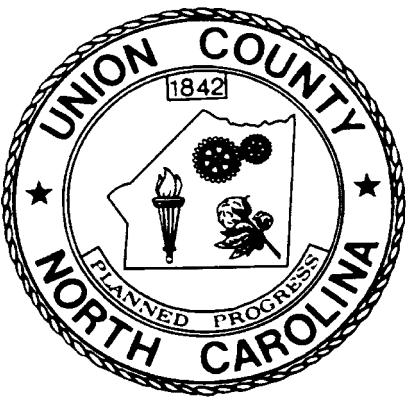




**UNION COUNTY  
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2004**



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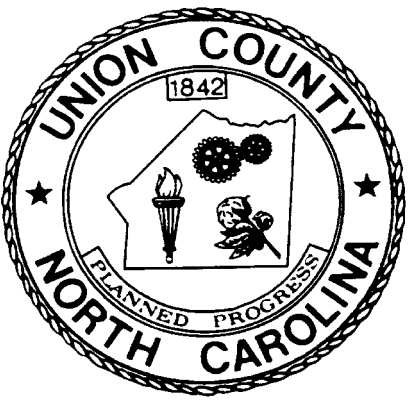
# Union County, North Carolina

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## Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2004

Prepared by  
**Finance Department**  
**Kai D. Nelson**  
Finance Director



Union County, North Carolina  
**Table of Contents**

	<u>Exhibit</u>	<u>Page No.</u>
<b>INTRODUCTORY SECTION</b>		
Letter of Transmittal		3
List of Principal Officials		7
Organizational Chart		8
<b>FINANCIAL SECTION</b>		
INDEPENDENT AUDITORS' REPORT		11
MANAGEMENT'S DISCUSSION AND ANALYSIS		13
BASIC FINANCIAL STATEMENTS:		
Government-wide Financial Statements:		
Statement of Net Assets	A	26
Statement of Activities	B	27
Fund Financial Statements:		
Balance Sheet - Governmental Funds	C	28
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	D	29
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	E	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	F	31
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	G	32
Statement of Net Assets - Proprietary Funds	H	33
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	I	34
Statement of Cash Flows - Proprietary Funds	J	35
Statement of Fiduciary Net Assets - Fiduciary Funds	K	36
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund - Pension Trust Fund - Special Separation Allowance Fund	L	37
Notes to the Financial Statements		39
REQUIRED SUPPLEMENTARY INFORMATION:		
Special Separation Allowance - Required Supplementary Information - Schedule of Funding Progress	M	70
Special Separation Allowance - Required Supplementary Information - Schedule of Employer Contributions	N	71

Union County, North Carolina  
**Table of Contents**

	<u>Schedule</u>	<u>Page No.</u>
<b>FINANCIAL SECTION (CONTINUED)</b>		
COMBINING AND INDIVIDUAL FUND STATEMENTS:		
Combining Balance Sheet - Nonmajor Governmental Funds	1	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	2	75
Combining Balance Sheet - Nonmajor Special Revenue Funds	3	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	4	77
Combining Balance Sheet - Nonmajor Capital Project Funds	5	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds	6	79
Combining Statement of Net Assets - Internal Service Funds	7	80
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds	8	81
Combining Statement of Cash Flows - Internal Service Funds	9	83
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	10	84
GENERAL FUND		
Comparative Balance Sheets	11	89
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	12	90
SPECIAL REVENUE FUNDS		
Hemby Bridge Fire District Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	13	95
Stallings Fire District Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	14	96
Wesley Chapel Fire District Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	15	97
Emergency Telephone System Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	16	98
Fee Supported Fire Districts Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	17	99
General Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - From Inception	18	100
DEBT SERVICE FUND		
Debt Service Fund - Schedule of Revenues and Changes in Fund Balance	19	103

Union County, North Carolina  
**Table of Contents**

	<u>Schedule</u>	<u>Page No.</u>
<b>FINANCIAL SECTION (CONTINUED)</b>		
COMBINING AND INDIVIDUAL FUND STATEMENTS (CONTINUED):		
CAPITAL PROJECT FUNDS		
General Capital Project Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - From Inception	20	107
Library Capital Reserve Fund - Schedule of Revenues and Changes in Fund Balance	21	108
Library Capital Project Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - From Inception	22	109
School Bond Fund-55 - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - From Inception	23	110
School Bond Fund-58 - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - From Inception	24	111
ENTERPRISE FUNDS		
Water and Sewer Operating Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	25	115
Water and Sewer Capital Project Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP) - From Inception	26	116
Water and Sewer Capital Reserve Fund - Schedule of Revenues and Expenditures (Non-GAAP)	27	118
Water and Sewer Fund - Schedule of Reconciliation of Budgetary Basis (Non-GAAP) to Full Accrual Basis	28	119
Solid Waste Operating Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	29	120
Solid Waste Capital Reserve Fund - Schedule of Revenues (Non-GAAP)	30	121
Solid Waste Fund - Schedule of Reconciliation of Budgetary Basis (Non-GAAP) to Full Accrual Basis	31	122
Stormwater Operating Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	32	123
INTERNAL SERVICE FUNDS		
Health Benefits Fund - Schedule of Revenues and Expenditures (Non-GAAP)	33	127
Workers' Compensation Fund - Schedule of Revenues and Expenditures (Non-GAAP)	34	128
Property and Casualty Fund - Schedule of Revenues (Non-GAAP)	35	129

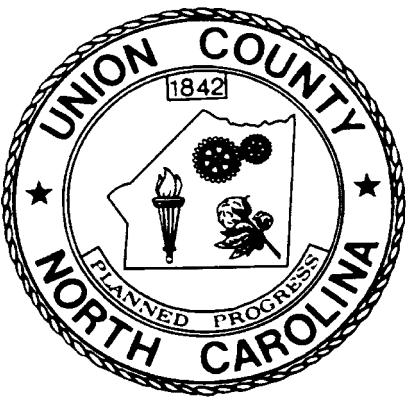
Union County, North Carolina  
**Table of Contents**

	<u>Schedule/ Table</u>	<u>Page No.</u>
<b>FINANCIAL SECTION (CONTINUED)</b>		
COMBINING AND INDIVIDUAL FUND STATEMENTS (CONTINUED):		
FIDUCIARY FUNDS		
Special Separation Allowance Fund - Schedule of Revenues, Expenses, and Changes in Fiduciary Net Assets - Pension Trust Fund	36	133
Agency Funds - Combining Statement of Changes in Assets and Liabilities	37	134
ADDITIONAL FINANCIAL DATA		
Schedule of Ad Valorem Taxes Receivable - General Fund	38	138
Analysis of Current Tax Levy - County-wide Levy	39	139
<b>STATISTICAL SECTION</b>		
General Governmental Expenditures by Function	1	142
General Governmental Revenues by Source	2	142
Property Tax Levies and Collections	3	144
Assessed Value of Taxable Property	4	144
Property Tax Rates - Direct and All Overlapping Governments	5	146
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	6	146
Computation of Legal Debt Margin	7	148
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures	8	149
Calculation of Debt Service Coverage - Water and Sewer Bonds	9	150
Demographic Statistics	10	152
Property Value, Construction, and Bank Deposits	11	153
Ten Largest Taxpayers	12	153
Miscellaneous Statistics	13	154
<b>COMPLIANCE SECTION</b>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		157
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		159



Union County, North Carolina  
**Table of Contents**

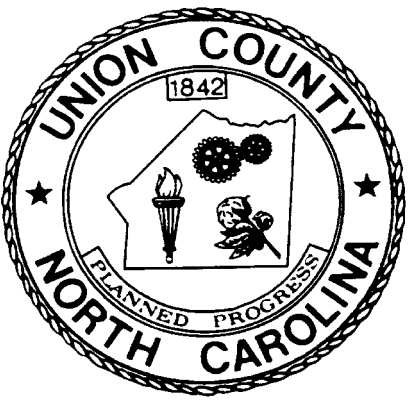
	<u>Table/ Schedule</u>	<u>Page No.</u>
<b>COMPLIANCE SECTION (CONTINUED)</b>		
Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act		161
Schedule of Findings and Questioned Costs	40	163
Corrective Action Plan	41	165
Summary Schedule for Prior Year's Audit Findings	42	167
Schedule of Expenditures of Federal and State Awards	43	168



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# Introductory Section

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## UNION COUNTY FINANCE DEPARTMENT

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

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November 15, 2004

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 annual financial report of Union County for the fiscal year ended June 30, 2004.

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-Hughes, 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, 2004, 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 and a stormwater program. This annual financial report 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 household income is the second 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 2003, the population increased by 17.0% to 144,708. The North Carolina State Demographics Unit expects the County's population to grow another 19% or 27,599 between 2004-2009, reaching 172,307 by the year 2009. Public school enrollment, currently at 27,031, is projected to increase to 35,539, or 31% by 2009. 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 2004.

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, 2002 and 2004 aggregating \$277.7 million. At June 30, 2004, the County's remaining authorization from these four referendums totaled \$180 million. The school system anticipates using the balance of the bond proceeds to construct five elementary schools, two middle schools and three high schools by the 2008-2009 academic year. The school system anticipates the need for an additional high and middle school in 2010-2011 and three elementary schools in 2008-2010. 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, parks and recreational facilities, 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, 2004, the County earned an equivalent of 1.2 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-04	30-Jun-03	30-Jun-02	30-Jun-01	30-Jun-00
Assessed Value	\$ 10,699,667,908	\$ 10,245,798,518	\$ 9,525,585,673	\$ 8,920,994,930	\$ 6,316,967,744
Net Tax Supported Debt	\$ 174,171,686	\$ 161,186,650	\$ 130,528,914	\$ 137,959,777	\$ 87,531,087
Net Tax Supported Debt as a Percentage of Assessed Value	1.63%	1.57%	1.37%	1.55%	1.39%
Debt Service as a Percent of Expenditures	12.3%	13.3%	14.0%	12.0%	11.5%
Population	144,708	138,712	131,815	123,772	120,677
Debt per Capita	\$ 1,203.61	\$ 1,162.02	\$ 990.24	\$ 1,114.63	\$ 725.33
Available Fund Balance as a Percent of General Fund Expenditures	38.1%	39.4%	53.8%	69.7%	70.1%

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 \$300,000 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.

