<u>\$ 18,254</u>

Schedule 10

Monroe School District Fund	Union County School District Fund	Municipal Tax Collection Fund	Gross Rental Receipts Tax Fund	Totals
\$ 5,981	\$ 25,649	\$ 46,214	\$ 63	\$ 175,990
12,951	55,540	100,071	135	168,697
52,231	191,176	-	-	243,407
104,361	659,754	-	-	851,388
<u>\$ 175,524</u>	<u>\$ 932,119</u>	<u>\$ 146,285</u>	<u>\$ 198</u>	<u>\$ 1,439,482</u>
\$ 175,524	\$ 932,119	\$ 146,285	\$ 198	\$ 1,341,399
-	-	-	-	98,083
<u>\$ 175,524</u>	<u>\$ 932,119</u>	<u>\$ 146,285</u>	<u>\$ 198</u>	<u>\$ 1,439,482</u>



General Fund

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

**General Fund
Comparative Balance Sheets
June 30, 2003 and 2002**

	June 30, 2003	June 30, 2002
ASSETS		
Cash and cash equivalents	\$ 14,973,358	\$ 20,967,328
Investments	32,349,770	40,198,884
Property taxes receivable (net)	1,498,624	1,747,163
Accounts receivable (net)	8,033,817	6,915,880
Due from other funds	9,453,351	444,151
Inventories	37,013	19,071
Restricted cash equivalents and investments	906,225	-
Total assets	<u>\$ 67,252,158</u>	<u>\$ 70,292,477</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,091,218	\$ 4,856,858
Deferred revenue	1,499,939	1,747,970
Unearned revenue	560,635	526,664
Deposits	266,335	225,265
Total liabilities	<u>6,418,127</u>	<u>7,356,757</u>
FUND BALANCE		
Reserved for encumbrances	1,696,985	666,278
Reserved by State statute	17,522,866	7,378,294
Reserved for drug enforcement	-	140,658
Reserved for register of deeds	-	61,107
Unreserved		
Designated for subsequent years' expenditures	6,497,003	13,060,308
Designated for special purpose	689,235	1,036,647
Undesignated	34,427,942	40,592,428
Total fund balance	<u>60,834,031</u>	<u>62,935,720</u>
Total liabilities and fund balance	<u>\$ 67,252,158</u>	<u>\$ 70,292,477</u>

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

For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 45,059,693	\$ 47,254,415	\$ 2,194,722	\$ 43,999,321
Prior years' levy	1,088,600	1,325,682	237,082	1,089,902
Animal taxes, penalties and interest	363,650	443,853	80,203	454,296
Total	46,511,943	49,023,950	2,512,007	45,543,519
Local option sales tax	16,075,000	18,180,313	2,105,313	16,431,160
Other taxes and licenses	1,236,000	1,398,707	162,707	1,321,384
Intergovernmental	15,981,598	14,863,357	(1,118,241)	17,354,513
Permits and fees	3,779,450	4,902,295	1,122,845	3,552,862
Sales and services	3,273,475	3,348,469	74,994	3,439,979
Investment earnings	1,300,000	1,244,153	(55,847)	1,669,784
Miscellaneous	1,930,977	1,983,618	52,641	2,230,802
Total revenues	90,088,443	94,944,862	4,856,419	91,544,003
EXPENDITURES				
General Government				
Board of Commissioners	296,660	239,462	57,198	227,606
Vision 20/20	72,878	72,567	311	74,535
Central Administration	802,211	705,739	96,472	489,436
County Dues and Memberships	79,000	78,936	64	71,507
Internal Audit	76,105	72,932	3,173	68,072
Legal	249,952	223,519	26,433	172,482
Personnel	412,157	387,851	24,306	734,019
Finance	766,448	700,857	65,591	703,518
Tax Administration	3,528,580	2,503,346	1,025,234	1,885,054
Court Facilities	1,867,397	1,856,659	10,738	1,513,837
Elections	699,282	596,405	102,877	365,832
Register of Deeds	804,452	766,211	38,241	698,492
Information Systems	1,977,432	1,340,577	636,855	1,419,527
G.I.S. Department	490,634	281,567	209,067	236,733
General Services	1,929,634	505,460	1,424,174	1,374,837
Total General Government	14,052,822	10,332,088	3,720,734	10,035,487
Public Safety				
Law Enforcement	10,343,189	10,245,229	97,960	9,834,918
Communications	926,550	890,126	36,424	868,046
Homeland Security	169,728	120,386	49,342	128,947
Fire Services	855,660	782,171	73,489	644,644
Inspection	2,007,236	1,523,704	483,532	1,552,148
Medical Examiner	45,000	21,950	23,050	23,400
Emergency Medical Services	3,070,986	3,070,986	-	3,134,039
Animal Control	475,103	404,532	70,571	428,524
Juvenile Detention	162,000	139,895	22,105	118,008
Total Public Safety	18,055,452	17,198,979	856,473	16,732,674

Continued on next page.

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

(continued)

For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
EXPENDITURES (Continued)				
Economic and Physical Development				
Planning	\$ 437,879	\$ 410,753	\$ 27,126	\$ 348,129
Economic Development Commission	695,498	284,780	410,718	274,954
Cooperative Extension Service	327,295	264,653	62,642	272,875
Soil Conservation	140,900	137,084	3,816	132,532
Forest Management	50,553	39,658	10,895	37,916
<i>Total Economic and Physical Development</i>	<u>1,652,125</u>	<u>1,136,928</u>	<u>515,197</u>	<u>1,066,406</u>
Human Services				
Health	5,969,692	5,354,146	615,546	5,074,966
Mental Health	646,758	634,929	11,829	634,947
Social Services	21,403,427	19,525,094	1,878,333	19,651,522
Other Human Services				
JCPC - Youth Service Advisory Council	8,000	7,941	59	383
JCPC - Positive Impact	289,488	253,815	35,673	224,800
JCPC - Uwharrie Group Home	3,900	3,900	-	9,431
JCPC - Delinquency Prevention and Remediation	49,028	48,058	970	47,007
JCPC - Union County Group Home	24,814	19,571	5,243	20,194
JCPC - Youth Services	-	-	-	25,965
JCPC - Community Support Services	39,813	39,813	-	41,458
Turning Point	25,000	18,750	6,250	25,000
Transportation	595,957	560,265	35,692	461,074
Nutrition Program for the Elderly	474,999	388,379	86,620	437,903
Veterans' Service	148,432	143,001	5,431	134,629
UDI (Sheltered Workshop)	26,500	26,500	-	26,500
Community Action	76,338	76,338	-	76,338
Council on Aging	333,259	263,897	69,362	230,371
Community Shelter	10,000	10,000	-	10,000
Criminal Justice Partnership	-	-	-	7,000
<i>Total Human Services</i>	<u>30,125,405</u>	<u>27,374,397</u>	<u>2,751,008</u>	<u>27,139,488</u>
Cultural and Recreational				
Library	2,757,832	2,678,090	79,742	2,096,182
Parks and Recreation	1,922,512	1,419,334	503,178	2,505,915
Arts Council	45,000	45,000	-	45,000
Historical Properties	5,000	5,000	-	5,000
Union Symphony Orchestra League	2,000	-	2,000	2,000
A. J. Historical Foundator	5,000	5,000	-	-
<i>Total Cultural and Recreational</i>	<u>4,737,344</u>	<u>4,152,424</u>	<u>584,920</u>	<u>4,654,097</u>
Education				
Public Schools - current expense	20,519,344	20,519,344	-	17,860,537
Public Schools - Building Bond Act of 1996	126,304	126,303	1	330,089
Public Schools - capital outlay	-	-	-	4,547,300
Subtotal	<u>20,645,648</u>	<u>20,645,647</u>	<u>1</u>	<u>22,737,926</u>
School Traffic Control	25,199	24,119	1,080	23,269
Community College - operations	525,000	525,000	-	525,000
Literacy Efforts	2,000	2,000	-	2,000
<i>Total Education</i>	<u>21,197,847</u>	<u>21,196,766</u>	<u>1,081</u>	<u>23,288,195</u>

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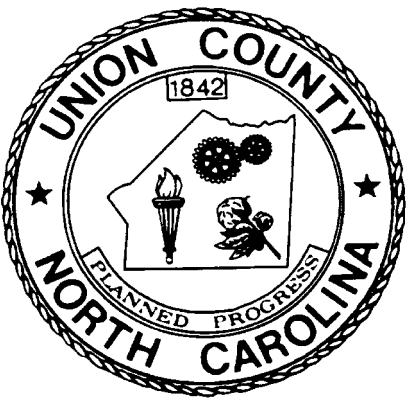
General Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual

(continued)

For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
EXPENDITURES (Continued)				
Debt Service				
School Debt Service				
Principal retirement	\$ 7,012,507	\$ 7,012,504	\$ 3	\$ 7,073,864
Interest and fees	6,224,238	6,291,692	(67,454)	6,557,562
Total	13,236,745	13,304,196	(67,451)	13,631,426
General Debt Service				
Principal retirement	377,500	377,500	-	357,000
Interest and fees	414,928	373,851	41,077	333,725
Total	792,428	751,351	41,077	690,725
<i>Total Debt Service</i>	14,029,173	14,055,547	(26,374)	14,322,151
Total expenditures	103,850,168	95,447,129	8,403,039	97,238,498
Revenues under expenditures	(13,761,725)	(502,267)	13,259,458	(5,694,495)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds:				
Detention Facility Debt Service Fund	4,740	4,740	-	23,439
Reappraisal Fund	164,075	164,075	-	-
School Bond Fund - 55	55,283	224,408	169,125	1,088,510
School Bond Fund - 58	28,844	111,282	82,438	806,983
Water and Sewer Fund	406,500	-	(406,500)	1,308,214
Transfers to other funds:				
Reappraisal Fund	-	-	-	(425,000)
General Special Revenue Ordinance Fund	(150,500)	(142,318)	8,182	-
General Capital Project Ordinance Fund	(2,958,518)	(2,958,518)	-	(764,300)
Library Capital Project Fund	-	-	-	(2,683,347)
Water and Sewer Fund	-	-	-	(1,262,148)
Workers Compensation Fund	-	-	-	-
Proceeds from refunding installment financing	-	7,116,113	7,116,113	-
Proceeds from installment financing	7,978,112	858,482	(7,119,630)	-
Payments to refunded debt escrow agents	(7,165,000)	(6,977,686)	187,314	-
Total other financing sources (uses)	(1,636,464)	(1,599,422)	37,042	(1,907,649)
Revenues and other financing sources under expenditures and other financing uses	(15,398,189)	(2,101,689)	13,296,500	(7,602,144)
APPROPRIATED FUND BALANCE	15,398,189	-	(15,398,189)	-
Revenues, other financing sources, and appropriated fund balance under expenditures and other financing use	\$ -	(2,101,689)	\$ (2,101,689)	(7,602,144)
FUND BALANCE				
Beginning		62,935,720		70,537,864
Ending		\$ 60,834,031		\$ 62,935,720



Special Revenue Funds

Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

Hemby Bridge Fire District Fund - This fund accounts for the ad valorem tax levies of this fire district in Union County.

Stallings Fire District Fund - This fund accounts for the ad valorem tax levies of this fire district in Union County.

Reappraisal Fund - This fund accounts for the accumulation of resources to be used for the octennial revaluation of real property.

Emergency Telephone System Fund - This fund accounts for the user fees charged to support the emergency telephone system.

Fee Supported Fire Districts Fund - This fund accounts for the fees levied in these fire districts in Union County.

General Special Revenue Fund - This multi-year fund accounts for multi-year special revenues.

Hemby Bridge Fire District Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 373,165	\$ 379,977	\$ 6,812	\$ 254,304
Prior years' levy	2,800	7,335	4,535	2,739
Penalties and interest	635	1,327	692	883
Total	<u>376,600</u>	<u>388,639</u>	<u>12,039</u>	<u>257,926</u>
Local option sales tax	70,800	105,187	34,387	78,060
Intergovernmental	-	-	-	533
Total revenues	<u>447,400</u>	<u>493,826</u>	<u>46,426</u>	<u>336,519</u>
EXPENDITURES				
Current				
Public Safety	<u>485,400</u>	<u>485,400</u>	-	<u>334,400</u>
Revenues over (under) expenditures	(38,000)	8,426	46,426	2,119
APPROPRIATED FUND BALANCE	<u>38,000</u>	<u>-</u>	<u>(38,000)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	8,426	<u>\$ 8,426</u>	2,119
FUND BALANCE				
Beginning of year - July 1		<u>59,322</u>		<u>57,203</u>
End of year - June 30		<u>\$ 67,748</u>		<u>\$ 59,322</u>

Stallings Fire District Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 312,281	\$ 317,411	\$ 5,130	\$ 230,016
Prior years' levy	1,350	3,226	1,876	1,330
Penalties and interest	695	1,272	577	978
Total	<u>314,326</u>	<u>321,909</u>	<u>7,583</u>	<u>232,324</u>
Local option sales tax	24,200	98,858	74,658	38,726
Intergovernmental	-	-	-	171
Total revenues	<u>338,526</u>	<u>420,767</u>	<u>82,241</u>	<u>271,221</u>
EXPENDITURES				
Current				
Public Safety	<u>338,526</u>	<u>338,526</u>	-	<u>272,285</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>82,241</u>	<u>\$ 82,241</u>	<u>(1,064)</u>
FUND BALANCE				
Beginning of year - July 1		<u>20,817</u>		<u>21,881</u>
End of year - June 30		<u>\$ 103,058</u>		<u>\$ 20,817</u>

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

For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ -	\$ -	\$ -	\$ 8,132
EXPENDITURES				
Current				
General Government	-	-	-	435,533
Revenues under expenditures	-	-	-	(427,401)
OTHER FINANCING SOURCES (USES)				
Operating transfers in				
General Fund	-	-	-	425,000
Operating transfers out				
General Fund	(164,076)	(164,075)	1	-
Total other financing sources (uses)	(164,076)	(164,075)	1	425,000
Revenues and other financing sources under expenditures and other financing uses	(164,076)	(164,075)	1	(2,401)
APPROPRIATED FUND BALANCE	164,076	-	(164,076)	-
Revenues, other financing sources, and appropriated fund balance under expenditures and other financing uses	\$ -	(164,075)	\$ (164,075)	(2,401)
FUND BALANCE				
Beginning of year - July 1		164,075		166,476
End of year - June 30		\$ -		\$ 164,075