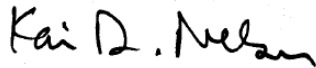
**Pension plans.** County employees are required to participate in one of several multiple-employer, defined benefit pension plans administered by the State of North Carolina. In addition to the pension plans administered by the State, the County administers a single-employer defined benefit plan for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

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 D. Nelson  
Finance Director



Andrea Robinson  
Assistant Finance Director



Union County, North Carolina  
**List of Principal Officials**  
June 30, 2004

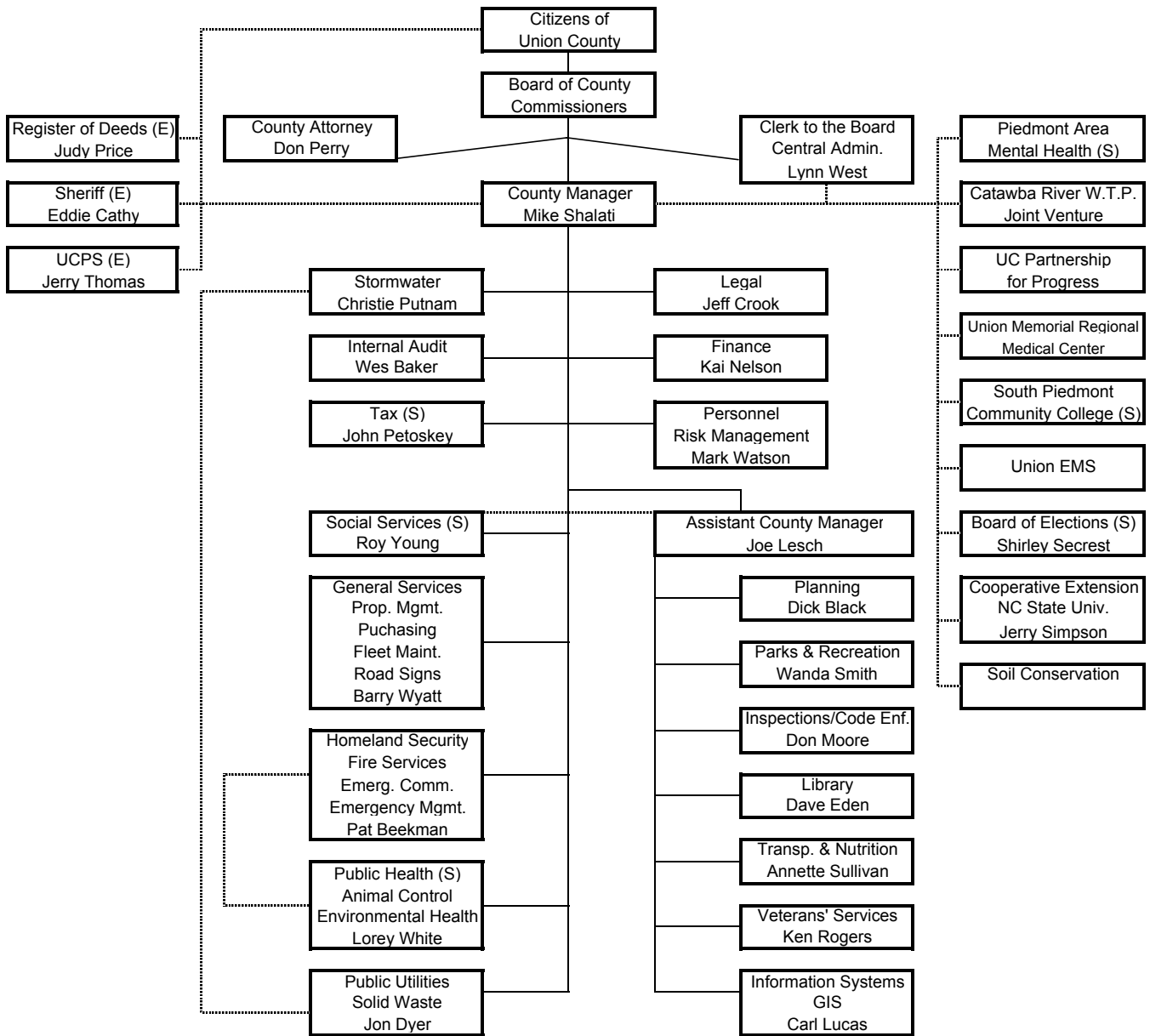
Board of County Commissioners

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
Christie Putnam	Assistant to the County Manager
Kai D. Nelson	Finance Director
Lynn G. West	Clerk to the Board
Minor Plyler	Communications Director
Jerry Simpson	Cooperative Extension Service Director
Don Perry	County Attorney
Shirley Secrest	Elections Director
Patrick Beekman	Homeland Security Director/Fire Services Interim Director
Barry Wyatt	General Services Director
Lorey White	Health Director
Carl Lucas	Information Services 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
John Petoskey	Tax Administrator
Annette Sullivan	Transportation/Nutrition Director
Kenneth Rogers	Veterans' Services Director

# Union County, North Carolina Organizational Chart



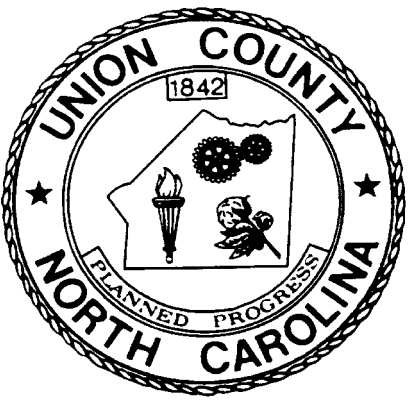
(S) Statutory Appt. Board  
 (E) Elected Agency  
 — Direct  
 ..... Support

Dated: June 07, 2004  
 Author: Nelson with support from Watson

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# Financial Section

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**DIXON HUGHES** PLLC

Certified Public Accountants and Advisors

## 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, budget to actual comparison for the general fund, and the aggregate remaining fund information of Union County, North Carolina, as of and for the year ended June 30, 2004, 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, 2004, 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, the schedules of funding progress and employer contributions, and notes to the required schedules for 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 inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2004 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, grants and other matters. 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 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.

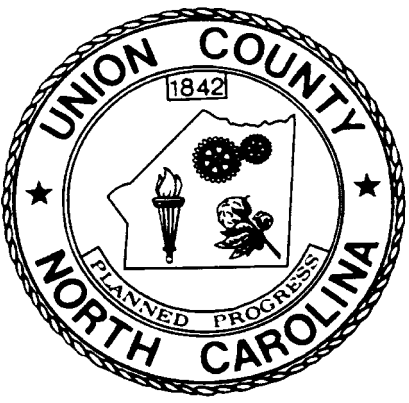
*Dixon Hughes PLLC*

September 17, 2004

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A Member of  
International Association of  
Certified Public Accountants  
An association of independent  
accounting firms throughout the world.



## 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, 2004. 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.

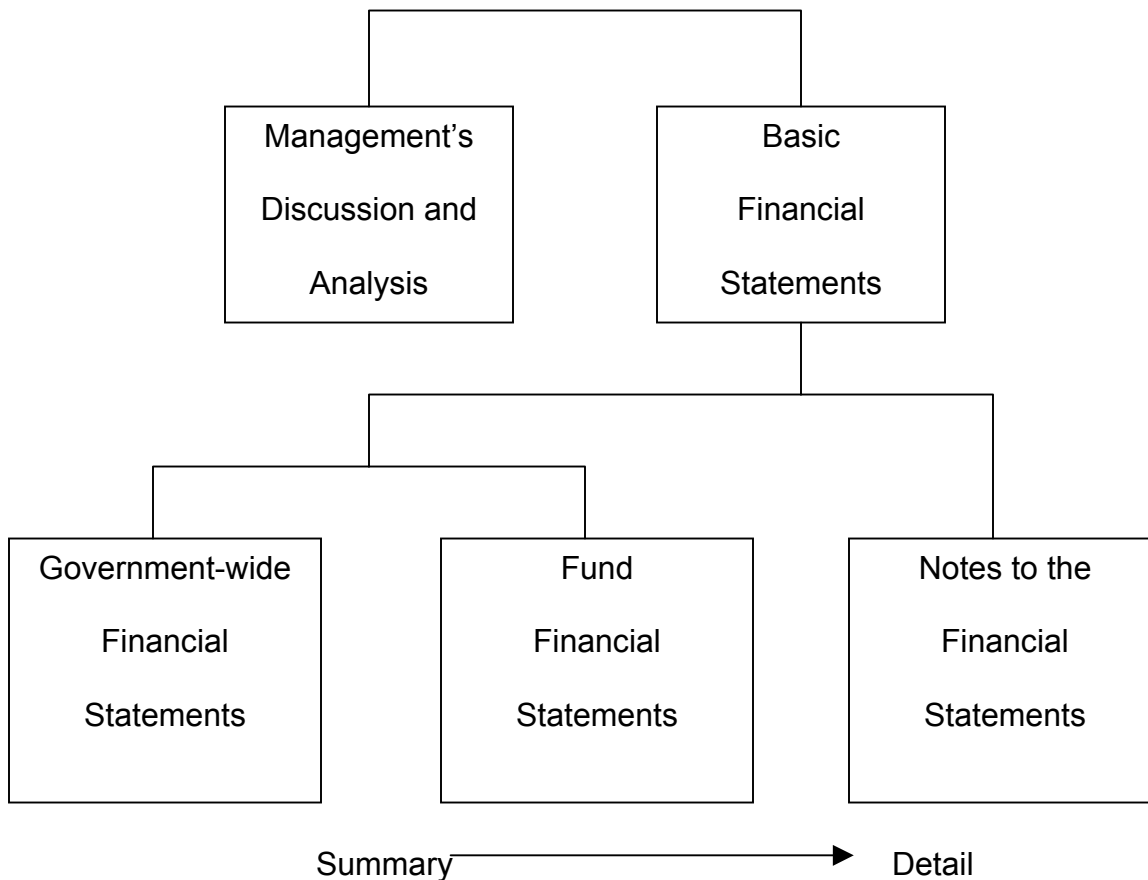
### Financial Highlights

- The assets of Union County exceeded its liabilities at the close of the fiscal year by \$76,896,960 (*net assets*), a decrease of \$12,613,145 from the prior fiscal year as restated (see Note 23).
- The total net assets of governmental activities was a deficit \$44,263,589 a decrease of \$31,452,388 from the prior year's amount of \$12,811,201 as restated, primarily due to school capital spending and the issuance of general obligation bond anticipation notes primarily for school facilities and 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 \$59,134,482, a decrease of \$47,912,421 in comparison with the prior year as restated. The decrease is mainly attributable to school capital construction expenditures of \$45.1 million. Approximately 38.7 percent of this total amount, or \$22,866,251, is available for spending at the government's discretion (*unreserved and undesignated fund balance*).
- At the end of the current fiscal year, the unreserved and undesignated portion of fund balance for the General Fund was \$44,419,717, or 34.1 percent of total general fund expenditures and other financing uses for the fiscal year.
- Union County's total debt increased by \$8,532,224 (3.6%) during the current fiscal year with the net increase attributable to the issuance of general obligation commercial paper bond anticipation notes and the current year's debt principal payments.
- 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, solid waste and stormwater 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, Solid Waste and Stormwater 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, Workers' Compensation and Property and Casualty Funds on a cost reimbursement basis. As each 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, Solid Waste and Stormwater 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 39 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 70 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 74-139 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 2004 and provides comparative data, including the percentage change, from fiscal year 2003.

**Union County's Net Assets**  
**Figure 2**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2003-2004
	2004	2003 (as restated)	2004	2003 (as restated)	2004	2003 (as restated)	
	Current and other assets	\$ 101,416,626	\$ 120,843,113	\$ 74,192,440	\$ 78,902,083	\$ 175,609,066	
Capital assets	48,101,386	39,675,596	124,710,742	107,025,743	172,812,128	146,701,339	17.80%
<b>Total assets</b>	<b>149,518,012</b>	<b>160,518,709</b>	<b>198,903,182</b>	<b>185,927,826</b>	<b>348,421,194</b>	<b>346,446,535</b>	0.57%
Long-term debt outstanding	174,171,686	161,186,650	70,851,504	75,304,316	245,023,190	236,490,966	3.61%
Other liabilities	19,609,915	12,143,260	6,891,129	8,302,204	26,501,044	20,445,464	29.62%
<b>Total liabilities</b>	<b>193,781,601</b>	<b>173,329,910</b>	<b>77,742,633</b>	<b>83,606,520</b>	<b>271,524,234</b>	<b>256,936,430</b>	5.68%
Net assets							
Invested in capital assets, net of related debt	34,098,609	31,763,862	68,120,172	51,981,910	102,218,781	83,745,772	22.06%
Restricted	7,659,736	33,500,043	2,882,435	2,882,255	10,542,171	36,382,298	-71.02%
Unrestricted	(86,021,934)	(78,075,106)	50,157,942	47,457,141	(35,863,992)	(30,617,965)	17.13%
<b>Total net assets</b>	<b>\$ (44,263,589)</b>	<b>\$ (12,811,201)</b>	<b>\$ 121,160,549</b>	<b>\$ 102,321,306</b>	<b>\$ 76,896,960</b>	<b>\$ 89,510,105</b>	-14.09%

The assets of Union County exceeded liabilities by \$76,896,960 as of June 30, 2004. The County's net assets decreased by \$12,613,145 for the fiscal year ended June 30, 2004. 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 \$10,542,171 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 \$35,863,992 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, commercial paper bond anticipation notes 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, 2004, \$147,737,701 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 \$147.7 million has been reported as a reduction of unrestricted net assets for governmental activities, resulting in a deficit balance of \$86,021,934 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 \$61,715,767 and total net assets would be \$103,474,112.

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 2003-2004
	2004	2003 (as restated)	2004	2003 (as restated)	2004	2003 (as restated)	
	<b>Revenues:</b>						
<b>Program revenues:</b>							
Charges for services	\$ 14,151,360	\$ 11,672,719	\$ 18,335,385	\$ 16,362,345	\$ 32,486,745	\$ 28,035,064	15.88%
Operating grants and contributions	16,380,736	14,747,734	298,135	182,406	16,678,871	14,930,140	11.71%
Capital grants and contributions	513,875	898,117	19,350,880	13,547,273	19,864,755	14,445,390	37.52%
<b>General revenues:</b>							
Property taxes	59,050,897	49,606,797	-	-	59,050,897	49,606,797	19.04%
Other taxes	24,854,997	21,820,962	-	-	24,854,997	21,820,962	13.90%
Grants and contributions not restricted to specific programs	63,719	60,838	-	-	63,719	60,838	4.74%
Other	722,779	1,901,095	445,573	741,494	1,168,352	2,642,589	-55.79%
<b>Total revenues</b>	<b>115,738,363</b>	<b>100,708,262</b>	<b>38,429,973</b>	<b>30,833,518</b>	<b>154,168,336</b>	<b>131,541,780</b>	<b>17.20%</b>
<b>Expenses:</b>							
General government	11,459,194	10,560,289	-	-	11,459,194	10,560,289	8.51%
Public safety	24,044,141	21,273,554	-	-	24,044,141	21,273,554	13.02%
Economic and physical development	1,230,445	1,168,550	-	-	1,230,445	1,168,550	5.30%
Human services	29,193,590	27,692,374	-	-	29,193,590	27,692,374	5.42%
Cultural and recreational	5,236,775	4,892,846	-	-	5,236,775	4,892,846	7.03%
Education	68,849,627	46,645,607	-	-	68,849,627	46,645,607	47.60%
Interest and fees on long term debt	7,068,573	6,509,457	-	-	7,068,573	6,509,457	8.59%
Water and sewer	-	-	16,964,489	14,765,162	16,964,489	14,765,162	14.90%
Solid waste	-	-	2,669,162	3,150,037	2,669,162	3,150,037	-15.27%
Stormwater	-	-	65,485	-	65,485	-	n/a
<b>Total expenses</b>	<b>147,082,345</b>	<b>118,742,677</b>	<b>19,699,136</b>	<b>17,915,199</b>	<b>166,781,481</b>	<b>136,657,876</b>	<b>22.04%</b>
<b>Increase (decrease) in net assets</b>							
before transfers and special item	(31,343,982)	(18,034,415)	18,730,837	12,918,319	(12,613,145)	(5,116,096)	146.54%
Transfers	(108,406)	-	108,406	-	-	-	-
Special item	-	-	-	7,077,140	-	7,077,140	-100.00%
<b>Increase (decrease) in net assets</b>	<b>(31,452,388)</b>	<b>(18,034,415)</b>	<b>18,839,243</b>	<b>19,995,459</b>	<b>(12,613,145)</b>	<b>1,961,044</b>	<b>-743.19%</b>
Net assets, July 1, as restated	(12,811,201)	5,223,214	102,321,306	82,325,847	89,510,105	87,549,061	2.24%
<b>Net assets, June 30</b>	<b>\$ (44,263,589)</b>	<b>\$ (12,811,201)</b>	<b>\$ 121,160,549</b>	<b>\$ 102,321,306</b>	<b>\$ 76,896,960</b>	<b>\$ 89,510,105</b>	<b>-14.09%</b>

**Governmental activities:** Governmental activities decreased the County's net assets by \$31,452,388 compared with the prior year's decrease of \$18,034,415 as restated. Key elements of this decrease when compared to the prior year are as follows:

- Unrestricted investment earnings decreased by \$1.0 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.

- Increased Education (\$22.2 million – current expense and school facilities), Public Safety (\$2.8 million – personnel and depreciation of assets) and Human Services (\$1.5 million – personnel, public assistance 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 \$9.4 million due to increases in the County’s tax base attributable to new construction and a tax rate adjustment (53.0 cents per \$100 in 2004 compared to 47.05 cents per \$100 in 2003) and increased local option sales tax revenue (\$2.5 million). Also, intergovernmental revenues (including operating grants and contributions) increased by approximately \$1.6 million with a majority of the increase occurring as a result of the State no longer withholding certain shared revenues (Public School Building Capital Funds of \$741,000) and an increase in federal operating grant funds (Child Care Block grant funds, \$491,000).

**Business-type activities:** Net assets in the Business-type activities increased by \$18,839,243, offsetting 60% of the decrease reflected in governmental activities. Solid Waste services had an increase in net assets of \$183,786, Stormwater services had an increase of \$42,922 and Water and Sewer services had an increase in net assets of \$18,612,535. The significant increase in net assets of the Water and Sewer Fund is attributable mainly to the recording of capital contributions principally in the form of developers’ equity.

### **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 \$44,419,717, while total fund balance was \$60,362,318. 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 38.5 percent of total General Fund expenditures and other financing uses (excluding the refunded bonds), while total fund balance represents 52.4 percent of that same amount.

At June 30, 2004, the governmental funds of the County reported a combined fund balance of \$59,134,482, a 44.8 percent decrease or \$47.9 million from last year. The primary reason for this decrease relates to school facility, community college and judicial center current year capital expenditures which were financed in the previous year with Certificates of Participation, Series 2003 for general public improvements. Recording the commercial paper bond anticipation notes as a payable in the fund statements in the amount of \$21.2 million also contributed to the decrease in the fund balance position. Another factor which contributed to the overall decrease in the combined fund balance was due to expenditures exceeding revenues by \$1.6 million in the General Fund.

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 portions of the Certificates of Participation, Series 2003 proceeds and Commercial Paper Bond Anticipation Notes, Series 2004 proceeds, public schools capital outlay funded from current resources and other miscellaneous projects. Fund balance at fiscal year end totaled \$17.6 million which is to be utilized for various Board approved projects.

**General Fund Budgetary Highlights:** 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 2004 revenues reflect continued improvement over fiscal year 2003 while fiscal year 2004 expenditures and other financing uses reflect more moderate increases when compared to fiscal year 2003.