Emergency Telephone System Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
REVENUES				
Other taxes and licenses				
911 system subscriber fees	\$ 934,400	\$ 1,020,075	\$ 85,675	\$ 969,782
Investment earnings	34,900	42,770	7,870	72,825
Total revenues	969,300	1,062,845	93,545	1,042,607
EXPENDITURES				
Current				
Public Safety	931,089	756,519	174,570	1,950,552
Revenues over (under) expenditures	38,211	306,326	268,115	(907,945)
OTHER FINANCING USES				
Operating transfers out				
General Capital Project Ordinance Fund	(66,000)	(66,000)	-	-
Revenues over (under) expenditures and other financing uses	(27,789)	240,326	268,115	(907,945)
APPROPRIATED FUND BALANCE	<u>27,789</u>	<u>-</u>	<u>(27,789)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	240,326	<u>\$ 240,326</u>	(907,945)
FUND BALANCE				
Beginning of year - July 1		1,794,061		2,702,006
End of year - June 30		<u>\$ 2,034,387</u>		<u>\$ 1,794,061</u>

Fee Supported Fire Districts Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

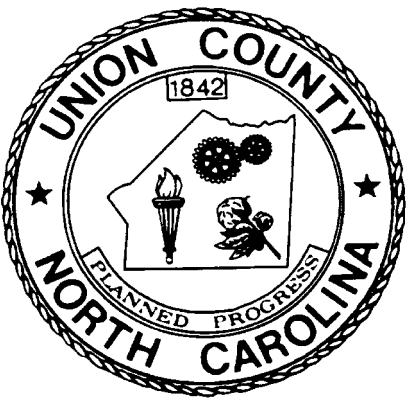
For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
REVENUES				
Permits and fees	\$ 1,423,257	\$ 1,438,243	\$ 14,986	\$ 1,341,075
EXPENDITURES				
Current				
Public Safety	<u>1,423,257</u>	<u>1,428,667</u>	<u>(5,410)</u>	<u>1,335,586</u>
Revenues over expenditures	<u>\$ -</u>	<u>9,576</u>	<u>\$ 9,576</u>	<u>5,489</u>
FUND BALANCE				
Beginning of year - July 1		<u>25,499</u>		<u>20,010</u>
End of year - June 30		<u>\$ 35,075</u>		<u>\$ 25,499</u>

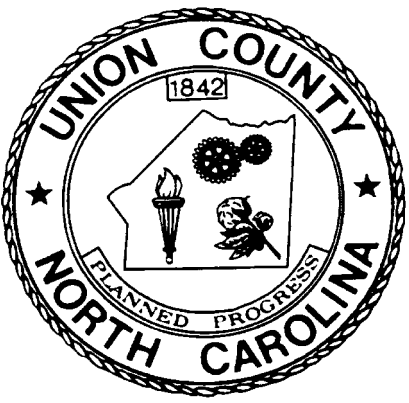
General Special Revenue Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
 From Inception and for the Year Ended June 30, 2003

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 30,944	\$ 30,944	\$ 30,944
Investment earnings	-	-	787	787	787
Miscellaneous	-	-	5,349	5,349	5,349
Total revenues	-	-	37,080	37,080	37,080
EXPENDITURES					
Current					
Public Safety	150,500	-	11,269	11,269	139,231
Revenues over (under) expenditures	(150,500)	-	25,811	25,811	176,311
OTHER FINANCING SOURCES					
Operating transfers in					
General Fund	150,500	-	142,318	142,318	(8,182)
Revenues and other financing sources over expenditures	\$ -	\$ -	168,129	\$ 168,129	\$ 168,129
FUND BALANCE					
Beginning of year - July 1			-		
End of year - June 30			\$ 168,129		



Debt Service Fund

The Debt Service Fund accounts for the accumulation of resources and payment of installment financing principal and interest from governmental resources. The county maintains one Debt Service Fund: the Detention Facility Debt Service Fund. The Detention Facility Debt Service Fund was established as required by the installment financing agreement. The assets of this fund are held by a trustee for the benefit of Certificate of Participation holders.

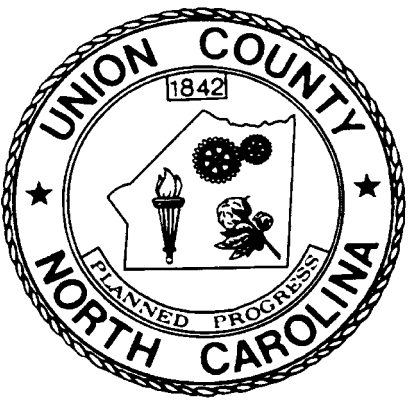


**Detention Facility Debt Service Fund
Schedule of Revenues and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ 5,000	\$ 3,470	\$ (1,530)	\$ 17,709
OTHER FINANCING USES				
Operating transfers out				
General Fund	(5,000)	(4,740)	260	(23,439)
Payments to refund debt	(673,500)	(674,999)	(1,499)	-
Total other financing uses	<u>(678,500)</u>	<u>(679,739)</u>	<u>(1,239)</u>	<u>(23,439)</u>
Revenues under other financing uses	(673,500)	(676,269)	(2,769)	(5,730)
APPROPRIATED FUND BALANCE	<u>673,500</u>	<u>-</u>	<u>(673,500)</u>	<u>-</u>
Revenues and appropriated fund balance under other financing uses	<u>\$ -</u>	<u>(676,269)</u>	<u>\$ (676,269)</u>	<u>(5,730)</u>
FUND BALANCE				
Beginning of year - July 1		<u>676,269</u>		<u>681,999</u>
End of year - June 30		<u>\$ -</u>		<u>\$ 676,269</u>



Capital Project Funds

Capital Project Funds account for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds and Trust Funds.

General Capital Project Fund - This fund accounts for various capital improvement projects that will be financed from General Fund resources and installment financing(s).

Library Capital Reserve Fund - This fund is established to accumulate monies for construction, repair and replacement or additions to the main library.

Library Capital Project Fund - This fund accounts for capital improvements to the main library and satellite libraries within the County. These improvements are funded by transfers from the General Fund, contributions and donations.

School Bond Fund-55 - This fund accounts for capital asset acquisition and construction, financed with general obligation bond proceeds, for the Union County Public Schools.

School Bond Fund-58 - This fund accounts for capital asset acquisition and construction, financed with general obligation bond proceeds, for the Union County Public Schools.

General Capital Project Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2003

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Intergovernmental	\$ 450,000	\$ -	-	\$ -	\$ (450,000)
Miscellaneous	120,000	-	120,000	120,000	-
Total revenues	<u>570,000</u>	<u>-</u>	<u>120,000</u>	<u>120,000</u>	<u>(450,000)</u>
EXPENDITURES					
Capital outlay					
General Government					
Judicial Center	15,957,496	-	831,295	831,295	15,126,201
Public Safety					
Law Enforcement/Jail Software	164,518	-	102,171	102,171	62,347
Economic and Physical Development					
Agricultural/One-Stop Permit Center	5,000,000	-	29,413	29,413	4,970,587
Cultural and Recreation					
Parks & Recreation Grant	500,000	-	-	-	500,000
Parks & Recreation Potential Grant	140,000	-	-	-	140,000
Cane Creek Park Festival Area	60,000	-	59,594	59,594	406
Education					
School Capital Outlay-FY2002 Roll	764,300	-	764,300	764,300	-
School Capital Outlay-FY2003 Allocation	2,800,000	-	2,240,483	2,240,483	559,517
School Capital Outlay-Fairview Elem	8,363	-	8,363	8,363	-
School Capital Outlay-W. Bickett Elem	8,764,353	-	6,706,969	6,706,969	2,057,384
SPCC-Old Charlotte Hwy	2,299,264	-	1,788,764	1,788,764	510,500
SPCC-West Continuing Education Center	2,291,430	-	131,587	131,587	2,159,843
Debt Service					
Debt Issuance	805,224	-	789,009	789,009	16,215
Total expenditures	<u>39,554,948</u>	<u>-</u>	<u>13,451,948</u>	<u>13,451,948</u>	<u>26,103,000</u>
Revenues under expenditures	<u>(38,984,948)</u>	<u>-</u>	<u>(13,331,948)</u>	<u>(13,331,948)</u>	<u>25,653,000</u>
OTHER FINANCING SOURCES					
Operating transfers in					
General Fund					
General Fund	4,112,818	764,300	2,958,518	3,722,818	(390,000)
Emergency Telephone System Fund					
Emergency Telephone System Fund	66,000	-	66,000	66,000	-
Proceeds from certificates of participation					
Proceeds from certificates of participation	34,806,130	-	34,901,154	34,901,154	95,024
Total other financing sources	<u>38,984,948</u>	<u>764,300</u>	<u>37,925,672</u>	<u>38,689,972</u>	<u>(294,976)</u>
Revenues and other financing sources over expenditures	<u>-</u>	<u>\$ 764,300</u>	<u>24,593,724</u>	<u>\$ 25,358,024</u>	<u>\$ 25,358,024</u>
FUND BALANCE					
Beginning of year - July 1			<u>764,300</u>		
End of year - June 30			<u>\$ 25,358,024</u>		

Library Capital Reserve Fund
Schedule of Revenues and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ 16,000	\$ 13,392	\$ (2,608)	\$ 20,953
OTHER FINANCING USES				
Operating transfers out				
Library Capital Projects Fund	<u>(680,000)</u>	<u>(680,000)</u>	<u>-</u>	<u>-</u>
Revenues over (under) other financing uses	(664,000)	(666,608)	(2,608)	20,953
APPROPRIATED FUND BALANCE	<u>664,000</u>	<u>-</u>	<u>(664,000)</u>	<u>-</u>
Revenues and appropriated fund balance				
over (under) other financing uses	<u>\$ -</u>	(666,608)	<u>\$ (666,608)</u>	20,953
FUND BALANCE				
Beginning of year - July 1		<u>805,789</u>		<u>784,836</u>
End of year - June 30		<u>\$ 139,181</u>		<u>\$ 805,789</u>

Library Capital Project Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2003

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Intergovernmental	\$ 868,040	\$ 254,540	\$ 481,500	\$ 736,040	\$ (132,000)
Miscellaneous	550,741	261,020	289,721	550,741	-
Total revenues	1,418,781	515,560	771,221	1,286,781	(132,000)
EXPENDITURES					
Capital outlay					
Cultural and Recreation					
Monroe Library	4,611,288	2,562,589	1,982,903	4,545,492	65,796
Union West Library	1,807,131	1,668,224	62,428	1,730,652	76,479
Marshville	1,535,462	4,709	826,421	831,130	704,332
Weddington	32,965	32,965	-	32,965	-
Waxhaw	221,899	114,795	106,360	221,155	744
Automation	24,411	24,411	-	24,411	-
Total expenditures	8,233,156	4,407,693	2,978,112	7,385,805	847,351
Revenues under expenditures	(6,814,375)	(3,892,133)	(2,206,891)	(6,099,024)	715,351
OTHER FINANCING SOURCES					
Operating transfers in					
General Fund	3,309,701	3,309,701	-	3,309,701	-
Library Capital Reserve Fund	680,000	-	680,000	680,000	-
Proceeds from certificates of participation	2,824,674	-	2,824,674	2,824,674	-
Total other financing sources	6,814,375	3,309,701	3,504,674	6,814,375	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ (582,432)	1,297,783	\$ 715,351	\$ 715,351
FUND BALANCE					
Beginning of year - July 1			(582,432)		
End of year - June 30			\$ 715,351		

School Bond Fund - 55
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2003

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Investment earnings	\$ 1,363,308	\$ 1,088,588	\$ 224,330	\$ 1,312,918	\$ (50,390)
EXPENDITURES					
Capital outlay					
Education					
Bond Expense	59,500	58,236	-	58,236	1,264
Forest Hills Cluster	1,683,168	192,761	1,477,500	1,670,261	12,907
Monroe Cluster	531,231	117,235	331,983	449,218	82,013
Parkwood Cluster	3,317,818	1,302,304	577,873	1,880,177	1,437,641
Piedmont Cluster	810,646	567,097	227,122	794,219	16,427
Sun Valley Cluster	1,472,614	1,342,622	16,035	1,358,657	113,957
Weddington Cluster	378,248	9,614	60,217	69,831	308,417
New ES#1-Piedmont Area	1,139,429	5,312	599,039	604,351	535,078
New ES#2-Parkwood Area	1,139,429	5,312	10,788	16,100	1,123,329
New ES#3-Sun Valley Area	7,899,877	326,468	1,548,091	1,874,559	6,025,318
New ES#4-Weddington Area / Marvin	8,018,040	6,331,175	1,502,078	7,833,253	184,787
New MS-Piedmont/Sun Valley Area	1,050,000	-	19,505	19,505	1,030,495
New HS-Piedmont/Sun Valley Area	2,500,000	-	2,199,936	2,199,936	300,064
Total expenditures	30,000,000	10,258,136	8,570,167	18,828,303	11,171,697
Revenues under expenditures	(28,636,692)	(9,169,548)	(8,345,837)	(17,515,385)	11,121,307
OTHER FINANCING SOURCES (USES)					
Operating transfers out					
General Fund	(1,363,308)	(1,088,510)	(224,408)	(1,312,918)	50,390
Proceeds from general obligation bonds	30,000,000	30,000,000	-	30,000,000	-
Total other financing sources (uses)	28,636,692	28,911,490	(224,408)	28,687,082	50,390
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 19,741,942	(8,570,245)	\$ 11,171,697	\$ 11,171,697
FUND BALANCE					
Beginning of year - July 1			19,741,942		
End of year - June 30			\$ 11,171,697		

School Bond Fund - 58
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2003

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Investment earnings	\$ 2,387,488	\$ 2,243,799	\$ 111,240	\$ 2,355,039	\$ (32,449)
EXPENDITURES					
Capital outlay					
Education					
Bond Expense	107,350	106,151	-	106,151	1,199
Forest Hills Cluster	11,923,893	9,759,032	1,337,980	11,097,012	826,881
Monroe Cluster	7,780,012	6,417,014	1,114,835	7,531,849	248,163
Parkwood Cluster	7,503,152	6,644,893	693,731	7,338,624	164,528
Piedmont Cluster	11,161,602	10,000,762	545,496	10,546,258	615,344
Sun Valley Cluster	10,373,104	7,940,185	503,017	8,443,202	1,929,902
Weddington Cluster	3,850,887	1,428,167	976,789	2,404,956	1,445,931
Total expenditures	52,700,000	42,296,204	5,171,848	47,468,052	5,231,948
Revenues under expenditures	(50,312,512)	(40,052,405)	(5,060,608)	(45,113,013)	5,199,499
OTHER FINANCING SOURCES (USES)					
Operating transfers in					
General Fund	1,184,579	1,184,578	-	1,184,578	(1)
Operating transfers out					
General Fund	(3,572,067)	(3,428,335)	(111,282)	(3,539,617)	32,450
Proceeds from general obligation bonds	52,700,000	52,700,000	-	52,700,000	-
Total other financing sources (uses)	50,312,512	50,456,243	(111,282)	50,344,961	32,449
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 10,403,838	(5,171,890)	\$ 5,231,948	\$ 5,231,948
FUND BALANCE					
Beginning of year - July 1			10,403,838		
End of year - June 30			\$ 5,231,948		

Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Sewer Fund - This fund accounts for the county's water and sewer operations.

Solid Waste Fund - This fund accounts for the county's solid waste operations.

Water and Sewer Operating Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
REVENUES				
Operating revenues				
Water sales	\$ 7,100,000	\$ 7,224,465	\$ 124,465	\$ 7,304,408
Sewer sales	5,350,000	6,277,874	927,874	5,769,288
Other operating revenues	155,000	302,855	147,855	154,708
Total	<u>12,605,000</u>	<u>13,805,194</u>	<u>1,200,194</u>	<u>13,228,404</u>
Nonoperating revenues				
Investment earnings	600,000	528,189	(71,811)	748,622
Water and sewer taps	3,061,000	4,556,927	1,495,927	3,706,807
Proceeds from sale of fixed assets	-	7,604,550	7,604,550	123,244
Intergovernmental	115,000	211,016	96,016	-
Total	<u>3,776,000</u>	<u>12,900,682</u>	<u>9,124,682</u>	<u>4,578,673</u>
Total revenues	<u>16,381,000</u>	<u>26,705,876</u>	<u>10,324,876</u>	<u>17,807,077</u>
EXPENDITURES				
Administration	1,149,729	1,111,747	37,982	999,816
Water	5,087,209	3,905,226	1,181,983	3,748,971
Sewer-county customers	4,492,573	7,256,803	(2,764,230)	3,382,672
Sewer-Marshville/Monroe	1,006,952	936,023	70,929	915,807
Debt Service				
General obligation bonds - water	2,062,622	2,062,621	1	1,972,447
Revenue bonds - water	98,000	98,000	-	94,000
Interest and fees - water	1,446,035	1,501,129	(55,094)	1,097,343
General obligation bonds - sewer	918,043	918,043	-	915,531
Revenue bonds - sewer	392,000	392,000	-	376,000
State sanitary loan - sewer	233,697	233,697	-	233,697
Interest and fees - sewer	1,548,209	1,862,865	(314,656)	1,480,565
Total expenditures	<u>18,435,069</u>	<u>20,278,154</u>	<u>(1,843,085)</u>	<u>15,216,849</u>
Revenues over (under) expenditures	<u>(2,054,069)</u>	<u>6,427,722</u>	<u>8,481,791</u>	<u>2,590,228</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds:				
General Fund	-	-	-	1,262,148
Transfers to other funds:				
General Fund	-	-	-	(1,308,214)
Water Capital Projects Fund	(2,704,144)	-	2,704,144	(1,118,653)
Sewer Capital Projects Fund	(2,710,856)	-	2,710,856	-
Proceeds from bonds	6,525,600	6,455,371	(70,229)	-
Proceeds from refunding bonds	20,935,000	20,935,000	-	-
Payments to refunded bonds escrow agent	(20,935,000)	(20,501,835)	433,165	-
Total other financing sources (uses)	<u>1,110,600</u>	<u>6,888,536</u>	<u>5,777,936</u>	<u>(1,164,719)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(943,469)</u>	<u>13,316,258</u>	<u>14,259,727</u>	<u>1,425,509</u>
APPROPRIATED FUND BALANCE				
Revenues, other financing sources and appropriated fund balance over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 13,316,258</u>	<u>\$ 13,316,258</u>	<u>\$ 1,425,509</u>

Water and Sewer Capital Project Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2003

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Nonoperating revenues					
Investment earnings	\$ -	\$ -	10,148	\$ 10,148	\$ 10,148
Developer contributions	64,062	-	64,062	64,062	-
Total revenues	64,062	-	74,210	74,210	10,148
EXPENDITURES					
Water capital outlay					
Expand CRWTP 18MGD	7,227,753	-	4,811,629	4,811,629	2,416,124
Stallings Tank	457,150	-	454,694	454,694	2,456
Stallings Area Water Lines	732,435	-	652,819	652,819	79,616
Water Main to Sims Road	5,580,450	-	1,774,094	1,774,094	3,806,356
Sims Tank & Pump Station	1,544,632	-	1,157,631	1,157,631	387,001
Water Main County Wide	683,025	-	486,699	486,699	196,326
Anson Water Improvements	-	-	1,785	1,785	(1,785)
Waxhaw Marvin Improvements	323,246	-	75,394	75,394	247,852
Waxhaw Marvin Generator	152,000	-	109,924	109,924	42,076
Auto Meter Read	600	-	600	600	-
Altan South Lines	629,660	-	562,212	562,212	67,448
Northwest Tank	-	-	14,714	14,714	(14,714)
Self Help Program	8,850	-	869	869	7,981
Wellington Woods Self Help	34,696	-	34,696	34,696	-
Helms Road Line Self Help	65,314	-	65,313	65,313	1
Ridge Road Pump Station	43,600	-	31,050	31,050	12,550
Western Union School Pump Station	18,100	-	14,960	14,960	3,140
Hillcrest Road Line Extension	105,438	-	104,696	104,696	742
Sewer capital outlay					
Expand 12 Mile Creek 6MGD	312,072	-	223,237	223,237	88,835
Hunley Creek Off Line	89,674	-	97,674	97,674	(8,000)
Crooked Creek Lab Expansion and UV	130,085	-	28,974	28,974	101,111
IBT Permitting	30,740	-	27,096	27,096	3,644
Rocky River WWTP-Future	86,923	-	90,667	90,667	(3,744)
Sheafer Cost Validation	24,709	-	19,767	19,767	4,942
Sewer Miscellaneous Projects	37,302	-	-	-	37,302
Little 12 Mile Creek Sewer	1,326,990	-	1,030,901	1,030,901	296,089
Blythe Creek Sewer	1,482,675	-	671,729	671,729	810,946
Parkwood School	400,508	-	302,427	302,427	98,081
West Union School	12,425	-	12,425	12,425	-
Marvin Branch	62,146	-	60,130	60,130	2,016
Crooked Creek I and I	-	-	10,500	10,500	(10,500)
Waxhaw Server Rehabilitation	22,345	-	17,950	17,950	4,395
Phase 1 Sewer Improvements	186,126	-	121,516	121,516	64,610
Crooked Creek Interceptor-Contract 4	1,627,139	-	270,634	270,634	1,356,505
Crooked Creek Interceptor-Contract 5	16,434	-	14,920	14,920	1,514
Crooked Creek Interceptor-Contract 6	308,893	-	57,033	57,033	251,860
Upper Price Mill	-	-	593	593	(593)
West Fork 12 Mile Creek	-	-	7,990	7,990	(7,990)
I and I Reduction	10,000	-	3,750	3,750	6,250
Total expenditures	23,774,135	-	13,423,692	13,423,692	10,350,443
Revenues under expenditures	(23,710,073)	-	(13,349,482)	(13,349,482)	10,360,591
OTHER FINANCING SOURCES					
Transfers from other funds:					
Water and Sewer Fund	5,292,436	-	-	-	(5,292,436)
Proceeds from bonds	18,417,637	-	27,420,980	27,420,980	9,003,343
Total other financing sources	23,710,073	-	27,420,980	27,420,980	3,710,907
Revenues and other financing sources over expenditures	\$ -	\$ -	14,071,498	\$ 14,071,498	\$ 14,071,498
FUND BALANCE					
Beginning of year - July 1			-		
End of year - June 30			\$ 14,071,498		

Water and Sewer Capital Reserve Fund
Schedule of Revenues and Expenditures-
Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2003
 With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ 4,000	\$ 4,212	\$ 212	\$ 4,767
EXPENDITURES				
Capital outlay	4,000	-	4,000	-
Revenues over expenditures	\$ -	\$ 4,212	\$ 4,212	\$ 4,767

Sewer Capital Project Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
REVENUES				
Nonoperating revenues				
Investment earnings	\$ -	\$ -	\$ -	\$ 84,240
EXPENDITURES				
Water & Sewer Master Plan	-	-	-	5,065
Rocky River Regional WWTP	-	-	-	24,107
Waxhaw Rehabilitation	-	-	-	22,341
West Fork Twelve Mile Creek	15,000	-	15,000	(3,063)
Phase I Wastewater Engineering	-	-	-	527,690
Twelve Mile Creek WWTP	-	-	-	1,465
Crooked Creek Force Main	-	-	-	920,882
Crooked Creek Inflow & Infiltration Study	15,000	-	15,000	14,793
Crooked Creek Interceptor	-	-	-	3,834,594
Sun Valley/Price Mill Creek Interceptor	-	-	-	8,862
Upper Price Mill Creek Interceptor	2,000	-	2,000	22,645
Lower Price Mill Creek Interceptor	-	-	-	271,224
Fairview School Wastewater Facility	-	-	-	82,365
Twelve Mile Creek Digester Improvements	-	-	-	1,465
Expand Twelve Creek 6mgd	-	-	-	223,759
Hunley Creek Off-line	-	-	-	9,263
Crooked Creek Lab Expansion & UV	-	-	-	35,024
IBT Permitting	-	-	-	2,083
Little Twelve Mile Sewer	-	-	-	550,389
Blythe Creek Sewer	-	-	-	108,646
Parkwood School	-	-	-	15,601
West Union School	-	-	-	15,601
Marvin Branch	-	-	-	405,099
Other Sewer Expansion	103,000	37,302	65,698	18,740
Total expenditures	135,000	37,302	97,698	7,118,640
Revenues under expenditures	(135,000)	(37,302)	97,698	(7,034,400)
OTHER FINANCING SOURCES				
Transfers from other funds:				
Water and Sewer Fund	135,000	-	(135,000)	-
Revenues and other financing sources under expenditures	\$ -	\$ (37,302)	\$ (37,302)	\$ (7,034,400)

Water Capital Project Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
REVENUES				
Nonoperating revenues				
Investment earnings	\$ -	\$ -	\$ -	\$ (11,497)
EXPENDITURES				
Water & Sewer Master Plan	-	-	-	5,065
Northwest Transmission Lines	-	-	-	178,837
Northwest Area Tank	18,750	-	18,750	1,186,157
Stallings Area Tank	-	-	-	1,026,829
Altan Water Project	-	-	-	29,401
Catawba River WWTP Expansion	-	-	-	155,219
Stallings Area Water Lines	-	-	-	395,486
New Salem Road Water Line	1,166,000	1,154,093	11,907	462,714
Marvin School Water	-	-	-	76,951
NC 218 Goose Creek Crossing	-	-	-	6,130
Hemby Bridge Crossing	-	-	-	4,014
Helms Road Water Line	-	-	-	1,996
Water Main to Sims Road	-	-	-	155,342
Sims Road Tank and Pump Station	-	-	-	2,412
Water Main County Wide	10,000	-	10,000	69,241
Anson Water Improvements	-	-	-	10,115
Other Water Expansion	4,085,250	5,742	4,079,508	11,086
Total expenditures	5,280,000	1,159,835	4,120,165	3,776,995
Revenues under expenditures	(5,280,000)	(1,159,835)	4,120,165	(3,788,492)
OTHER FINANCING SOURCES				
Transfers from other funds:				
Water and Sewer Fund	5,280,000	-	(5,280,000)	1,118,653
Revenues and other financing sources under expenditures	\$ -	\$ (1,159,835)	\$ (1,159,835)	\$ (2,669,839)

Water and Sewer Fund
Schedule of Reconciliation of Budgetary Basis (Non-GAAP)
to Full Accrual Basis

For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

	<u>2003</u>	<u>2002</u>
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ 13,316,258	\$ 1,425,509
Water and Sewer Capital Reserve Fund	4,212	4,767
Water and Sewer Capital Project Fund	14,071,498	-
Sewer Capital Project Fund	(37,302)	(7,034,400)
Water Capital Project Fund	(1,159,835)	(2,669,839)
Total	<u>26,194,831</u>	<u>(8,273,963)</u>
Reconciling items		
Amortization of G.O. bond defeasance	(154,354)	(181,937)
Amortization of G. O. and revenue bond issuance costs	(28,916)	(29,478)
Amortization of revenue bond discount	(22,573)	(22,574)
Amortization of G. O. bond premium	415	415
Amortization of gain on G. O. bond refunding	7,990	7,990
Revenue bond proceeds	(54,065,000)	-
Revenue bond issuance costs	1,041,090	-
Revenue bond premium	(746,351)	-
Revenue bond defeasance	20,501,835	-
Capitalized interest	907,532	478,734
Payment of debt principal	3,704,361	3,591,675
Increase in compensated absences payable	(39,626)	(52,037)
(Increase) decrease in interest expense accrual	(23,967)	32,061
Increase in inventories	77,939	44,639
Increase in allowance for uncollectible accounts	(147,799)	(547,610)
Capital outlay	18,525,778	11,336,577
(Loss) on investment in joint venture	(122,901)	(53,210)
Disposal of land	(477,410)	-
Loss on disposal of fixed assets	1,425	-
Construction work in progress not placed in service	-	(70,212)
Capital contributions	8,726,879	42,000
Special item - contribution of capital to school system	-	(860,220)
Depreciation	(3,524,150)	(3,194,406)
Total	<u>(5,857,803)</u>	<u>10,522,407</u>
Change in net assets	<u>\$ 20,337,028</u>	<u>\$ 2,248,444</u>