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 increased revenues and other financing sources and expenditures and other financing uses by \$24,699,362 or 22.0%. The majority of this increase was due to budgeting for a general obligation bond refunding of over \$15.1 million.

The actual operating revenues for the General Fund were greater than the budgeted amount by \$2,472,273 with the majority of net favorable balance resulting from a combination of favorable local option sales tax (\$1.8 million), and permits and fees (\$1.1 million) with unfavorable intergovernmental revenues (\$1.0 million), and investment earnings (\$.7 million). Actual expenditures were under the final budget by \$6,552,351 with the majority of the positive variances occurring in General Government and Human Services. Actual fund balance use was \$1.6 million compared to the final budget of \$10.6 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 \$4,216,102, the Stormwater Fund totaled \$44,200 and those for the Water and Sewer Fund totaled \$46,130,629. The total increase in net assets for these funds was \$196,254, \$44,200 and \$18,687,138, respectively. The significant increase in net assets of the Water and Sewer Fund is attributable mainly to 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, 2004, totaled \$172,812,128 (net of accumulated depreciation), an increase of \$26,110,789 over the prior year's amount of \$146,701,339. 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 and replacement of parks and recreation facilities and various park land improvements

- Beginning of construction of Judicial Center
- Continuation of purchase of E-911 system hardware and software
- Completion of construction of Marshville library
- Beginning construction of the Crooked Creek lab expansion project
- 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 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
- Continued 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
- Continued 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 \$12.5 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
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$ 5,431,420	\$ 5,742,870	\$ 1,479,381	\$ 1,479,381	\$ 6,910,801	\$ 7,222,251	-4.31%
Construction in progress	9,761,742	2,213,496	6,300,262	10,278,186	16,062,004	12,491,682	28.58%
Other improvements	1,528,340	1,030,264	68,091	77,610	1,596,431	1,107,874	44.10%
Buildings	25,579,069	24,841,731	-	-	25,579,069	24,841,731	2.97%
Furniture and equipment	3,996,173	4,056,092	1,116,014	1,150,404	5,112,187	5,206,496	-1.81%
Vehicles	1,804,642	1,791,143	1,025,393	945,531	2,830,035	2,736,674	3.41%
Plant and collection systems	-	-	66,950,947	56,750,840	66,950,947	56,750,840	17.97%
Plant and distribution systems	-	-	47,770,654	36,343,791	47,770,654	36,343,791	31.44%
	<u>\$ 48,101,386</u>	<u>\$ 39,675,596</u>	<u>\$ 124,710,742</u>	<u>\$ 107,025,743</u>	<u>\$ 172,812,128</u>	<u>\$ 146,701,339</u>	17.80%

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, 2004, the County had total debt outstanding of \$245,023,190. General obligation debt, secured by the full faith and credit of the County, totaled \$126,366,495, a decline from the previous year. Revenue bonds, certificates of participation, installment financings and other debt totaled \$118,656,695, an increase of \$17,489,214. The increase is attributable to the issuance in fiscal year 2004 of the Series 2004 Commercial Paper Bond Anticipation Notes. 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
	2004	2003	2004	2003	2004	2003	2003-2004
	General obligation bonds	\$ 109,493,722	\$ 115,636,279	\$ 16,872,773	\$ 19,687,206	\$ 126,366,495	\$ 135,323,485
C.P. bond anticipation notes	21,230,000	-	-	-	21,230,000	-	n/a
Certificates of participation	43,141,794	45,550,371	-	-	43,141,794	45,550,371	-5.29%
Installment financing	306,170	-	-	-	306,170	-	n/a
Revenue bonds	-	-	50,721,042	51,989,396	50,721,042	51,989,396	-2.44%
Other	-	-	3,257,689	3,627,714	3,257,689	3,627,714	-10.20%
	<u>\$ 174,171,686</u>	<u>\$ 161,186,650</u>	<u>\$ 70,851,504</u>	<u>\$ 75,304,316</u>	<u>\$ 245,023,190</u>	<u>\$ 236,490,966</u>	3.61%

The County's total net debt increased by \$8,532,224 or 3.6 percent during the past fiscal year.

The County's most recent general obligation bond ratings, affirmed in connection with the County's general obligation bond refunding, series 2004 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 \$508,575,378. The County has \$180,000,000 in bonds authorized but unissued at June 30, 2004.

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 2000-2003	16.9%	4.6%
Projected Population Increase 2004-2009	15.6%	8.8%
Unemployment Rate (2003)	4.9%	6.5%
Unemployment Rate (07/2004)	4.7%	5.4%
Per Capita Personal Income (2002)	\$26,227	\$27,711
Median Household Income (2000)	\$50,638	\$39,184

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, 2005**

**Governmental Activities:** The County has approved a \$127.8 million General Fund budget for fiscal year 2005 which represents a \$15.7 million or 14.0% increase from fiscal year 2004's original adopted budget. A significant portion of the increase is attributable to higher school current expense funding (\$3.9 million), school capital contributions (\$1.3 million), school debt service (\$6.7 million, including debt service sinking fund contribution) and law enforcement program personnel (\$1.3 million). The original adopted budget contained a fund balance appropriation of \$5.2 million to balance the fiscal year 2005 budget – representing a decrease from fiscal year 2004's initial budgeted fund balance appropriation of \$6.5 million. The reduction in the amount appropriated from fund balance and the increase in expenditure appropriations was achieved, in part, through an increase in the countywide ad valorem levy of approximately \$11.5 million. This increase was due to the revaluation of the county's tax base and a small decrease of .5 cents to the tax rate per \$100 of assessed valuation (from 53.0 cents per \$100 for 2004 to 52.5 cents per \$100 for 2005).

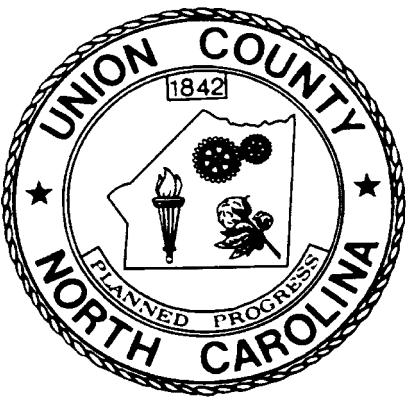
The County anticipates issuing a portion of its outstanding \$180 million general obligation bond authorization in fiscal year 2005 through the commercial paper bond anticipation notes program to finance the public school system's capital construction program.

**Business – type Activities:** The County has also approved a \$29.4 million Water and Sewer budget for fiscal year 2005 which represents a \$4.9 million increase from fiscal year 2004's original budget of \$24.5 million. The increase is largely attributable to a transfer to the enterprise capital fund, which will be used to finance a portion of the utility system improvements. A significant portion of the transfer is being funded through an appropriation of unrestricted net assets. The County anticipates updating the utility financial feasibility study, to include the capital improvement program, in fiscal year 2005 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%, except for fiscal year ending 2004, in which revenues exceeded expenditures by \$54,700 or 2%. 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 are mitigating the losses that the Solid Waste Fund has experienced in recent years. The 2005 budget contains an appropriation from unrestricted net assets in the amount of \$194,813, reflecting about 6% of anticipated expenses. A portion of this amount will be used to commence some post-closure activities associated with one of the landfill's cells.

### **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.



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# Basic Financial Statements

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**Statement of Net Assets**

June 30, 2004

	Governmental Activities	Business Type Activities	Total Primary Government
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 68,169,610	\$ 50,932,120	\$ 119,101,730
Property taxes receivable (net)	1,722,810	-	1,722,810
Accounts receivable (net)	9,759,779	3,011,234	12,771,013
Inventories	44,352	531,680	576,032
Internal balances	232,989	(232,989)	-
Cash equivalents, restricted	20,415,193	4,749,844	25,165,037
Total current assets	<u>100,344,733</u>	<u>58,991,889</u>	<u>159,336,622</u>
Noncurrent assets:			
Unamortized bond issuance cost	1,071,893	1,112,546	2,184,439
Investment in joint venture	-	14,088,005	14,088,005
Capital assets:			
Land and other assets not being depreciated	15,193,162	7,779,643	22,972,805
Buildings, equipment and infrastructure, net of depreciation	32,908,224	116,931,099	149,839,323
Total noncurrent assets	<u>49,173,279</u>	<u>139,911,293</u>	<u>189,084,572</u>
Total assets	<u>149,518,012</u>	<u>198,903,182</u>	<u>348,421,194</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	6,233,009	2,828,112	9,061,121
Unearned revenue	749,452	-	749,452
Customer deposits	3,695,015	950,441	4,645,456
Current portion of long-term obligations	29,767,976	5,034,117	34,802,093
Liabilities payable from restricted assets	6,072,757	-	6,072,757
Workers' compensation claims	71,589	-	71,589
Health care benefits	423,000	-	423,000
Total current liabilities	<u>47,012,798</u>	<u>8,812,670</u>	<u>55,825,468</u>
Noncurrent liabilities:			
Accrued landfill postclosure care costs	-	2,762,284	2,762,284
Compensated absences	2,365,093	350,292	2,715,385
Noncurrent portion of long-term obligations	144,403,710	65,817,387	210,221,097
Total noncurrent liabilities	<u>146,768,803</u>	<u>68,929,963</u>	<u>215,698,766</u>
Total liabilities	<u>193,781,601</u>	<u>77,742,633</u>	<u>271,524,234</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	34,098,609	68,120,172	102,218,781
Restricted for:			
Public safety	2,447,382	-	2,447,382
Cultural and recreational	173,459	-	173,459
Education	5,038,895	-	5,038,895
Debt service	-	2,882,435	2,882,435
Unrestricted	(86,021,934)	50,157,942	(35,863,992)
Total net assets	<u>\$ (44,263,589)</u>	<u>\$ 121,160,549</u>	<u>\$ 76,896,960</u>