Solid Waste Operating Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
REVENUES				
Operating revenues				
Solid waste charges	\$ 2,268,000	\$ 2,550,031	\$ 282,031	\$ 2,504,582
Disposal fees	150,000	170,795	20,795	163,467
Other operating revenues	6,000	7,120	1,120	9,656
Total	<u>2,424,000</u>	<u>2,727,946</u>	<u>303,946</u>	<u>2,677,705</u>
Nonoperating revenues				
Investment earnings	45,000	49,932	4,932	58,965
Total	<u>45,000</u>	<u>49,932</u>	<u>4,932</u>	<u>58,965</u>
Total revenues	<u>2,469,000</u>	<u>2,777,878</u>	<u>308,878</u>	<u>2,736,670</u>
EXPENDITURES				
Administration	68,986	67,597	1,389	44,765
Solid waste landfill	3,351,890	2,899,236	452,654	2,741,216
Total expenditures	<u>3,420,876</u>	<u>2,966,833</u>	<u>454,043</u>	<u>2,785,981</u>
Revenues under expenditures	(951,876)	(188,955)	762,921	(49,311)
OTHER FINANCING USES				
Transfers to other funds:				
Solid Waste Capital Reserve Fund	-	-	-	(62,946)
Revenues under expenditures and other financing uses	(951,876)	(188,955)	762,921	(112,257)
APPROPRIATED FUND BALANCE				
Revenues and appropriated fund balance under expenditures and other financing uses	<u>\$ -</u>	<u>\$ (188,955)</u>	<u>\$ (188,955)</u>	<u>\$ (112,257)</u>

Solid Waste Capital Reserve Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2003
 With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
REVENUES				
Investment earnings	\$ 100,000	\$ 97,588	\$ (2,412)	\$ 121,921
EXPENDITURES				
Solid waste landfill	100,000	-	100,000	-
Revenues over expenditures	-	97,588	97,588	121,921
OTHER FINANCING SOURCES				
Transfers from other funds:				
Solid Waste Operating Fund	-	-	-	62,946
Revenues and other financing sources over expenditures	\$ -	\$ 97,588	\$ 97,588	\$ 184,867

Solid Waste Fund
Schedule of Reconciliation of Budgetary Basis (Non-GAAP)
to Full Accrual Basis

For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

	<u>2003</u>	<u>2002</u>
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ (188,955)	\$ (112,257)
Capital Reserve Fund	97,588	184,867
Total	<u>(91,367)</u>	<u>72,610</u>
Reconciling items		
(Increase) decrease in compensated absences payable	2,376	(6,342)
Increase in accrued landfill postclosure care costs	(35,166)	(62,946)
(Increase) decrease in allowance for uncollectible accounts	(12,944)	-
Capital outlay	101,789	38,532
Depreciation	<u>(228,018)</u>	<u>(247,315)</u>
Total	<u>(171,963)</u>	<u>(278,071)</u>
Change in net assets	<u>\$ (263,330)</u>	<u>\$ (205,461)</u>

Internal Service Funds

The Internal Service Funds account for the financing of goods or services provided by one department to other departments of the county on a cost-reimbursement basis.

Health Benefits Fund - This fund accounts for amounts from individual departments and employees to pay health benefit costs.

Workers' Compensation Fund - This fund accounts for amounts from individual departments to pay workers' compensation claims.

Health Benefits Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

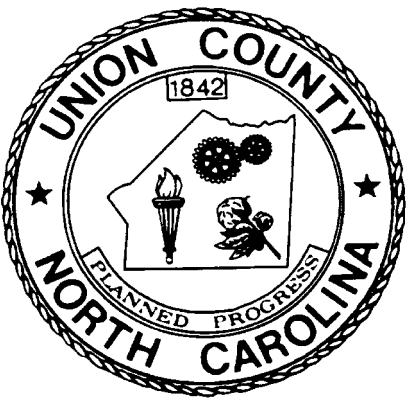
	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
REVENUES				
Operating revenues				
Interfund charges and employee contributions	\$ 4,280,134	\$ 3,669,847	\$ (610,287)	\$ 4,321,249
Insurance reimbursement	-	312,936	312,936	19,151
Total	4,280,134	3,982,783	(297,351)	4,340,400
Nonoperating revenues				
Investment earnings	8,000	6,755	(1,245)	11,844
Total revenues	4,288,134	3,989,538	(298,596)	4,352,244
EXPENDITURES				
Operating expenditures				
Health benefit claims and premiums	4,933,362	4,231,555	701,807	4,384,526
Other operating expenditures	62,300	54,180	8,120	13,567
Total expenditures	4,995,662	4,285,735	709,927	4,398,093
Revenues under expenditures	(707,528)	(296,197)	411,331	(45,849)
APPROPRIATED FUND BALANCE				
Revenues and appropriated fund balance under expenditures	707,528	-	(707,528)	-
	\$ -	\$ (296,197)	\$ (296,197)	\$ (45,849)

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

For the Year Ended June 30, 2003

With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Positive (Negative)	2002
	Budget	Actual		Actual
REVENUES				
Operating revenues				
Insurance reimbursement	\$ 90,000	\$ 6,479	\$ (83,521)	\$ -
Nonoperating revenues				
Investment earnings	76,000	62,141	(13,859)	88,618
Total revenues	<u>166,000</u>	<u>68,620</u>	<u>(97,380)</u>	<u>88,618</u>
EXPENDITURES				
Operating expenditures				
Workers' compensation claims	515,000	375,621	139,379	293,696
Other operating expenditures	146,575	113,556	33,019	90,140
Total expenditures	<u>661,575</u>	<u>489,177</u>	<u>172,398</u>	<u>383,836</u>
Revenues under expenditures	\$ (495,575)	\$ (420,557)	\$ 75,018	\$ (295,218)
APPROPRIATED FUND BALANCE				
	<u>495,575</u>	<u>-</u>	<u>(495,575)</u>	<u>-</u>
Revenues and appropriated fund balance under expenditures	<u>\$ -</u>	<u>\$ (420,557)</u>	<u>\$ (420,557)</u>	<u>\$ (295,218)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis				
Revenues under expenditures		\$ (420,557)		\$ (295,218)
Reconciling items:				
(Increase) decrease in workers' compensation claims payable		129,767		(172,981)
Capital Outlay		-		16,140
Depreciation		(3,228)		(2,152)
Change in net assets		<u>\$ (294,018)</u>		<u>\$ (454,211)</u>



Fiduciary Funds

Trust Funds account for assets held by the county in a trustee capacity. Agency Funds account for assets held by the county as an agent for individuals or other governments.

Pension Trust Fund

Special Separation Allowance Fund - This fund accounts for the accumulation of resources for the payment of special separation benefits to qualified county employees.

Agency Funds

Social Services Fund - This fund accounts for monies held by the Department of Social Services for the benefit of certain individuals.

Fines and Forfeitures Fund - This fund accounts for fines and forfeitures collected by the county that are required to be remitted to the Union County Public Schools Board of Education.

Jail Inmate Fund - This fund accounts for monies held by the Union County Sheriff's Office (Jail) for the benefit of certain individuals.

Monroe and Union County School District Funds - These funds account for the proceeds of the special tax levies that are collected by the county on behalf of these school districts.

Municipal Tax Collection Fund - This fund accounts for the proceeds of taxes that are collected by the county on behalf of the municipalities within the county.

Gross Rental Receipts Tax Fund - This fund accounts for the proceeds of municipalities that levy a local tax on gross receipts derived from the short-term lease or rental of vehicles at retail to the general public, which are collected by the county on behalf of the municipalities within the county.

Special Separation Allowance Fund
Schedule of Revenues, Expenses and Changes in
Fiduciary Net Assets - Pension Trust Fund - Budget and Actual
 For the Year Ended June 30, 2003
 With Comparative Actual Amounts for the Year Ended June 30, 2002

	2003		Variance Favorable (Unfavorable)	2002
	Budget	Actual		Actual
REVENUES				
Operating revenues				
Employer contributions	\$ 389,482	\$ 362,209	\$ (27,273)	\$ 337,635
Investment earnings	27,000	29,278	2,278	33,028
Total revenues	<u>416,482</u>	<u>391,487</u>	<u>(24,995)</u>	<u>370,663</u>
EXPENSES				
Operating expenses				
Employee benefits	<u>416,482</u>	<u>362,905</u>	<u>53,577</u>	<u>225,731</u>
Revenues over expenses	<u>\$ -</u>	<u>28,582</u>	<u>\$ 28,582</u>	<u>144,932</u>
NET ASSETS				
Beginning of year-July 1		<u>1,322,243</u>		<u>1,177,311</u>
End of year-June 30		<u>\$ 1,350,825</u>		<u>\$ 1,322,243</u>

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2003

	Balance June 30, 2002	Additions	Deductions	Balance June 30, 2003
SOCIAL SERVICES				
ASSETS				
Cash and cash equivalents	\$ 73,422	\$ 289,580	\$ 283,173	\$ 79,829
LIABILITIES				
Due to program participants	\$ 73,422	\$ 289,580	\$ 283,173	\$ 79,829
FINES AND FORFEITURES				
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,164,746	\$ 1,164,746	\$ -
Accounts receivable (net)	74,741	87,273	74,741	87,273
Total assets	\$ 74,741	\$ 1,252,019	\$ 1,239,487	\$ 87,273
LIABILITIES				
Accounts payable and accrued liabilities	\$ 74,741	\$ 2,208,492	\$ 2,195,960	\$ 87,273
JAIL INMATE FUND				
ASSETS				
Cash and cash equivalents	\$ 20,079	\$ 182,916	\$ 184,741	\$ 18,254
LIABILITIES				
Due to program participants	\$ 20,079	\$ 196,729	\$ 198,554	\$ 18,254
MONROE SCHOOL DISTRICT				
ASSETS				
Cash and cash equivalents	\$ 5,771	\$ 1,345,678	\$ 1,345,468	\$ 5,981
Investments	10,685	12,951	10,685	12,951
Property taxes receivable (net)	50,445	983,354	981,568	52,231
Accounts receivable (net)	87,812	104,361	87,812	104,361
Total assets	\$ 154,713	\$ 2,446,344	\$ 2,425,533	\$ 175,524
LIABILITIES				
Accounts payable and accrued liabilities	\$ 154,713	\$ 5,187,726	\$ 5,166,915	\$ 175,524
UNION COUNTY SCHOOL DISTRICT				
ASSETS				
Cash and cash equivalents	\$ 25,365	\$ 8,394,033	\$ 8,393,749	\$ 25,649
Investments	46,967	55,539	46,966	55,540
Property taxes receivable (net)	210,634	6,229,594	6,249,052	191,176
Accounts receivable (net)	518,186	659,754	518,186	659,754
Total assets	\$ 801,152	\$ 15,338,920	\$ 15,207,953	\$ 932,119
LIABILITIES				
Accounts payable and accrued liabilities	\$ 801,152	\$ 32,563,895	\$ 32,432,928	\$ 932,119

Continued on next page.

Agency Funds

(continued)

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2003

	Balance June 30, 2002	Additions	Deductions	Balance June 30, 2003
MUNICIPAL TAX COLLECTION				
ASSETS				
Cash and cash equivalents	\$ 36,686	\$ 1,624,163	\$ 1,614,635	\$ 46,214
Investments	67,930	100,071	67,930	100,071
Total assets	<u>\$ 104,616</u>	<u>\$ 1,724,234</u>	<u>\$ 1,682,565</u>	<u>\$ 146,285</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 104,616</u>	<u>\$ 47,460</u>	<u>\$ 5,791</u>	<u>\$ 146,285</u>
GROSS RECEIPTS TAX FUND				
ASSETS				
Cash and cash equivalents	\$ 53	\$ 33,194	\$ 33,184	\$ 63
Investments	98	135	98	135
Total assets	<u>\$ 151</u>	<u>\$ 33,329</u>	<u>\$ 33,282</u>	<u>\$ 198</u>
LIABILITIES				
Accounts payable and accrued liabilities	<u>\$ 151</u>	<u>\$ 47</u>	<u>\$ -</u>	<u>\$ 198</u>
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 161,376	\$ 13,034,310	\$ 13,019,696	\$ 175,990
Investments	125,680	168,696	125,679	168,697
Property taxes receivable (net)	261,079	7,212,948	7,230,620	243,407
Accounts receivable (net)	680,739	851,388	680,739	851,388
Total assets	<u>\$ 1,228,874</u>	<u>\$ 21,267,342</u>	<u>\$ 21,056,734</u>	<u>\$ 1,439,482</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,135,373	\$ 40,007,620	\$ 39,801,594	\$ 1,341,399
Due to program participants	93,501	486,309	481,727	98,083
Total liabilities	<u>\$ 1,228,874</u>	<u>\$ 40,493,929</u>	<u>\$ 40,283,321</u>	<u>\$ 1,439,482</u>

Capital Assets Used in the Operations of Governmental Funds

These statements account for all capital assets of the county other than those accounted for in the proprietary or fiduciary funds.

Schedule of Changes in Capital Assets Used in the Operation of Governmental Funds
- By Function and Activity
For the Year Ended June 30, 2003

Function and Activity	Capital Assets June 30, 2002	Additions	Retirements	Transfers	Capital Assets June 30, 2003
General Government					
Assessor	\$ 691,895	\$ 4,275	\$ 12,646	\$ -	\$ 683,524
Central Administration	263,154	11,161	31,579	(2,377)	240,359
Court Facilities	80,230	-	-	-	80,230
Elections	1,055,460	24,676	23,350	-	1,056,786
Facilities	15,340,777	301,552	11,664	-	15,630,665
Finance	88,454	2,950	28,744	2,377	65,037
Garage	60,811	6,105	4,460	-	62,456
Information Systems	1,836,841	267,651	-	(2,793)	2,101,699
Legal	8,593	-	2,863	-	5,730
Personnel	44,415	-	22,781	-	21,634
Purchasing	47,158	-	11,378	(12,670)	23,110
Register of Deeds	67,272	-	-	-	67,272
Tax Collector	119,223	4,836	-	-	124,059
Total	<u>19,704,283</u>	<u>623,206</u>	<u>149,465</u>	<u>(15,463)</u>	<u>20,162,561</u>
Public Safety					
Animal Control	376,707	13,230	42,767	(2,443)	344,727
Communications	474,239	-	869	-	473,370
Emergency Management	96,080	-	45,284	5,419	56,215
Emergency Telephone System	1,478,971	1,540,111	-	-	3,019,082
Fire Services	537,461	2,904	13,520	-	526,845
Inspections	397,736	12,493	65,194	(26,105)	318,930
Law Enforcement	14,340,882	601,474	251,860	(19,715)	14,670,781
Total	<u>17,702,076</u>	<u>2,170,212</u>	<u>419,494</u>	<u>(42,844)</u>	<u>19,409,950</u>
Economic and Physical Development					
Cooperative Extension	106,390	-	-	-	106,390
Economic Development Commission	8,401	-	1,772	-	6,629
Planning	38,206	-	18,076	2,793	22,923
Total	<u>152,997</u>	<u>-</u>	<u>19,848</u>	<u>2,793</u>	<u>135,942</u>
Human Services					
Health	725,465	63,581	200,980	(12,750)	575,316
Nutrition Program for the Elderly	11,861	-	9,264	-	2,597
Social Services	1,457,623	28,758	505,977	-	980,404
Transportation	536,411	127,288	82,023	19,715	601,391
Veterans' Services	1,349	-	1,349	-	-
Total	<u>2,732,709</u>	<u>219,627</u>	<u>799,593</u>	<u>6,965</u>	<u>2,159,708</u>
Cultural and Recreational					
Library	2,113,675	6,132,461	463,608	(4,474)	7,778,054
Parks and Recreation	5,555,868	238,434	126,385	55,801	5,723,718
Total	<u>7,669,543</u>	<u>6,370,895</u>	<u>589,993</u>	<u>51,327</u>	<u>13,501,772</u>
Education					
Union County Technical	3,710,812	-	-	-	3,710,812
Union County Schools	1,325,534	-	-	-	1,325,534
Total	<u>5,036,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,036,346</u>
Construction in Progress					
	<u>6,083,677</u>	<u>-</u>	<u>-</u>	<u>(3,870,181)</u>	<u>2,213,496</u>
Total capital assets	<u>\$ 59,081,631</u>	<u>\$ 9,383,940</u>	<u>\$ 1,978,393</u>	<u>\$ (3,867,403)</u>	<u>\$ 62,619,775</u>

Schedule of Capital Assets Used in the Operation of Governmental Funds
- By Function, Activity and Type
June 30, 2003

Function and Activity	Land and Leasehold Improvements	Buildings	Vehicles	Furniture and Equipment	Construction In progress	Total
General Government						
Assessor	\$ -	\$ -	\$ 143,630	\$ 539,894	\$ -	\$ 683,524
Central Administration	181,500	-	-	58,859	-	240,359
Court Facilities	-	-	-	80,230	-	80,230
Elections	-	-	-	1,056,786	-	1,056,786
Facilities	828,642	14,369,544	78,845	353,634	-	15,630,665
Finance	-	-	-	65,037	-	65,037
Garage	-	15,126	-	47,330	-	62,456
Information Systems	-	9,554	31,030	2,061,115	-	2,101,699
Legal	-	-	-	5,730	-	5,730
Personnel	-	-	-	21,634	-	21,634
Purchasing	-	-	-	23,110	-	23,110
Register of Deeds	-	-	-	67,272	-	67,272
Tax Collector	-	-	-	124,059	-	124,059
Total	1,010,142	14,394,224	253,505	4,504,690	-	20,162,561
Public Safety						
Animal Control	10,090	197,702	96,040	40,895	-	344,727
Communications	-	-	-	473,370	-	473,370
Emergency Management	-	-	12,670	43,545	-	56,215
Emergency Telephone System	-	126,948	-	2,892,134	-	3,019,082
Fire Services	-	40,440	184,645	301,760	-	526,845
Inspections	-	-	309,961	8,969	-	318,930
Law Enforcement	565,923	9,226,463	3,576,050	1,302,345	-	14,670,781
Total	576,013	9,591,553	4,179,366	5,063,018	-	19,409,950
Economic and Physical Development						
Cooperative Extension	-	5,265	22,000	79,125	-	106,390
Economic Development Commission	-	-	-	6,629	-	6,629
Planning	-	-	-	22,923	-	22,923
Total	-	5,265	22,000	108,677	-	135,942
Human Services						
Health	-	28,018	302,901	244,397	-	575,316
Nutrition Program for the Elderly	-	-	-	2,597	-	2,597
Social Services	43,447	342,688	235,180	359,089	-	980,404
Transportation	-	-	553,898	47,493	-	601,391
Veterans' Services	-	-	-	-	-	-
Total	43,447	370,706	1,091,979	653,576	-	2,159,708
Cultural and Recreational						
Library	349,799	7,085,669	42,976	299,610	-	7,778,054
Parks and Recreation	4,420,604	833,597	245,508	224,009	-	5,723,718
Total	4,770,403	7,919,266	288,484	523,619	-	13,501,772
Education						
Union County Technical	1,103,833	2,606,979	-	-	-	3,710,812
Union County Schools	1,325,534	-	-	-	-	1,325,534
Total	2,429,367	2,606,979	-	-	-	5,036,346
Construction in Progress						
	-	-	-	-	2,213,496	2,213,496
Total capital assets	\$ 8,829,372	\$ 34,887,993	\$ 5,835,334	\$ 10,853,580	\$ 2,213,496	\$ 62,619,775

**Comparative Schedule of Capital Assets Used in the Operation of Governmental Funds
- By Source**

June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Governmental funds capital assets:		
Land and leasehold improvements	\$ 8,829,372	\$ 8,393,268
Buildings	34,887,993	28,809,409
Vehicles	5,835,334	5,581,619
Furniture and equipment	10,853,580	10,213,658
Construction in progress	<u>2,213,496</u>	<u>6,083,677</u>
Total	<u>\$ 62,619,775</u>	<u>\$ 59,081,631</u>
Investment in governmental funds capital assets by source:		
General Fund	\$ 57,387,197	\$ 51,245,403
Special Revenue Fund	3,019,082	1,752,551
Capital Project Funds	<u>2,213,496</u>	<u>6,083,677</u>
Total	<u>\$ 62,619,775</u>	<u>\$ 59,081,631</u>

Additional Financial Data

This section contains additional information on property taxes, interfund transfers, and cash and investments.

Schedule of Ad Valorem Taxes Receivable - General Fund

Analysis of Current Tax Levy - County-wide Levy

Union County, North Carolina
Schedule of Ad Valorem Taxes Receivable - General Fund
June 30, 2003

Schedule 41

Fiscal Year	Uncollected Balance June 30, 2002	Additions and Adjustments	Collections and Credits	Uncollected Balance June 30, 2003
2003-2004	\$ -	\$ 12,701	\$ 7,546	\$ 5,155
2002-2003	177,547	47,941,155	46,932,728	1,185,974
2001-2002	1,295,654	29,368	1,012,886	312,136
2000-2001	379,435	39,814	239,731	179,518
1999-2000	206,142	19,285	58,918	166,509
1998-1999	46,236	(1,212)	9,653	35,371
1997-1998	26,193	-	4,759	21,434
1996-1997	19,923	-	2,867	17,056
1995-1996	17,628	-	1,163	16,465
1994-1995	16,965	-	548	16,417
1993-1994	15,005	-	914	14,091
1992-1993	21,529	-	21,529	-
	<u>\$ 2,222,257</u>	<u>\$ 48,041,111</u>	<u>\$ 48,293,242</u>	<u>1,970,126</u>

Plus: Uncollected 2002-2003 ad valorem taxes receivable on annually registered vehicles 54,207

Less: Allowance for uncollectible ad valorem taxes receivable (525,709)

Ad valorem taxes receivable (net) \$ 1,498,624

Reconcilement with revenues
Taxes - ad valorem \$ 49,023,950

Reconciling items

2003 tax prepayments	9,166
Write-offs per statute of limitations and of small amounts	20,532
Refunds	32,970
Recognition of previously collected 2001-2002 ad valorem taxes on annually registered vehicles	105,154
Collections in advance	(523,414)
Interest and advertising cost recovery	(311,112)
Foreclosure fees and overpayments	2,045
Collections on written off motor vehicle amounts	(35,432)
Animal Taxes	<u>(30,617)</u>

Total reconciling items (730,708)

Total collections and credits \$ 48,293,242

Union County, North Carolina
Analysis of Current Tax Levy
County-wide Levy
For the Year Ended June 30, 2003

Schedule 42

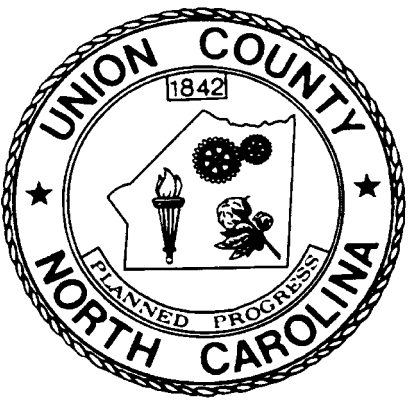
	County-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy					
Property taxed at current year's rate	\$ 9,749,877,158	0.4705	\$ 45,871,889	\$ 42,657,534	\$ 3,214,355
Motor vehicles taxed at prior year's rate	421,891,821	0.4705	1,948,953	-	1,948,953
Motor vehicles taxed at prior year's rate	14,330	0.66	95	-	95
Late listing	-		44,111	44,111	-
Total	10,171,783,309		47,865,048	42,701,645	5,163,403
Discoveries					
Property taxed at current year's rate	46,702,632	0.4705	219,643	219,643	-
Late listing	-		9,801	9,801	-
Total	46,702,632		229,444	229,444	-
Abatements					
Property taxed at current year's rate	37,410,636	0.4705	167,036	131,798	35,238
Motor vehicles taxed at prior year's rate	11,207,751	0.4705	38,838	-	38,838
Late listing	-		3,025	3,025	-
Total	48,618,387		208,899	134,823	74,076
Total property valuation	\$ 10,169,867,554				
Net levy			47,885,593	42,796,266	5,089,327
Add: Prior years' discoveries			48,696	48,696	-
Add: Refunds			6,754	6,754	-
Add: Write-off's of small amounts			112	-	112
Total additions and adjustments for 2002-2003			47,941,155	42,851,716	5,089,439
Add: Uncollected taxes at June 30, 2002			177,547	122,085	55,462
Less: Uncollected taxes at June 30, 2003			(1,185,974)	(705,323)	(480,651)
Total collections and credits for 2002-2003			\$ 46,932,728	\$ 42,268,478	\$ 4,664,250
Percent current year collected			97.90%	98.64%	91.65%

SECONDARY MARKET DISCLOSURES

	County-wide		
	Property Valuation	Rate	Amount of Levy
Assessed valuation			
Assessment ratio	100%		
Real property	\$ 7,990,349,108		
Personal property	872,218,528		
Public service companies	222,477,755		
	9,085,045,391	0.4705	\$ 42,796,266
Personal property-motor vehicles	1,084,807,833	0.4705	5,089,232
Personal property-motor vehicles	14,330	0.66	95
Total	\$ 10,169,867,554		\$ 47,885,593

In addition to the county-wide rate, the following table lists the levies by the county on behalf of school districts and fire protection districts for the fiscal year ended June 30, 2003

School districts	\$ 7,124,574
Fire protection districts	711,409
Total	\$ 7,835,983



Statistical Section

The information presented in this section is provided for additional analysis purposes only and has not been subjected to audit verification as presented.

Union County, North Carolina
General Governmental Expenditures by Function
 Last Ten Fiscal Years

Fiscal Year Ended June 30	General Government	Public Safety	Economic and Physical Development	Human Services	Education
1994	\$ 4,580,224	\$ 8,584,137	\$ 704,617	\$ 14,968,866	\$ 11,443,566
1995	5,226,428	9,340,339	678,700	16,698,337	10,499,704
1996	6,077,485	10,823,153	844,869	16,872,646	12,270,637
1997	5,879,334	12,353,929	746,690	17,270,295	13,945,999
1998	9,014,662	13,204,317	966,213	18,904,436	15,792,197
1999	9,046,957	13,861,836	1,077,371	20,069,465	23,259,821
2000	8,614,523	14,758,107	861,398	22,819,880	35,226,789
2001	9,213,679	15,334,465	984,075	25,355,378	27,126,251
2002	10,029,589	16,732,674	1,066,406	27,139,488	23,288,195
2003	10,332,088	17,198,979	1,136,928	27,374,397	21,196,766

General Fund only.

Union County, North Carolina
General Governmental Revenues by Source
 Last Ten Fiscal Years

Fiscal Year Ended June 30	Ad Valorem Taxes	Local Option Sales Taxes	Other Taxes and Licenses	Intergovernmental	Permits and Fees
1994	\$ 28,119,547	\$ 9,387,457	\$ 377,964	\$ 9,283,932	\$ 1,072,557
1995	30,162,565	10,809,564	406,046	10,013,872	1,186,826
1996	32,112,692	11,562,810	482,865	10,980,931	1,513,352
1997	33,522,680	12,925,918	588,160	12,151,415	1,816,615
1998	36,366,666	13,887,654	667,763	14,527,396	1,954,104
1999	39,061,671	15,271,332	942,292	20,857,988	2,431,064
2000	42,526,448	16,261,423	1,073,380	31,681,187	2,647,001
2001	43,405,360	16,678,309	1,122,787	21,211,041	3,037,979
2002	45,543,519	16,431,160	1,321,384	17,354,513	3,552,862
2003	49,023,950	18,180,313	1,398,707	14,863,357	4,902,295

General Fund only.