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

**Statement of Activities**  
For the Year Ended June 30, 2004

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		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 11,459,194	\$ 1,652,322	\$ 443,316	\$ 5,000	\$ (9,358,556)	\$ -	\$ (9,358,556)
Public safety	24,044,141	7,235,368	1,353,956	-	(15,454,817)	-	(15,454,817)
Economic and physical development	1,230,445	38,867	19,200	-	(1,172,378)	-	(1,172,378)
Human services	29,193,590	4,726,273	13,166,262	126,875	(11,174,180)	-	(11,174,180)
Cultural and recreational	5,236,775	498,530	233,528	382,000	(4,122,717)	-	(4,122,717)
Education	68,849,627	-	1,164,474	-	(67,685,153)	-	(67,685,153)
Interest and fees on long term debt	7,068,573	-	-	-	(7,068,573)	-	(7,068,573)
Total governmental activities	147,082,345	14,151,360	16,380,736	513,875	(116,036,374)	-	(116,036,374)
Business-type activities:							
Water and sewer	16,964,489	15,710,423	115,000	19,350,880	-	18,211,814	18,211,814
Solid waste	2,669,162	2,624,962	183,135	-	-	138,935	138,935
Stormwater	65,485	-	-	-	-	(65,485)	(65,485)
Total business-type activities	19,699,136	18,335,385	298,135	19,350,880	-	18,285,264	18,285,264
<b>Total primary government</b>	<b>\$ 166,781,481</b>	<b>\$ 32,486,745</b>	<b>\$ 16,678,871</b>	<b>\$ 19,864,755</b>	<b>(116,036,374)</b>	<b>18,285,264</b>	<b>(97,751,110)</b>
General revenues:							
Property taxes levied for general purposes					59,050,897	-	59,050,897
Local option sales tax					22,112,952	-	22,112,952
Other taxes and licenses					2,742,045	-	2,742,045
Grants and contributions not restricted to specific programs					63,719	-	63,719
Investment earnings, unrestricted					749,085	469,966	1,219,051
Miscellaneous, unrestricted					42,687	-	42,687
Transfers					(108,406)	108,406	-
Gain (loss) on sale of capital assets					(68,993)	(24,393)	(93,386)
Total general revenues					84,583,986	553,979	85,137,965
Change in net assets					(31,452,388)	18,839,243	(12,613,145)
Net assets - beginning, as restated					(12,811,201)	102,321,306	89,510,105
Net assets - ending					\$ (44,263,589)	\$ 121,160,549	\$ 76,896,960

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

**Balance Sheet****Governmental Funds**

June 30, 2004

	Major			Nonmajor	Total Governmental Funds
	General	General Capital Projects Fund	School Bond Fund 55	Other Governmental Funds	
<b>ASSETS</b>					
Cash and investments	\$ 59,894,095	\$ 2,251,391	\$ -	\$ 3,303,702	\$ 65,449,188
Property taxes receivable (net)	1,793,384	-	-	22,661	1,816,045
Accounts receivable (net)	9,319,925	1,259	-	196,264	9,517,448
Inventories	44,352	-	-	-	44,352
Restricted cash equivalents and investments	3,048	18,945,855	731,705	734,585	20,415,193
Total assets	<u>\$ 71,054,804</u>	<u>\$ 21,198,505</u>	<u>\$ 731,705</u>	<u>\$ 4,257,212</u>	<u>\$ 97,242,226</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 4,483,240	\$ -	\$ -	\$ 61,235	\$ 4,544,475
Deferred revenue	1,793,384	-	-	22,661	1,816,045
Unearned revenue	720,847	-	-	28,605	749,452
Deposits	3,695,015	-	-	-	3,695,015
Liabilities payable from restricted assets	-	1,833,907	4,175,147	63,703	6,072,757
Commercial paper bond anticipation notes payable	-	1,735,000	19,495,000	-	21,230,000
Total liabilities	<u>10,692,486</u>	<u>3,568,907</u>	<u>23,670,147</u>	<u>176,204</u>	<u>38,107,744</u>
<b>FUND BALANCES</b>					
Reserved for encumbrances	1,310,337	5,082,051	-	568,716	6,961,104
Reserved by State statute	9,364,277	1,259	-	196,264	9,561,800
Reserved for drug enforcement	-	-	-	170,541	170,541
Unreserved					
Designated for subsequent years' expenditures	5,210,653	12,546,288	-	-	17,756,941
Designated for subsequent years' expenditures, reported in nonmajor:					
Special revenue	-	-	-	109,353	109,353
Debt service	-	-	-	916,430	916,430
Capital projects	-	-	-	734,728	734,728
Designated for special purpose	57,334	-	-	-	57,334
Undesignated	44,419,717	-	(22,938,442)	-	21,481,275
Undesignated, reported in nonmajor:					
Special revenue	-	-	-	1,384,976	1,384,976
Total fund balances	<u>60,362,318</u>	<u>17,629,598</u>	<u>(22,938,442)</u>	<u>4,081,008</u>	<u>59,134,482</u>
Total liabilities and fund balances	<u>\$ 71,054,804</u>	<u>\$ 21,198,505</u>	<u>\$ 731,705</u>	<u>\$ 4,257,212</u>	<u>\$ 97,242,226</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, 2004

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

Ending fund balance - governmental funds	\$ 59,134,482
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	48,101,386
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,722,811
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.	(41,858)
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.	2,394,002
Internal service funds are used by management to charge the costs of property and casualty 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.	86,812
Internal balance due from Business Type Activities to Governmental Activities.	232,989
Long-term liabilities for compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(2,365,093)
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 (principal and unamortized balances for governmental activities, per Note 16. A. 2, in the amount of \$174,171,686, accrued interest payable of \$587,433, less commercial paper bond anticipation notes proceeds recorded as current liabilities in the fund financial statements in the amount of \$21,230,000).	(153,529,120)
Net assets of governmental activities	<u>\$ (44,263,589)</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, 2004

	General	General Capital Projects Fund	School Bond Fund 55	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Ad valorem taxes	\$ 57,699,061	\$ -	\$ -	\$ 1,086,078	\$ 58,785,139
Local option sales tax	21,821,598	-	-	291,354	22,112,952
Other taxes and licenses	1,944,321	-	-	985,205	2,929,526
Intergovernmental	16,205,773	250,000	-	213,211	16,668,984
Permits and fees	7,136,493	-	-	1,316,792	8,453,285
Sales and services	3,434,662	-	-	-	3,434,662
Investments earnings	415,901	231,648	44,084	35,222	726,855
Miscellaneous	4,303,984	-	-	-	4,303,984
Total revenues	112,961,793	481,648	44,084	3,927,862	117,415,387
<b>EXPENDITURES</b>					
Current:					
General government	11,249,830	-	-	-	11,249,830
Public safety	20,069,403	-	-	3,781,069	23,850,472
Economic and physical development	1,183,641	-	-	-	1,183,641
Human services	28,845,735	-	-	-	28,845,735
Cultural and recreational	5,137,412	-	-	-	5,137,412
Intergovernmental:					
Education	24,963,887	-	-	-	24,963,887
Capital outlay:					
General government	-	8,151,617	-	-	8,151,617
Public safety	-	57,447	-	-	57,447
Economic and physical development	-	192,382	-	-	192,382
Cultural and recreational	-	81,541	-	731,130	812,671
Education	-	6,290,823	34,071,389	4,749,234	45,111,446
Debt service:					
Principal retirement	8,497,421	-	-	-	8,497,421
Interest and fees	7,589,106	-	38,750	-	7,627,856
Total expenditures	107,536,435	14,773,810	34,110,139	9,261,433	165,681,817
Excess (deficiency) of revenues over (under) expenditures	5,425,358	(14,292,162)	(34,066,055)	(5,333,571)	(48,266,430)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	63,383	6,563,736	-	924,430	7,551,549
Transfers to other funds	(7,596,572)	-	(44,084)	(19,299)	(7,659,955)
Proceeds from installment financing debt	306,170	-	-	-	306,170
Proceeds from refunding general obligation bonds	15,294,474	-	-	-	15,294,474
Payments to refunded bonds escrow agents	(15,138,229)	-	-	-	(15,138,229)
Total other financing sources (uses)	(7,070,774)	6,563,736	(44,084)	905,131	354,009
Net change in fund balances	(1,645,416)	(7,728,426)	(34,110,139)	(4,428,440)	(47,912,421)
<b>FUND BALANCES</b>					
Beginning, as restated	62,007,734	25,358,024	11,171,697	8,509,448	107,046,903
Ending	\$ 60,362,318	\$ 17,629,598	\$ (22,938,442)	\$ 4,081,008	\$ 59,134,482

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, 2004

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

Net change in fund balances - total governmental funds	\$ (47,912,421)
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.	10,401,560
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets.	(1,965,012)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	265,758
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 as well as the commercial paper bond anticipation notes proceeds recorded as current liabilities in the fund financial statements in the amount of \$21,230,000.	8,594,289
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.	(223,995)
The internal service fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings, of health and dental insurance program.	(476,945)
The internal service fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings, of workers' compensation program.	(211,189)
The internal service fund, determined to be governmental fund type, is used by management to charge the costs, net of investment earnings, of property and casualty insurance program.	75,567
Change in net assets of governmental activities	<u>\$ (31,452,388)</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, 2004

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 57,543,307	\$ 57,543,307	\$ 57,699,061	\$ 155,754
Local option sales tax	20,024,033	20,024,033	21,821,598	1,797,565
Other taxes and licenses	1,457,394	1,457,394	1,944,321	486,927
Intergovernmental	15,512,611	17,173,099	16,205,773	(967,326)
Permits and fees	4,760,108	6,060,108	7,136,493	1,076,385
Sales and services	3,314,240	3,314,240	3,434,662	120,422
Investments earnings	1,160,000	1,160,000	415,901	(744,099)
Miscellaneous	1,863,520	3,757,339	4,303,984	546,645
Total revenues	<u>105,635,213</u>	<u>110,489,520</u>	<u>112,961,793</u>	<u>2,472,273</u>
<b>EXPENDITURES</b>				
Current:				
General government	11,686,554	13,380,861	11,249,830	2,131,031
Public safety	19,496,400	21,026,681	20,069,403	957,278
Economic and physical development	1,191,715	1,328,139	1,183,641	144,498
Human services	30,363,836	31,399,771	28,845,735	2,554,036
Cultural and recreational	5,302,713	5,451,345	5,137,412	313,933
Intergovernmental:				
Education	22,504,344	25,035,137	24,963,887	71,250
Debt service:				
Principal retirement	9,192,768	8,497,425	8,497,421	4
Interest and fees	7,303,378	7,591,240	7,589,106	2,134
Contingency	500,000	369,724	-	369,724
Nondepartmental	1,031,856	8,463	-	8,463
Total expenditures	<u>108,573,564</u>	<u>114,088,786</u>	<u>107,536,435</u>	<u>6,552,351</u>
Revenues over (under) expenditures	<u>(2,938,351)</u>	<u>(3,599,266)</u>	<u>5,425,358</u>	<u>9,024,624</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	63,383	63,383
Transfers to other funds	(3,139,648)	(7,604,563)	(7,596,572)	7,991
Proceeds from installment financing debt	-	420,000	306,170	(113,830)
Proceeds from refunding general obligation bonds	-	15,335,000	15,294,474	(40,526)
Payments to refunded bonds escrow agents	(419,004)	(15,138,229)	(15,138,229)	-
Appropriated fund balance	6,497,003	10,587,058	-	(10,587,058)
Total other financing sources (uses)	<u>2,938,351</u>	<u>3,599,266</u>	<u>(7,070,774)</u>	<u>(10,670,040)</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>(1,645,416)</u>	<u>\$ (1,645,416)</u>
<b>FUND BALANCES</b>				
Beginning, as restated			62,007,734	
Ending			<u>\$ 60,362,318</u>	

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

**Statement of Net Assets**  
**Proprietary Funds**  
June 30, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 43,962,101	\$ 6,919,441	\$ 50,578	\$ 50,932,120	\$ 2,720,422
Accounts receivable (net)	2,657,350	353,884	-	3,011,234	242,329
Inventories	531,680	-	-	531,680	-
Cash, customer deposits	-	-	-	-	-
Cash equivalents, restricted	4,749,844	-	-	4,749,844	-
Total current assets	<u>51,900,975</u>	<u>7,273,325</u>	<u>50,578</u>	<u>59,224,878</u>	<u>2,962,751</u>
Noncurrent assets:					
Unamortized bond issuance costs	1,112,546	-	-	1,112,546	-
Investment in joint venture	14,088,005	-	-	14,088,005	-
Land and other assets not being depreciated	7,461,032	318,611	-	7,779,643	-
Buildings, equipment and infrastructure, net of depreciation	115,514,216	1,416,883	-	116,931,099	-
Total noncurrent assets	<u>138,175,799</u>	<u>1,735,494</u>	<u>-</u>	<u>139,911,293</u>	<u>-</u>
Total assets	<u>\$ 190,076,774</u>	<u>\$ 9,008,819</u>	<u>\$ 50,578</u>	<u>\$ 199,136,171</u>	<u>\$ 2,962,751</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 2,599,682	\$ 222,052	\$ 6,378	\$ 2,828,112	\$ 29,206
Customer deposits	946,561	3,880	-	950,441	-
Long-term liabilities, due within one year:					
General obligation bonds payable	2,874,368	-	-	2,874,368	-
Revenue bonds payable	1,797,148	-	-	1,797,148	-
State sanitary sewer loan payable	233,697	-	-	233,697	-
Sewer plant acquisition payable	128,904	-	-	128,904	-
Workers' compensation claims payable	-	-	-	-	71,589
Health care benefits payable	-	-	-	-	423,000
Total current liabilities	<u>8,580,360</u>	<u>225,932</u>	<u>6,378</u>	<u>8,812,670</u>	<u>523,795</u>
Noncurrent liabilities					
Accrued landfill postclosure care costs	-	2,762,284	-	2,762,284	-
Compensated absences	281,285	69,007	-	350,292	-
Long-term liabilities, due in more than one year:					
General obligation bonds	13,998,405	-	-	13,998,405	-
Revenue bonds	48,923,894	-	-	48,923,894	-
State sanitary sewer loan	2,804,359	-	-	2,804,359	-
Sewer plant acquisition payable	90,729	-	-	90,729	-
Total noncurrent liabilities	<u>66,098,672</u>	<u>2,831,291</u>	<u>-</u>	<u>68,929,963</u>	<u>-</u>
Total liabilities	<u>74,679,032</u>	<u>3,057,223</u>	<u>6,378</u>	<u>77,742,633</u>	<u>523,795</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	66,384,678	1,735,494	-	68,120,172	-
Restricted for debt service	2,882,435	-	-	2,882,435	-
Unrestricted	46,130,629	4,216,102	44,200	50,390,931	2,438,956
Total net assets	<u>\$ 115,397,742</u>	<u>\$ 5,951,596</u>	<u>\$ 44,200</u>	<u>121,393,538</u>	<u>\$ 2,438,956</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(232,989)	
Net assets of business-type activities				<u>\$ 121,160,549</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, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 15,030,306	\$ 2,620,764	\$ -	\$ 17,651,070	\$ 4,651,303
Disposal fees	-	183,135	-	183,135	-
Other operating revenue	680,117	4,198	-	684,315	260,508
Total operating revenues	<u>15,710,423</u>	<u>2,808,097</u>	<u>-</u>	<u>18,518,520</u>	<u>4,911,811</u>
<b>OPERATING EXPENSES</b>					
Personnel	4,034,168	814,963	61,411	4,910,542	-
Operating expenses	5,640,540	1,843,118	2,795	7,486,453	781,483
Depreciation	4,468,498	195,641	-	4,664,139	-
Operating leases	164,153	-	-	164,153	-
Landfill closure	-	(197,029)	-	(197,029)	-
Workers' compensation claims	-	-	-	-	292,336
Health benefit claims and premiums	-	-	-	-	4,550,379
Total operating expenses	<u>14,307,359</u>	<u>2,656,693</u>	<u>64,206</u>	<u>17,028,258</u>	<u>5,624,198</u>
Operating income (loss)	<u>1,403,064</u>	<u>151,404</u>	<u>(64,206)</u>	<u>1,490,262</u>	<u>(712,387)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment earnings	423,591	46,375	-	469,966	22,230
Water and sewer taps	6,838,614	-	-	6,838,614	-
Intergovernmental	115,000	-	-	115,000	-
Gain (loss) on sale of capital assets	(22,868)	(1,525)	-	(24,393)	(10,760)
Interest and fees on long term debt	(2,488,477)	-	-	(2,488,477)	-
Loss on investment in joint venture	(94,052)	-	-	(94,052)	-
Total nonoperating revenue (expense)	<u>4,771,808</u>	<u>44,850</u>	<u>-</u>	<u>4,816,658</u>	<u>11,470</u>
Income (loss) before contributions and transfers	<u>6,174,872</u>	<u>196,254</u>	<u>(64,206)</u>	<u>6,306,920</u>	<u>(700,917)</u>
<b>OTHER CHANGES IN NET ASSETS</b>					
Transfers from other funds	-	-	108,406	108,406	-
Capital contributions	12,512,266	-	-	12,512,266	-
Change in net assets	<u>18,687,138</u>	<u>196,254</u>	<u>44,200</u>	<u>18,927,592</u>	<u>(700,917)</u>
<b>NET ASSETS</b>					
Beginning, as restated	96,710,604	5,755,342	-	102,465,946	3,139,873
Ending	<u>\$ 115,397,742</u>	<u>\$ 5,951,596</u>	<u>\$ 44,200</u>	<u>121,393,538</u>	<u>\$ 2,438,956</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(232,989)	
Change in net assets of business-type activities				<u>\$ 121,160,549</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, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	
<b>OPERATING ACTIVITIES</b>					
Cash received from customers for services	\$ 15,807,558	\$ 2,707,471	\$ -	\$ 18,515,029	\$ 4,666,553
Other operating revenue	680,117	187,333	-	867,450	260,508
Cash paid to employees	(3,993,662)	(784,399)	(58,517)	(4,836,578)	-
Cash paid for goods and services	(7,944,194)	(1,921,828)	689	(9,865,333)	(5,470,349)
Net cash provided (used) by operating activities	4,549,819	188,577	(57,828)	4,680,568	(543,288)
<b>NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	-	-	108,406	108,406	-
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from general obligation bonds	3,303,196	-	-	3,303,196	-
Proceeds from sale of capital assets	25,480	-	-	25,480	-
Proceeds from tap fees	6,838,614	-	-	6,838,614	-
Proceeds from state capital grant	-	-	-	35,468	-
Proceeds from federal operating grant	115,000	-	-	115,000	-
Payments to defease debt	(3,160,175)	-	-	(3,160,175)	-
Payments on general obligation bond debt	(2,968,779)	-	-	(2,968,779)	-
Payments on revenue bond debt	(1,515,000)	-	-	(1,515,000)	-
Payments on state sanitary loan	(233,697)	-	-	(233,697)	-
Payments on sewer plant acquisition	(136,328)	-	-	(136,328)	-
Issuance costs paid for bonds	(19,457)	-	-	(19,457)	-
Add new general obligation bond unamortized defeasance	(168,303)	-	-	(168,303)	-
Add new general obligation bond unamortized premium	61,979	-	-	61,979	-
Interest paid on bonds and other debt	(3,026,488)	-	-	(3,026,488)	-
Acquisition and construction of capital assets	(11,332,573)	(135,988)	-	(11,468,561)	-
Net cash used by capital and related financing activities	(12,181,063)	(135,988)	-	(12,317,051)	-
<b>INVESTING ACTIVITIES</b>					
Investment earnings	423,591	46,375	-	469,966	22,230
Net increase (decrease) in cash and investments	(7,207,653)	98,964	50,578	(7,058,111)	(521,058)
<b>CASH AND INVESTMENTS</b>					
Beginning of year	55,919,598	6,820,477	-	62,740,075	3,241,480
End of year	\$ 48,711,945	\$ 6,919,441	\$ 50,578	\$ 55,681,964	\$ 2,720,422
<b>Reconciliation of cash and investments to the Statement of Net Assets:</b>					
Cash and investments	\$ 43,962,101	\$ 6,919,441	\$ 50,578	\$ 50,932,120	\$ 2,720,422
Cash and investments, restricted assets	4,749,844	-	-	4,749,844	-
Total Statement of Net Assets cash and cash equivalents	\$ 48,711,945	\$ 6,919,441	\$ 50,578	\$ 55,681,964	\$ 2,720,422
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 1,403,064	\$ 151,404	\$ (64,206)	\$ 1,490,262	\$ (712,387)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	4,468,498	195,641	-	4,664,139	-
Provision for uncollectible accounts	193,136	-	-	193,136	-
Landfill closure and post closure care costs	-	(197,029)	-	(197,029)	-
Changes in assets and liabilities					
(Increase) decrease in accounts receivable (net)	(239,817)	86,707	-	(153,110)	15,250
(Increase) in inventories	(102,784)	-	-	(102,784)	-
Increase (decrease) in accounts payable and accrued liabilities	(2,019,285)	(73,139)	6,378	(2,086,046)	153,849
Increase in deposits	823,933	-	-	823,933	-
Increase in compensated absences payable	23,074	24,993	-	48,067	-
Total adjustments	3,146,755	37,173	6,378	3,190,306	169,099
Net cash provided (used) by operating activities	\$ 4,549,819	\$ 188,577	\$ (57,828)	\$ 4,680,568	\$ (543,288)
<b>Noncash investing, capital, and financing activities:</b>					
Loss on investment in joint venture	\$ (94,052)	\$ -	\$ -	\$ (94,052)	\$ -
Contribution of capital	\$ 12,476,798	\$ -	\$ -	\$ 12,476,798	\$ -