Table 1

<u>Cultural and Recreational</u>	<u>Debt Service</u>	<u>Total</u>
\$ 2,444,018	\$ 6,678,259	\$ 49,403,687
2,085,169	6,501,057	51,029,734
2,049,631	6,996,046	55,934,467
2,266,199	7,497,959	59,960,405
2,224,535	8,857,171	68,963,531
2,403,585	8,568,216	78,287,251
2,728,187	9,174,102	94,182,986
2,952,958	10,841,809	91,808,615
4,654,097	14,322,151	97,232,600
4,152,424	13,919,503	95,311,085

Table 2

<u>Sales and Services</u>	<u>Investment Earnings</u>	<u>Miscellan- eous</u>	<u>Total</u>
\$ 3,487,746	\$ 763,206	\$ 184,988	\$ 52,677,397
3,960,450	1,520,122	231,741	58,291,186
3,207,990	1,868,248	1,636,951	63,365,839
2,391,369	2,282,865	1,692,241	67,371,263
2,508,497	2,515,858	1,543,686	73,971,624
2,346,661	2,481,494	1,919,332	85,311,834
2,537,209	3,494,974	5,999,661	106,221,283
3,037,064	4,133,670	2,262,595	94,888,805
3,439,979	1,669,784	2,230,802	91,544,003
3,348,469	1,244,153	1,983,618	94,944,862

Union County, North Carolina
Property Tax Levies and Collections
 Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections
1994	1993	\$ 28,247,279	\$ 27,435,255	97.1%	\$ 602,652
1995	1994	29,634,988	28,837,177	97.3%	794,270
1996	1995	31,370,893	30,604,955	97.6%	938,966
1997	1996	32,854,316	32,056,246	97.6%	902,003
1998	1997	35,933,011	34,891,014	97.1%	856,992
1999	1998	38,490,763	37,364,952	97.1%	1,076,321
2000	1999	41,655,485	40,520,889	97.3%	1,195,069
2001	2000	42,570,357	41,573,994	97.7%	1,111,310
2002	2001	44,831,825	43,614,686	97.3%	1,082,599
2003	2002	47,941,155	46,932,728	97.9%	1,332,436

Union County, North Carolina
Assessed Value of Taxable Property
 Last Ten Fiscal Years
 (000 omitted)

Table 4

Fiscal Year Ended June 30	Tax Year	Real Property	Personal Property	Public Service Company Property	Total Assessed Value
1994	1993	\$ 3,337,851	\$ 790,628	\$ 148,788	\$ 4,277,267
1995	1994	3,375,540	952,541	151,251	4,479,332
1996	1995	3,541,012	1,033,917	154,136	4,729,065
1997	1996	3,744,189	1,085,310	135,581	4,965,080
1998	1997	3,957,920	1,339,998	147,607	5,445,525
1999	1998	4,232,248	1,446,434	158,602	5,837,284
2000	1999	4,534,997	1,621,482	151,551	6,308,030
2001	2000	6,899,426	1,753,875	209,912	8,863,213
2002	2001	7,421,941	1,837,972	217,774	9,477,687
2003	2002	7,990,349	1,957,041	222,478	10,169,868

Note: Assessed valuations are established by the Board of County Commissioners at 100% of estimated market value. A revaluation of real property is required by the North Carolina General Statutes at least every eight years. The last revaluation was completed in 2000.

Table 3

<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections To Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
\$ 28,037,907	99.3%	\$ 1,580,436	5.6%
29,631,447	100.0%	1,683,318	5.7%
31,543,921	100.6%	1,572,537	5.0%
32,958,249	100.3%	1,638,998	5.0%
35,748,006	99.5%	1,882,924	5.2%
38,441,273	99.9%	1,850,570	4.8%
41,715,958	100.1%	1,872,751	4.5%
42,685,304	100.3%	1,879,829	4.4%
44,697,285	99.7%	2,166,795	4.8%
48,265,164	100.7%	1,970,126	4.1%

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

Taxes Levied by Union County												
Fiscal Year Ended June 30	Tax Year	Supplemental School Districts (Approved by the Voters)					Supplemental Fire Districts		Total County Rates			City of Monroe
		County-wide Rate	Monroe Schools District		County Schools District		Hemby Bridge VFD	Stallings VFD	Maximum	Minimum	Average	
1994	1993	\$.6600	\$.070	\$.070	\$.0267	\$.0188	\$.7567	\$.7300	\$.7434	\$.39		
1995	1994	.6600	.070	.070	.0268	.0189	.7568	.7300	.7434	.45		
1996	1995	.6600	.070	.070	.0290	.0208	.7590	.7300	.7445	.45		
1997	1996	.6600	.070	.070	.0211	.0208	.7511	.7300	.7406	.50		
1998	1997	.6600	.070	.070	.0211	.0208	.7511	.7300	.7406	.50		
1999	1998	.6600	.070	.070	.0363	.0332	.7663	.7300	.7482	.55		
2000	1999	.6600	.070	.070	.0346	.0240	.7646	.7300	.7473	.55		
2001	2000	.4705	.059	.059	.0211	.0063	.5506	.5295	.5401	.50		
2002	2001	.4705	.070	.070	.0276	.0277	.5682	.5405	.5544	.50		
2003	2002	.4705	.070	.070	.0376	.0342	.5747	.5405	.5576	.50		

Note: Tax year 2000 was a revaluation year. Rates provided by Union County Tax Assessor.

Union County, North Carolina
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita
 Last Ten Fiscal Years

Table 6

Fiscal Year Ended June 30	Assessed Value (000 omitted)	Gross General Bonded Debt	Less Debt Payable from Enterprise Revenues	Net General Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Population (1)	Net General Bonded Debt Per Capita
1994	\$ 4,277,267	\$ 77,939,100	\$ 34,466,869	\$ 43,472,231	1.02%	94,274	\$ 461.13
1995	4,479,332	90,750,900	37,435,602	53,315,298	1.19%	97,948	544.32
1996	4,729,065	85,827,600	35,384,735	50,442,865	1.07%	101,928	494.89
1997	4,965,080	93,353,600	34,407,921	58,945,679	1.19%	105,923	556.50
1998	5,445,525	87,088,500	32,266,570	54,821,930	1.01%	110,188	497.53
1999	5,837,284	80,826,700	30,073,937	50,752,763	0.87%	115,344	440.01
2000	6,308,030	105,182,500	28,078,510	77,103,990	1.22%	125,354	615.09
2001	8,863,213	154,340,201	25,880,364	128,459,837	1.45%	131,875	974.10
2002	9,477,687	144,994,000	22,992,386	122,001,614	1.29%	138,928	878.16
2003	10,169,868	135,648,001	20,011,722	115,636,279	1.14%	140,028	825.81

(1) Source: North Carolina State Demographic Unit.
 1994 through 2001 are Revised County Population Estimates.
 2002 is a Certified County Population Estimates
 2003 is Projected Annual County Population Data

Table 5

Overlapping Taxes Levied by Municipalities

Downtown Monroe District	Town of Hemby Bridge	Town of Marshville	Town of Mineral Springs	Town of Wingate	Town of Weddington	Town of Waxhaw	Village of Wesley Chapel	Town of Stallings	Town of Fairview	Town of Indian Trail	Town of Unionville	Village of Marvin (1)	Village of Lake Park (1)
\$ -	\$ -	\$.49	\$ -	\$.32	\$.02	\$.47	\$ -	\$.09	\$ -	\$.10	\$ -	\$ -	\$ -
-	-	.49	-	.32	.02	.47	-	.09	-	.10	-	.025	.10
-	-	.49	-	.32	.02	.47	-	.09	-	.10	-	.025	.15
-	-	.43	-	.38	.02	.47	-	.09	-	.10	-	.025	.15
-	-	.43	-	.38	.02	.47	-	.09	-	.10	-	.025	.12
.20	-	.43	-	.38	.02	.47	-	.11	-	.10	-	.025	.12
.20	.02	.43	.04	.38	.02	.47	.02	.12	-	.10	.02	.025	.12
.20	.02	.38	.03	.32	.02	.37	.02	.10	-	.08	.02	.025	.09
.20	.02	.38	.03	.32	.02	.37	.02	.10	-	.08	.02	.025	.18
.20	.05	.38	.03	.40	.05	.37	.02	.14	.02	.08	.02	.052	.18

Union County, North Carolina
Computation of Legal Debt Margin
 June 30, 2003

Table 7

Assessed value of taxable property		\$ 10,169,867,554
		x .08
		<u>813,589,404</u>
Debt limit - 8 percent of assessed value		
Gross debt		
General obligation debt	\$ 135,648,001	
General obligation debt authorized and unissued	95,000,000	
Certificates of participation	43,760,000	
NC Clean Water Revolving Loan	<u>3,271,753</u>	
	277,679,754	
Less: Water bonds issued and outstanding	(13,435,013)	
Sewer bonds issued and outstanding	(6,576,709)	
NC Clean Water Revolving Loan	<u>(3,271,753)</u>	
Total amount of debt applicable to debt limit		<u>254,396,279</u>
Legal debt margin		<u><u>\$ 559,193,125</u></u>

Union County, North Carolina
**Ratio of Annual Debt Service Expenditures for General Bonded Debt
to Total General Fund Expenditures**
Last Ten Fiscal Years

Table 8

Fiscal Year Ended June 30	Principal	Interest on Bonds	Total Debt Service	Total General Fund Expenditures	Ratio of Debt Service to Total General Expenditures
1994	\$ 2,891,433	\$ 2,794,528	\$ 5,685,961 (1)	\$ 49,403,687	11.51%
1995	2,881,993	2,624,631	5,506,624 (1)	51,029,734	10.79%
1996	2,872,433	3,119,454	5,991,887 (1)	55,934,467	10.71%
1997	3,622,746	3,202,617	6,825,363 (1)	59,960,405	11.38%
1998	4,123,749	3,223,748	7,347,497 (2)	68,963,531	10.65%
1999	4,069,167	2,988,813	7,057,980 (2)	78,287,251	9.02%
2000	4,122,321	3,539,915	7,662,236 (2)	94,182,986	8.14%
2001	5,344,154	3,983,174	9,327,328 (2)	91,808,615	10.16%
2002	6,458,223	6,353,458	12,811,681 (2)	97,232,600	13.18%
2003	6,365,336	6,049,571	12,414,907 (2)	95,311,085	13.03%

Note: Total debt service includes paying agent fees.
General obligation bonds reported on Enterprise Funds have been excluded.

- (1) Excludes Certificates of Participation debt payments
- (2) Excludes Certificates of Participation debt payments and Installment Financing debt payments

Union County, North Carolina
**Computation of Direct and Overlapping Debt
General Obligation Bonds**
June 30, 2003

Table 9

	Net General Bonded Debt	Percent Applicable To County	County's Share of Net Debt
Direct			
Union County	\$ 115,636,279 (3)	100%	\$ 115,636,279
Overlapping			
City of Monroe	4,250,000	100%	4,250,000
Town of Marshville	<u>7,000</u>	100%	<u>7,000</u>
Subtotal	<u>4,257,000</u>		<u>4,257,000</u>
Total	<u>\$ 119,893,279</u>		<u>\$ 119,893,279</u>

Note: Union County government has no legal obligation for the debt incurred by other municipalities. This schedule identifies the debt which must be supported by the tax base located within the physical boundaries of Union County.

- (3) Excluding general obligation bonds reported in the Enterprise Funds of \$20,011,722.

Union County, North Carolina
Calculation of Debt Service Coverage
Water and Sewer Bonds
Last Ten Fiscal Years

Fiscal Year Ended June 30	Revenues	Current Expenses	Net Revenues Available for Debt Service	20% Preceding Year's Surplus	Adjusted Net Revenues Available for Debt Service	Senior Debt Service
1994	\$ 7,833,883	\$ 3,615,807	\$ 4,218,076		\$ 4,218,076	\$ -
1995	10,408,183	3,720,787	6,687,396		6,687,396	-
1996	10,719,202	4,165,259	6,553,943		6,553,943	-
1997	13,759,444	4,634,494	9,124,950		9,124,950	-
1998	15,389,469	4,800,140	10,589,329		10,589,329	-
1999	17,985,711	5,299,890	12,685,821		12,685,821	-
2000	19,270,388	6,572,349	12,698,039		12,698,039	1,965,043
2001	19,838,079	7,501,632	12,336,447		12,336,447	1,948,307
2002	17,761,343	9,274,368	8,486,975		8,486,975	1,940,229
2003	26,044,846	9,414,336	16,630,510	5,738,188	22,368,698	1,506,033

Notes: FY1994 through FY2002

Revenues and Current Expenses are defined terms described in the General Trust Indenture dated May 1, 1996

Senior Debt Service is comprised of Bonds (as defined in the Indenture) issued pursuant to the Indenture and a Loan Agreement with the State of North Carolina

Beginning FY2000, Total Debt Service is comprised of Bonds, General Obligation Indebtedness (as defined in the Indenture) plus 1.20 times the Principal and Interest Requirements of the Bonds

Revenues, Current Expenses, Total Debt Service, and Coverage of Total Debt Service Requirements are not calculated based on the definitions as contained in the General Trust Indenture dated May 1, 1996.

Beginning in FY2000, the County identified the Senior Debt Service component within Total Debt Service

Notes: FY2003

In FY2003, the County issued its 2003 Revenue Bonds and authorized its Series Indenture, Number 2. The Indenture modified certain rate covenants contained in the General Indenture by providing for a two prong test - one test which permits the inclusion of 20% of the balance in the Surplus Fund from the prior fiscal year with other test omitting the Surplus Fund. In FY2003, the State Loan Agreement was subordinated to senior debt service.