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

**Statement of Fiduciary Net Assets**

**Fiduciary Funds**

June 30, 2004

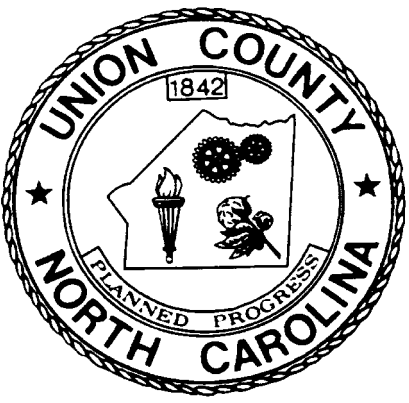
	Special Separation Allowance Pension Trust Fund	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and investments	\$ 1,310,736	\$ 378,140
Property taxes receivable (net)	-	255,284
Accounts receivable (net)	3,840	993,037
Total assets	<u>1,314,576</u>	<u>\$ 1,626,461</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	(9,143)	\$ 1,540,248
Due to program participants	-	86,213
Total liabilities	<u>(9,143)</u>	<u>\$ 1,626,461</u>
<b>NET ASSETS</b>		
Held in Trust for:		
Employees' pension benefits	1,323,719	
Total net assets	<u>\$ 1,323,719</u>	

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, 2004

	Special Separation Allowance Pension Trust Fund
<b>ADDITIONS</b>	
Employer contributions	\$ 419,405
Net investment income	8,865
Total additions	<u>428,270</u>
<b>DEDUCTIONS</b>	
Benefits	<u>455,376</u>
Change in net assets	(27,106)
<b>NET ASSETS</b>	
Beginning	<u>1,350,825</u>
Ending	<u><u>\$ 1,323,719</u></u>

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, 2004

**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 of the general government 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.

**School Bond Fund 55** - The sources of this fund are primarily proceeds from general obligation bonds which are expended for capital asset acquisition, improvement and construction for various school facility 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.

**Stormwater Fund** – The Stormwater Fund accounts for the County's stormwater planning program.

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 Wesley Chapel Fire District Fund, the Emergency Telephone System Fund, the Fee Supported Fire Districts Fund and the General Special Revenue Fund.

**Debt Service Fund** - The Debt Service Fund accounts for the accumulation of resources for school facility debt service sinking fund from governmental resources. The County maintains one Debt Service Fund: the Debt Service Fund. This Fund was established by an appropriation approved by the Board of County Commissioners.

**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 three nonmajor capital project funds: Library Capital Reserve Fund, Library Capital Project Fund, 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, the Solid Waste Fund and the Stormwater Fund as major enterprise funds. Proprietary funds also 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 three Internal Service Funds, the Health Benefits Fund, Workers' Compensation Fund and the Property and Casualty 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. The Property and Casualty Fund accounts for the accumulation and allocation of costs associated with property and casualty insurance and claims for the County.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. 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. The principal operating revenue of the Stormwater Fund is General Fund interfund transfers. It is anticipated that fees for stormwater planning services will be charged, eventually. 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 judgements 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 90 days after year-end, except for property taxes, which are available, if they are collected within 60 days. 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 2003 through February 2004 apply to the fiscal year ended

June 30, 2004. 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 2004-2005 and are not shown as receivables at June 30, 2004. 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, 2004 because they are intended to finance the County's operations during the 2004-2005 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, Wesley Chapel Fire District, Emergency Telephone System, and Fee Supported Fire District Special Revenue Funds; Debt Service Fund and Proprietary Funds (operating funds). All annual appropriations lapse at fiscal year end. Project ordinances (multi-year budgets) are adopted for the General Special Revenue 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 without limitation and between department appropriations, within the same fund, up to a limitation of \$50,000 – both authorizations without a report to the governing body. Transfers in excess of \$50,000 require a report to the governing body. The County Manager is also authorized, without limitation and a report to the governing body, to transfer personnel, limited to aggregate of 3%, and insurance appropriations contained in non-departmental. The County Manager is authorized to transfer amounts from contingency, subject to a limitation of \$5,000 and with a report to the governing body. The County Manager is authorized to appropriate funds reflected as reservations to fund balance as reflected in the prior year's financial statements and to report such appropriations to the governing body. The County Manager is authorized to appropriate funds for grants applications authorized by or grant agreements accepted by the governing body. 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, 2004. 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 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.

### **2. Cash and Investments**

The County pools monies from several funds to facilitate disbursement and investment and maximize investment income.

### **3. Restricted Assets**

The unexpended debt proceeds of the General Capital Project Fund, 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 do not accrue until the following January 6, when property taxes attach as enforceable liens. The taxes are based on the assessed values as of January 1, 2003.

### **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 supplies that are recorded as expenditures as used rather than 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 \$3,000 (amount not rounded) and an estimated useful life in excess of two years. Purchased or constructed capital assets are recorded at historical cost or estimated historical cost. 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 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.

## **11. Sick Leave**

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.

## **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 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, 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.

### **Unreserved**

**Designated for subsequent years' expenditures** - portion of total fund balance available for appropriation which has been designated for the adopted 2004-2005 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 2004-2005 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 \$174,759,119 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, bond anticipation notes and installment financing principal payments	\$ (174,171,686)
Accrued interest payable, net of unamortized bond issuance costs	(587,433)
Net adjustment attributable to liabilities not recorded in the fund statements	<u>\$ (174,759,119)</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 \$4,769,967 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 13,443,102
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.	(3,041,542)
The issuance of long-term debt 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. The details of these differences are as follows:	
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	8,497,421
Proceeds of debt instruments 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	(15,600,644)
Debt issuance premium amortization	276,743
Debt issuance costs are recorded as a use of funds on the fund statements but again do not affect the Statement of Net Assets in the government-wide statements until amortized	282,884
Remittance of funds to escrow agent to defease debt instruments	15,138,229
Defeasance amortization over remaining life of debt	(28,167)
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)	27,823
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(223,995)
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 7/1/03	(1,550,287)
Recording of tax receipts deferred in the fund statements as of 6/30/04	1,816,045
Loss on disposal of capital asset	(1,965,012)
Health and dental insurance costs, net of investment earnings	(476,945)
Workers' compensation costs, net of investment earnings	(211,189)
Property and casualty costs, net of investment earnings	<u>75,567</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets-governmental activities	<u>\$ 16,460,033</u>

### **NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Deficit Fund Balance or Net Assets of Individual Funds**

The Health Benefits Fund had a deficit net asset position at June 30, 2004 of \$41,858, due to recording a larger than anticipated estimated incurred but unreported claims liability for the year. The Health Benefits Fund is self-insured and the County will take appropriate actions to fund the deficit in the subsequent year.

### **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 investments, 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, 2004, the County's deposits had a carrying amount of \$860,422 and a bank balance of \$2,744,784. Of the bank balance, \$298,884 was covered by federal depository insurance and \$2,445,900 in interest bearing deposits were covered by collateral held under the Pooling Method. Also, at June 30 2004, the County had \$6,365 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, 2004 the County's investment balances were as follows:

	Categories		Reported Amount	Fair Value
	A	B		
Commercial Paper	\$ 4,972,910	\$ 6,778,209	\$ 11,751,119	\$ 11,751,119
U.S. Government Agencies	67,634,635	39,195,836	106,830,471	106,830,471
Banker's Acceptance	-	3,063,766	3,063,766	3,063,766
	<u>\$ 72,607,545</u>	<u>\$ 49,037,811</u>	121,645,356	121,645,356
NCCMT			23,443,500	23,443,500
Total Investments			<u>\$ 145,088,856</u>	<u>\$ 145,088,856</u>

### Concentrations

Cash and investments are pooled with other County cash resources. Each fund owns a pro rata share of the cash and investments. At June 30, 2004, the following investments, other than U.S. government securities and mutual funds, individually represent 5% or more of the total portfolio: U.S. government securities, mutual funds and North Carolina State Educational Assistance Authority.