Table 10

<u>Senior Debt Service Coverage</u>	<u>Total Debt Service</u>		<u>Coverage of Total Debt Service Requirements</u>	
-	\$ 4,247,704			0.99
-	4,173,455			1.60
-	5,123,196			1.28
-	5,812,268			1.57
-	5,995,767			1.77
-	5,849,266			2.17
6.46	5,060,984			2.51
6.33	4,967,972			2.48
4.37	5,239,371			1.62
		Adj. Total Debt Service + 20% Senior Debt	<u>Coverage Tests</u>	
<u>Subordinate Debt Service</u>		<u>Adj. Net Rev / Adj. Dbt. Svc.</u>	<u>Net Rev / Total Dbt. Svc.</u>	
4,514,193	6,020,226	\$ 6,321,433	3.54	2.76

Union County, North Carolina
Demographic Statistics
 Last Ten Fiscal Years

Table 11

<u>Fiscal Year Ended June 30</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>	<u>Retail Sales (5) (000's Omitted)</u>
1994	94,274	\$ 18,055	16,919	4.1%	\$ 778,787
1995	97,948	18,974	17,715	3.3%	867,530
1996	101,928	19,755	18,080	2.6%	991,135
1997	105,923	20,263	18,838	2.5%	1,106,300
1998	110,188	22,227	19,646	2.4%	1,109,397
1999	115,344	23,522	20,504	2.3%	1,210,670
2000	125,354	24,356	21,608	2.0%	1,304,253
2001	131,875	24,890	22,588	2.2%	1,370,180
2002	138,928	Not Available	23,829	3.6%	1,409,840
2003	140,028	Not Available	25,830	5.2%	1,425,656

- Sources:
- (1) Source: North Carolina State Demographic Unit.
 1994 through 2001 are Revised County Population Estimates.
 2002 is a Certified County Population Estimates .
 2003 is Projected Annual County Population Data.
 - (2) United States Dept of Commerce, Bureau of Economic Analysis
 - (3) Amounts for fiscal years 1995-2002 use final ADM estimates provided by the State Board of Education and Department of Public Instruction. The amount shown for the 2003 fiscal is estimated by the School System (SIMS report).
 - (4) Rate is the most recent completed calendar year's annual average as reported by the North Carolina Employment Security Commission.
 - (5) North Carolina Department of Revenue

Union County, North Carolina
Property Value, Construction, and Bank Deposits
 Last Ten Fiscal Years

Table 12

Fiscal Year Ended June 30	Commercial Construction (1)		Residential Construction (1)		Bank Deposits (2) (000's Omitted)	Property Value (3)	
	Number of Units	Value (000's Omitted)	Number of Units	Value (000's Omitted)		Commercial (000's Omitted)	Residential (000's Omitted)
1994	N/A	N/A	N/A	N/A	\$ 620,066	N/A	N/A
1995	N/A	N/A	N/A	N/A	673,935	714,567	3,764,765
1996	323	23,067	1,785	144,372	722,908	863,938	3,865,127
1997	407	71,083	2,525	178,539	768,908	907,807	4,057,273
1998	504	70,869	2,477	181,143	794,772	755,288	4,690,237
1999	526	94,838	3,175	237,888	843,237	781,107	5,056,177
2000	641	68,244	2,686	280,762	912,177	821,965	5,486,065
2001	680	95,126	2,997	340,316	986,164	1,315,083	7,548,130
2002	480	53,717	2,923	304,456	1,031,789	1,240,174	8,237,513
2003	295	67,040	3,643	398,151	N/A	1,273,609	8,896,259

Notes: (1) Source: Union County Inspections Department

(2) Source: Wachovia Bank of North Carolina

(3) Separation of the assessed valuation of real property between commercial and residential elements was first begun for fiscal year 1995.

Union County, North Carolina
Ten Largest Taxpayers
 June 30, 2003

Table 13

Taxpayer	Type of Business	2002 Assessed Valuation	Percentage of Total Assessed Valuation
Charlotte Pipe & Foundry Company	Plastics	111,678,876	1.10%
Teledyne	Metals	58,668,723	0.58%
Union Electric Membership Corporation	Utility	58,440,355	0.57%
Duke Power Company	Utility	52,487,859	0.52%
Tyson Foods / Holly Farms	Poultry	44,844,439	0.44%
Verizon South Inc.	Utility	39,603,374	0.39%
Alltel Carolina Inc.	Utility	34,319,021	0.34%
NC Natural Gas Corporation	Gas	26,739,352	0.26%
Harris Teeter	Distribution of Food	26,276,896	0.26%
Wampler Foods, Inc	Poultry	26,141,685	0.26%
Total assessed valuation of top 10 taxpayers		<u>\$ 479,200,580</u>	<u>4.71%</u>
Total county-wide assessed valuation		<u>\$ 10,169,867,554</u>	

Source: Union County Tax Assessor's Office.

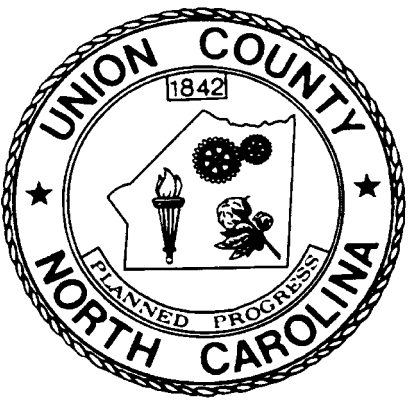
Union County, North Carolina
Miscellaneous Statistics
 June 30, 2002

Table 14

Date of establishment	1842
Form of government	Commissioner-Manager
Area in square miles	643
Miles of roads-paved (1)	1,439
Miles of roads-unpaved (1)	77
Police Protection: (2)	
Number of stations	8
Number of deputies/officers	265
Number of patrol units	219
Fire Protection: (3)	
Number of stations	18 Main, 7 sub-stations
Number of volunteer fire personnel	485
Recreation and Culture: (4)	
Number of parks	3
Number of acres in park	1,317
Number of acres in lake	350
Number of libraries (5)	5
Number of volumes	194,105
Employees:	
Full-time	743
Part-time	142
Education: (6)	
Number of schools	34
Number of classrooms	1,081
Number of teachers	1,543
Number of students	25,830
Water system: (7)	
Number of service connections	24,823
Average daily consumption in gallons	6,621,234
Miles of water mains	560
Number of fire hydrants	2,465
Sewer system: (7)	
Number of service connections	15,546
Miles of sewer mains	330

- Notes: (1) - Source: NC Dept. of Transportation
 (2) - Includes cities of Monroe, Marshville, Waxhaw and Wingate
 (3) - Source: Union County Fire Services
 (4) - Source: Union County Parks & Recreation
 (5) - Source: Union County Public Library
 (6) - Source: Union County Board of Education
 (7) - Source: Union County Public Works

Compliance Section





DIXON ODOM PLLC™

Certified Public Accountants and Consultants

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
Union County, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Union County, North Carolina, as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents and have issued our report thereon dated September 12, 2003. 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 Union 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Union 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Union County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2003-1.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information and use of the Board of Commissioners, management, others within the organization, 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.

Dixon Odom PLLC

September 12, 2003

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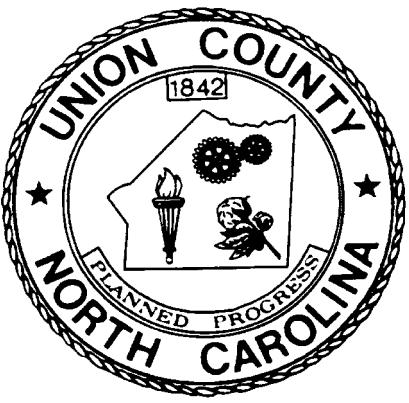
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Report on Compliance with Requirements Applicable to Each Major Federal
Program and Internal Control over Compliance in Accordance with OMB
Circular A-133 and the State Single Audit Implementation Act

Board of County Commissioners
Union County, North Carolina

Compliance

We have audited the compliance of Union County, North Carolina, 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. Union 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 Union County's management. Our responsibility is to express an opinion on Union 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 Union 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 Union County's compliance with those requirements.

In our opinion, Union 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 Union 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 Union 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 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 Board of Commissioners, management, others within the organization, 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.

Dixon Odom PLLC

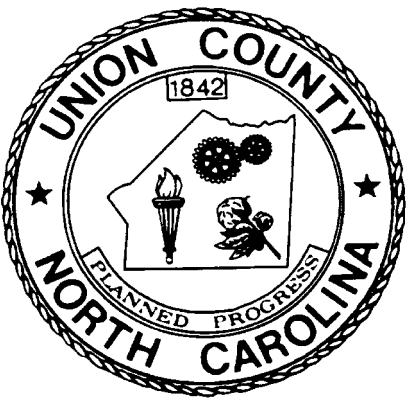
September 12, 2003

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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
Union County, North Carolina

Compliance

We have audited the compliance of Union County, North Carolina, 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. Union 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 Union County's management. Our responsibility is to express an opinion on Union County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Union 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 Union County's compliance with those requirements.

In our opinion, Union County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Union 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 Union 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 Board of Commissioners, management, others within the organization, 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.

Dixon Odom PLLC

September 12, 2003

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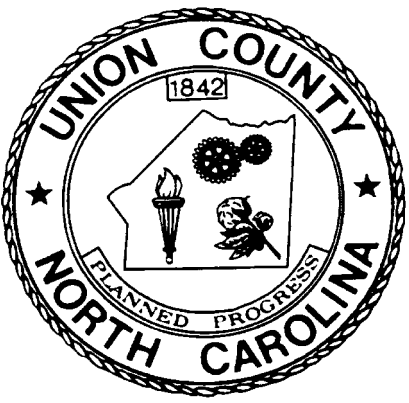
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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2003

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	_____ <u>x</u> no
Reportable condition(s) identified not considered to be material weakness(es)?	_____ <u>x</u> yes	_____ none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_____ yes	_____ <u>x</u> no
Reportable condition(s) identified not considered to be material weakness(es)?	_____ yes	_____ <u>x</u> none reported

Noncompliance material to federal awards? _____ yes x no

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 OMB Circular A-133, Section .510(a)? _____ yes x no

Major federal programs for Union County for the fiscal year ended June 30, 2003 were:

CFDA#	Program Name
93.778	Medicaid
	Subsidized Child Care Cluster:
93.558	TANF
93.575	Child Care Development Fund (Discretionary)
93.596	Child Care Development Fund (Mandatory and match)
93.667	Social Services Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,841,832

Auditee qualified as low-risk auditee? _____ yes x no

Continued on next page.

Schedule of Findings and Questioned Costs

(continued)

For the Year Ended June 30, 2003

Section I - Summary of Auditor's Results (continued)

State Awards

Internal control over major State programs:

Material weakness(es) identified?	_____ yes	<u> x </u> no
Reportable condition(s) identified not considered to be material weakness(es)?	_____ yes	<u> x </u> none reported

Noncompliance material to State awards? _____ yes x no

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

Major State programs for Union County for the fiscal year ended June 30, 2003 were:

- Program Name
- State/County Special Assistance for Adults
- Public School Building Capital Fund
- Child Care State Appropriations
- Child Care Development - Smart Start
- Child Care State Maintenance of Effort

Section II - Financial Statement Findings

Finding: 2003-1

Criteria:

Computer hardware and data should be adequately protected in the event of a disaster.

Condition:

- Union County does not have a complete written plan to guide the disaster recovery process and ensure its implementation efficiently and completely.
- The Information Technology department is not timely notified when county personnel change job positions, resign or are terminated.

Cause:

The County has not completed its Business Continuity Plan and does not have formal procedures for notifying the Information Technology department of the aforementioned personnel changes.

Continued on next page.

Schedule of Findings and Questioned Costs

(continued)

For the Year Ended June 30, 2003

Section II - Financial Statement Findings (continued)

Finding: 2003-1 (continued)

Effect:

The County could sustain damage to hardware and/or lose data.

Recommendation:

- We recommend the Human Resources department checklist include a notification to the Information Technology department for all job position changes, terminations and resignations. The actual method of notification may be verbal or in writing as long as the Human Resources department indicates, by the checklist of their responsibilities, the notification of the Information Technology department.

- Union County should expedite completion of the Business Continuity Plan. An individual with county-wide authority, and influence, should be given responsibility for ensuring that business areas complete their risk assessments and impact analyses. Internal Audit should seek remedies to influence business areas to support this project. Having the project driven entirely from the Information Technology department area places undue burden and ultimately leads to missed deadlines for plan completion.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

Corrective Action Plan

For the Year Ended June 30, 2003

Section II - Financial Statement Findings

Finding: 2003-1

Name of contact person:

Mark Watson, Human Resource Director
Carl Lucas, Information Systems Director

Corrective action:

- Human Resources and Information Technology will develop a process of notification of position changes. The process will be designed in a manner that achieves the desired results with a minimum of intervention by departments.

- Since February 2003, the County has been conducting a risk analysis, completing SAN implementation, developing data migration, exploring methods to re-license software on backup hardware, developing options for network and voice communications and exploring options with business partners to acquire or gain access to alternate hardware and high availability software platforms. These efforts, while not currently documented in the Business Continuity Plan are critical components to insuring adequate protection of hardware and software in the event of a disaster.

Proposed completion date:

- The notification process will be completed not later than December 31, 2003.

- Critical elements of the Business Continuity Plan are expected to be completed during fiscal year 2004.

Section III- Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.

Summary Schedule for Prior Year's Audit Findings
For the Year Ended June 30, 2003

Finding: 2002-1

Description:

Segregation of Duties

Status:

Duties separated or additional controls implemented to mitigate segregation issues.

Finding: 2002-2

Description:

Accounts receivable

Status:

Collection procedures implemented including cessation of services for delinquent accounts.

Finding: 2002-3

Description:

Hardware and Software security

Status:

Repeat finding related to disaster recovery plan. Union County has purchased a template and begun to fill out various parts. The most recent updates were February 2003; thus, no recent effort has been expended.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2003

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
FEDERAL AWARDS:	
U.S. DEPARTMENT OF AGRICULTURE	
Passed-through N.C. Department of Agriculture:	
Food Distribution	10.550
Passed-through N.C. Department of Health and Human Services:	
Division of Social Services	
Administration:	
Food Stamp Cluster:	
Food Stamp Program-Noncash	10.551
State Administrative Matching Grants for the Food Stamp Program	10.561
Total Food Stamp Cluster	
Passed-through N.C. Department of Health and Human Services:	
Division of Public Health:	
Administration:	
Special Supplemental Nutrition Program for Women, Infants and Children	10.557
Women, Infants and Children	10.557
Women, Infants and Children	10.557
Women, Infants and Children	10.557
Total Division of Public Health	
Direct Benefit Payments:	
Special Supplemental Nutrition Program for Women, Infants and Children	10.557
Passed-through N.C. Department of Agriculture	
Emergency Food Assistance Program	
Administrative Costs	10.568
Total U.S. Department of Agriculture	
U.S. DEPARTMENT OF JUSTICE	
Office of Justice Programs:	
Human Services Partnership	16.579
Life Skills Program	16.579
Local Law Enforcement Block Grant	16.592
Structured Day Reporting	16.523

Schedule 46

<u>Pass-Through Grantor's Number</u>	<u>Federal (Direct and Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>	<u>Total Expenditures</u>
	<u>\$ 15,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,941</u>
	6,381,677	-	-	6,381,677
	578,808	-	578,042	1,156,850
	<u>6,960,485</u>	<u>-</u>	<u>578,042</u>	<u>7,538,527</u>
5403	181,902	-	(3,268)	178,634
5404	133,398	-	-	133,398
5405	5,636	-	-	5,636
5409	19,733	-	-	19,733
	<u>340,669</u>	<u>-</u>	<u>(3,268)</u>	<u>337,401</u>
	<u>1,609,260</u>	<u>-</u>	<u>-</u>	<u>1,609,260</u>
	<u>3,884</u>	<u>-</u>	<u>39</u>	<u>3,923</u>
	<u>8,930,239</u>	<u>-</u>	<u>574,813</u>	<u>9,505,052</u>
090-1-01-018-D-144	27,826	-	-	27,826
090-1-01-011-D-034	(1,732)	-	-	(1,732)
2002-LB-BX-0605	26,187	-	-	26,187
090-1-01-0ND-K-121	74,944	-	-	74,944
	<u>127,225</u>	<u>-</u>	<u>-</u>	<u>127,225</u>

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2003

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
U.S. DEPARTMENT OF JUSTICE (CONTINUED)	
Passed-through N. C. Department of Transportation:	
Commercial - Safe Transportation Enforcement	20.600
Total U.S. Department of Justice	
FEDERAL EMERGENCY MANAGEMENT AGENCY	
Passed-through N. C. Department of Crime Control and Public Safety:	
Division of Emergency Management	
Emergency Management Assistance	83.552
Public Assistance Grants Program for Infrastructure Support (FEMA)	83.544
Total Federal Emergency Management Agency	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
Administration of Aging	
Division of Social Services	
Passed-through Centralina Council of Governments:	
Aging Cluster:	
Nutrition Program for the Elderly	10.570
Special Programs for the Aging-Title III B	
Grants for Supportive Services and Senior Center	93.044
Special Programs for the Aging-Title III C	
Nutrition Services	93.045
Total Aging Cluster	
Administration for Children and Families	
Passed-through N.C. Department of Health and Human Services:	
Division of Social Services:	
Foster Care and Adoption Cluster:	
Title IV-E Optional Administration	93.658
Title IV-E Foster Care	93.658
IV-E Adoption Subsidy and Vendor-Direct Benefit Payments	93.659
Total Foster Care and Adoption Cluster	

Schedule 46
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
QN-02-11-01-20	\$ 20,802	\$ -	\$ -	\$ 20,802
	<u>148,027</u>	<u>-</u>	<u>-</u>	<u>148,027</u>
EMGP-2002-37179	11,173	-	103,485	114,658
FEMA-1448-DR-NC	11,611	-	-	11,611
	<u>22,784</u>	<u>-</u>	<u>103,485</u>	<u>126,269</u>
	56,198	-	-	56,198
	136,121	8,007	-	144,128
	<u>88,161</u>	<u>5,186</u>	<u>-</u>	<u>93,347</u>
	<u>280,480</u>	<u>13,193</u>	<u>-</u>	<u>293,673</u>
	490,092	165,180	324,911	980,183
	74,280	16,543	28,191	119,014
	<u>170,207</u>	<u>52,659</u>	<u>52,659</u>	<u>275,525</u>
	<u>734,579</u>	<u>234,382</u>	<u>405,761</u>	<u>1,374,722</u>

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2003

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)	
Administration for Children and Families (continued)	
Passed-through N.C. Department of Health and Human Services (continued):	
Division of Social Services (continued):	
Work First/Temporary Assistance for Needy Families(TANF)	93.558
Direct Benefit Payments:	
Temporary Assistance for Needy Families	93.558
AFDC Payments & Penalties	93.560
Refugee Assistance-Direct Benefit Payments	93.566
Refugee Assistance	93.566
Low Income Home Energy Assistance Block Grant:	
Administration	93.568
Energy Assistance-Direct Benefit Payments	93.568
Crisis Intervention Program	93.568
Child Welfare Services:	
Permanency Planning	93.645
Social Services Block Grant	93.667
LINKS	93.674
Child Care Development Fund-Administration	93.596
Total Division of Social Services	
Division of Aging:	
Division of Social Services	
SSBG - In Home Services Fund	93.667
SSBG - Adult Day Care	93.667
Total Division of Aging	
Division of Child Development:	
Subsidized Child Care Cluster:	
TANF	93.558
Child Care Development Fund -Discretionary	93.575
Child Care Development Fund-Mandatory	93.596
Child Care Development Fund-Match	93.596
Social Services Block Grant	93.667
Child Care State Appropriations	N/A
Child Care Development Fund-State Match	N/A
Child Care Development -Smart Start	N/A
Child Care State Maintenance of Effort	N/A
Total Subsidized Child Care Cluster	
Total Administration	

Schedule 46
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 1,767,869	\$ 668	\$ 1,520,049	\$ 3,288,586
	1,181,113	-	708	1,181,821
	(31)	(8)	(9)	(48)
	3,588	-	-	3,588
	118	-	-	118
	24,761	-	41,838	66,599
	109,981	-	-	109,981
	184,596	2,522	4,267	191,385
	73,492	33,564	11,939	118,995
	128,391	35,495	938,868	1,102,754
	29,798	7,450	27,353	64,601
	<u>163,536</u>	<u>136,927</u>	<u>83,510</u>	<u>383,973</u>
	<u>4,401,791</u>	<u>451,000</u>	<u>3,034,284</u>	<u>7,887,075</u>
	277,075	-	445,130	722,205
	55,782	15,995	10,254	82,031
	<u>332,857</u>	<u>15,995</u>	<u>455,384</u>	<u>804,236</u>
	286,163	-	-	286,163
	1,159,434	-	-	1,159,434
	639,785	-	-	639,785
	327,943	197,946	-	525,889
	15,095	-	-	15,095
	-	148,854	-	148,854
	-	130,978	-	130,978
	-	1,041,926	-	1,041,926
	-	415,414	-	415,414
	<u>2,428,420</u>	<u>1,935,118</u>	<u>-</u>	<u>4,363,538</u>
	<u>7,443,548</u>	<u>2,415,306</u>	<u>3,489,668</u>	<u>13,348,522</u>

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2003

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)	
Health Care Financing Administration	
Passed-through N.C. Department of Health and Human Services:	
Division of Social Services:	
Administration:	
Health Choice	93.767
Medical Assistance Program	93.778
Division of Medical Assistance:	
Direct Benefit Payments:	
Medical Assistance Program	93.778
Total Health Care Financing Administration	
Centers for Disease Control	
Passed-through N.C. Department of Health and Human Services:	
Division of Public Health:	
Preventive Health and Health Services Block Grant	93.991
Breast & Cervical Cancer	93.919
Breast & Cervical Wise Woman Project	93.919
Child Service Coordination	93.994
Communicable Disease	93.283
Communicable Disease	93.283
Division of Epidemiology:	
Immunization Action	93.268
Immunization Action	93.268
Total Centers for Disease Control	
Health Resources and Services Administration:	
Passed-through N.C. Department of Health and Human Services:	
Division of Public Health:	
Family Planning	93.558
Maternal Health	93.994
Maternal Health	93.994
Child Health	93.994
Family Planning	93.994
Targeted Infant Mortality	93.994
Total Health Resources and Services Administration	
Total U.S. Department of Health and Human Services	
U.S. DEPARTMENT OF EDUCATION	
Passed-through State Department of Cultural Resources:	
Library Services	45.310
Total federal awards	

Schedule 46
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 42,647	\$ 6,592	\$ 8,681	\$ 57,920
	1,138,164	50,301	973,099	2,161,564
	<u>43,130,094</u>	<u>22,078,936</u>	<u>3,776,904</u>	<u>68,985,934</u>
	<u>44,310,905</u>	<u>22,135,829</u>	<u>4,758,684</u>	<u>71,205,418</u>
5503	14,989	-	29,558	44,547
5452	20,027	-	(352)	19,675
5465	14,185	-	2	14,187
5318	38,599	-	178,801	217,400
5685	25,541	-	7,841	33,382
5688	4,300	-	-	4,300
6022	41,721	-	7,489	49,210
6023	15,515	-	-	15,515
	<u>174,877</u>	<u>-</u>	<u>223,339</u>	<u>398,216</u>
5735	65,537	-	-	65,537
5740	46,174	-	434,420	480,594
5746	60,293	-	127,750	188,043
5745	37,237	-	645,114	682,351
6013	37,544	5,000	225,626	268,170
5108	26,500	-	(7,585)	18,915
	<u>273,285</u>	<u>5,000</u>	<u>1,425,325</u>	<u>1,703,610</u>
	<u>52,202,615</u>	<u>24,556,135</u>	<u>9,897,016</u>	<u>86,655,766</u>
	<u>29,379</u>	<u>-</u>	<u>-</u>	<u>29,379</u>
	<u>61,333,044</u>	<u>24,556,135</u>	<u>10,575,314</u>	<u>96,464,493</u>

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2003

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
STATE AWARDS:	
N.C. BOARD OF ELECTIONS No Excuse One Stop Voting	N/A
N.C. DEPARTMENT OF CULTURAL RESOURCES Division of State Library: State Aid to Public Libraries	N/A
N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed-through North Carolina Partnership for Children, Incorporated	N/A
Administration of Aging Division of Social Services Passed-through Centralina Council of Governments: 90% State Funds - Access 90% State Funds - In-Home Services 90% State Funds - Congregate Nutrition 90% State Funds - Home Delivered Meals	N/A
Other Division of Social Services Programs LINKS State Adult Protective Services State Aid to Counties Foster Care At Risk Maximization State Foster Home CWS Adoption Subsidy and Vendor Payments State/County Special Assistance For Adults-Direct Benefit Payments Total Division of Social Services	N/A N/A N/A N/A N/A N/A N/A N/A
Division of Public Health: Aid to Counties-Health Administration Children's Dental Child Health Child Hood Lead Poisoning Children's Special Health Communicable Disease Communicable Disease Communicable Disease Environmental Health Family Planning Healthy Carolinas Risk Reduction/Health Promotion Tuberculosis Total Division of Public Health	N/A N/A N/A N/A N/A N/A N/A N/A N/A N/A N/A N/A
Total N.C. Department of Health and Human Services	

Schedule 46
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
2002	\$ -	\$ 14,524	\$ -	\$ 14,524
	-	171,928	2,506,163	2,678,091
	-	76,388	-	76,388
	-	73,291	-	73,291
	-	215,891	-	215,891
	-	11,650	-	11,650
	-	45,283	-	45,283
	-	4,261	-	4,261
	-	40,191	30,381	70,572
	-	79,236	-	79,236
	-	12,056	7,316	19,372
	-	37,352	37,352	74,704
	(263)	149,524	29,869	179,130
	-	800,838	800,838	1,601,676
	(263)	1,469,573	905,756	2,375,066
4110	-	38,388	1,921,359	1,959,747
4140	-	-	216,001	216,001
5351	-	717	-	717
4754	-	4,950	(160)	4,790
4110	-	9	-	9
4510	-	7,600	-	7,600
4551	-	3,867	-	3,867
4536	-	12,500	-	12,500
4752	-	18,181	1,052,982	1,071,163
5151	-	7,451	-	7,451
5515	-	6,399	3,838	10,237
5503	-	6,022	-	6,022
4454	-	1,604	(454)	1,150
	-	107,688	3,193,566	3,301,254
	(263)	1,653,649	4,099,322	5,752,708

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2003

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
OFFICE OF THE GOVERNOR	
Office of State Budget, Planning, and Management	
Public School Building Capital Fund	N/A
Department of Juvenile Justice and Delinquency Prevention	
Juvenile Crime Prevention Council	N/A
Positive Impact	N/A
Delinquency Prevention and Remediation	N/A
Uwharrie Group Home	N/A
Shelter Care	N/A
Home Based Community Support	N/A
Total Office of the Governor	
N.C. DEPARTMENT OF TRANSPORTATION	
Elderly and Disabled Transportation Assistance:	
Public Transportation	
Public Transportation	
Public Transportation	
Public Transportation	
Rural Operating Assistance Program	
Total N.C. Department of Transportation	
N.C. DEPARTMENT OF ENVIRONMENT, HEALTH AND NATURAL RESOURCES	
Division of Soil and Water Conservation	
Soil and Water Conservation	N/A
N.C. DEPARTMENT OF PUBLIC INSTRUCTION	
Passed-through Union County to Union County Public Schools	
Public School Bond Fund	N/A
N.C. RURAL ECONOMIC DEVELOPMENT CENTER	
Passed-through North Carolina Rural Economic Development Center, Inc.	
Rural Economic Development	N/A
N.C. DEPARTMENT OF ADMINISTRATION	
Veteran's Service	N/A
Total State awards	
Total federal, State and local awards	

Schedule 46
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	-	423,219	-	423,219
290000	-	7,941	-	7,941
290001	-	178,871	-	178,871
290006	-	31,196	16,862	48,058
290010	-	3,000	900	3,900
690011	-	19,571	1	19,572
290016	-	39,813	-	39,813
	-	703,611	17,763	721,374
02-SC-005	(266)	18,662	2,073	20,469
03-AT-021	-	10,961	1,218	12,179
03-HS-018	88,401	5,451	16,563	110,415
03-SC-011	-	97,539	10,838	108,377
DOT-16CL	-	121,965	-	121,965
	88,135	254,578	30,692	373,405
	-	19,200	117,885	137,085
	-	126,303	-	126,303
	-	199,405	-	199,405
	-	2,000	17,708	19,708
	87,872	3,145,198	6,789,533	10,022,603
	\$ 61,420,916	\$ 27,701,333	\$ 17,364,847	\$ 106,487,096

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2003

Schedule 46
(Continued)

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 Union County 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 State, 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 general purpose financial statements. Benefit payments are paid directly to recipients and are not included in the county's general purpose financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the county and are included on the schedule.

2. Subrecipients

Of the federal and State expenditures presented in the schedule, Union County provided State awards to subrecipients as follows:

Grantor/Pass Through Grantor/Program Title	Pass-Through Grantor's Number	State Expenditures	Local Expenditures
N.C. DEPARTMENT OF HUMAN RESOURCES			
Department of Juvenile Justice and Delinquency Prevention			
Juvenile Crime Prevention Council	290000	7,941	-
Positive Impact	290001	180,326	-
Delinquency Prevention and Remediation	290006	31,196	16,862
Uwharrie Group Home	290010	3,000	900
Shelter Care	690011	19,571	1
Home Based Community Support	290016	39,813	-
		\$ 281,847	\$ 17,763