### 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, 2004, were as follows:

	Accounts	Taxes	Internal balances	Total
<u>Governmental Activities:</u>				
General	\$ 9,319,925	\$ 2,199,463	\$ 232,989	\$ 11,752,377
Special Revenue	195,855	21,875	-	217,730
Capital Projects	1,668	-	-	1,668
Internal Service	242,331	-	-	242,331
Total Receivables	9,759,779	2,221,338	232,989	12,214,106
Allowance for doubtful accounts	-	(498,528)	-	(498,528)
Total-governmental activities	<u>\$ 9,759,779</u>	<u>\$ 1,722,810</u>	<u>\$ 232,989</u>	<u>\$ 11,715,578</u>
<u>Business-type Activities:</u>				
Water and Sewer	\$ 3,656,548	\$ -	\$ (198,192)	\$ 3,458,356
Solid Waste	375,913	-	(33,518)	342,395
Stormwater	-	-	(1,279)	(1,279)
Total Receivables	4,032,461	-	(232,989)	3,799,472
Allowance for doubtful accounts	(1,021,227)	-	-	(1,021,227)
Total-business-type activities	<u>\$ 3,011,234</u>	<u>\$ -</u>	<u>\$ (232,989)</u>	<u>\$ 2,778,245</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
2000	\$ 1,217,703	\$ 398,798	\$ 1,616,501
2001	1,286,551	305,556	1,592,107
2002	1,293,920	190,853	1,484,773
2003	1,450,434	83,400	1,533,834
	<u>\$ 5,248,608</u>	<u>\$ 978,607</u>	<u>\$ 6,227,215</u>

## NOTE 6 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2004, was as follows:

Governmental activities:	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
<b>Capital assets not being depreciated:</b>					
Land	\$ 5,742,870	\$ 1,291,686	\$ 1,603,136	\$ -	\$ 5,431,420
Construction in progress	2,213,496	9,535,975	-	(1,987,729)	9,761,742
Total capital assets not being depreciated	7,956,366	10,827,661	1,603,136	(1,987,729)	15,193,162
<b>Capital assets being depreciated:</b>					
Other improvements	2,694,474	586,097	-	-	3,280,571
Buildings	35,270,021	3,336,206	1,449,842	-	37,156,385
Furniture and equipment	10,853,580	1,065,653	3,027,408	16,140	8,907,965
Vehicles	5,835,334	801,589	1,085,166	30,660	5,582,417
Total capital assets being depreciated	54,653,409	5,789,545	5,562,416	46,800	54,927,338
<b>Less accumulated depreciation for:</b>					
Other improvements	1,664,210	88,021	-	-	1,752,231
Buildings	10,428,290	1,333,054	184,028	-	11,577,316
Furniture and equipment	6,797,488	842,269	2,727,965	-	4,911,792
Vehicles	4,044,191	778,198	1,044,614	-	3,777,775
Total accumulated depreciation	22,934,179	3,041,542	3,956,607	-	22,019,114
Total capital assets being depreciated, net	31,719,230	2,748,003	1,605,809	46,800	32,908,224
Governmental activities capital assets, net	\$ 39,675,596	\$ 13,575,664	\$ 3,208,945	\$ (1,940,929)	\$ 48,101,386

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

General government	\$ 1,020,524
Public safety	1,168,040
Economic and physical development	46,971
Human services	248,340
Cultural and recreational	491,686
Education	65,981
Total depreciation expense	\$ 3,041,542

Capital asset activity for the business-type activities for the year ended June 30, 2004, was as follows:

Business-type activities:	Beginning Balances	Additions	Retirements	Ending Balances
<b>Solid Waste</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 310,258	\$ -	\$ -	\$ 310,258
Construction in progress	-	8,353	-	8,353
	310,258	8,353	-	318,611
<b>Capital assets being depreciated:</b>				
Other improvements	87,428	-	7,238	80,190
Plant and collection systems	1,988,010	-	-	1,988,010
Equipment	1,992,809	26,000	164,624	1,854,185
Vehicles	1,135,098	108,874	18,058	1,225,914
Total capital assets being depreciated	5,203,345	134,874	189,920	5,148,299
<b>Less accumulated depreciation for:</b>				
Other improvements	9,818	2,281	-	12,099
Plant and collection systems	768,362	89,532	-	857,894
Equipment	1,903,321	53,857	163,098	1,794,080
Vehicles	1,035,430	49,971	18,058	1,067,343
Total accumulated depreciation	3,716,931	195,641	181,156	3,731,416
Total capital assets being depreciated, net	1,486,414	(60,767)	8,764	1,416,883
Solid Waste capital assets, net	1,796,672	(52,414)	8,764	1,735,494
<b>Water and Sewer</b>				
<b>Capital assets not being depreciated:</b>				
Land	1,169,123	-	-	1,169,123
Construction in progress	10,278,186	8,993,400	12,979,677	6,291,909
Total capital assets not being depreciated	11,447,309	8,993,400	12,979,677	7,461,032
<b>Capital assets being depreciated:</b>				
Plant and collection systems	69,118,686	12,576,289	-	81,694,975
Plant and distribution systems	48,744,334	12,992,829	-	61,737,163
Equipment	2,968,843	323,685	546,957	2,745,571
Vehicles	2,471,538	356,496	143,388	2,684,646
Total capital assets being depreciated	123,303,401	26,249,299	690,345	148,862,355
<b>Less accumulated depreciation for:</b>				
Plant and collection systems	13,587,494	2,286,650	-	15,874,144
Plant and distribution systems	12,400,543	1,565,966	-	13,966,509
Equipment	1,907,927	284,329	502,594	1,689,662
Vehicles	1,625,675	331,553	139,404	1,817,824
Total accumulated depreciation	29,521,639	4,468,498	641,998	33,348,139
Total capital assets being depreciated, net	93,781,762	21,780,801	48,347	115,514,216
Water and Sewer capital assets, net	105,229,071	30,774,201	13,028,024	122,975,248
Business-type activities capital assets, net	\$ 107,025,743	\$ 30,721,787	\$ 13,036,788	\$ 124,710,742

Interest and fees expense for the Water and Sewer Fund for the year ended June 30, 2004 consisted of the following:

Capitalized interest	\$ 964,746
Other interest and fees	2,488,477
Total interest and fees costs	<u>\$ 3,453,223</u>

**NOTE 7 – LIABILITIES**

Payables at the government-wide level at June 30, 2004 including liabilities payable from restricted assets, were as follows:

Payables:	Governmental Activities	Business Type Activities	Total Primary Government
Vendors	\$ 8,648,013	\$ 2,226,077	\$ 10,874,090
Salaries and benefits	1,998,426	270,398	2,268,824
Accrued Interest	1,659,327	331,637	1,990,964
Total	<u>\$ 12,305,766</u>	<u>\$ 2,828,112</u>	<u>\$ 15,133,878</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 4.89% and 4.78% 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, 2004, 2003, and 2002 were \$1,356,403, \$1,280,776, and \$1,209,477 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, 2003, the Separation Allowance's membership consisted of:

Retirees receiving benefits	40
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>847</u>
Total	<u><u>887</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 fair 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 \$403,915 or 1.41% 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, 2003 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 5.0% 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, 2003 was 27 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	\$ 359,209
Interest on net pension obligation	(12,437)
Adjustment to annual required contribution	<u>9,411</u>
Annual pension cost	356,183
Contributions made	<u>(419,405)</u>
Increase (decrease) in net pension obligation	(63,222)
Net pension obligation - beginning of year	<u>(171,539)</u>
Net pension obligation - end of year	<u><u>\$ (234,761)</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, 2002	\$ 303,833	116%	\$ 139,295
June 30, 2003	329,965	110%	171,539
June 30, 2004	356,183	118%	234,761

**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, 2004 were \$2,087,085, which consisted of \$1,458,121 from the County and \$628,964 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, 2004, the County's required and actual contributions were \$72,526.

**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 Personnel 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. Retirees younger than 65 years of age are provided benefits through the County's self insured group health and dental plan. 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, 71 retirees younger than 65 years of age are receiving post-retirement health and dental benefits. For the fiscal year ended June 30, 2004, the County made contributions of \$248,934 for post-retirement health benefits. The County pays the full cost of a Supplement to Medicare plan for retirees age 65 years and older. No dependents are eligible for the plan benefit and the plans are individually underwritten. Currently, 69 retirees older than 65 years of age are receiving post-retirement health benefits. For the fiscal year ended June 30, 2004, the County made payments of \$253,974 for the Supplement to Medicare plans.

##### **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. Effective July 1, 2004, the death benefit payments to beneficiaries must be between \$25,000 and \$50,000. All death benefit payments are made from the Death Benefit Plan. The County has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. For the fiscal year ended June 30, 2004, the County made contributions to the state for death benefits of \$27,944. 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. Closure and post closure care costs have been accumulated up to the date of closure; therefore, 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 \$2,762,284 reported as landfill post closure care liability at June 30, 2004 represents a cumulative amount reported to date, based on the use of 100% of the total estimated capacity of the landfill. At June 30, 2004 there was a decrease of \$197,029 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 fair value of \$4,581,261. 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, 2004. At year end the significant contractual commitments include the following:

Project	Spent to Date	Remaining Commitment
<b><u>General Fund:</u></b>		
MVP Tax Software	\$ 103,244	\$ 142,156
<b><u>Emergency Telephone System Fund:</u></b>		
Flyover Orthographic Photography Project	16,479	570,882
<b><u>General Capital Projects Fund:</u></b>		
Justice Center	9,088,829	4,490,511
AG/One Stop Permit Center - Agricultural Services	221,795	181,785
Cane Creek ADA Improvements Phase II	76,541	404,855
<b><u>Water Capital Projects:</u></b>		
Water Main to Sims Rd	6,870,777	320,251
County Wide Water Main Phase II	78,244	221,656
Union, Altan S., Old Pageland Rd. Water Line	1,824,106	723,123
<b><u>Sewer Capital Projects:</u></b>		
Little Twelve Mile Creek	1,581,289	163,166
Upgrade Crooked Creek	839,707	133,112
Blythe Creek	1,789,653	191,403
Twelve Mile Creek WWTP	642,367	123,082
Waxhaw Sewer Rehabilitation	42,389	1,030,675
Inflow and Infiltration Reduction	74,415	305,780
Total	\$ 13,742,947	\$ 3,212,248

The tax software project is a commitment of the General Fund and is funded by General Fund monies. The flyover orthographic photography project is a commitment of the Emergency Telephone System Fund and its 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 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.

**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 \$308,000 to \$716,000 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 carries commercial insurance for these risks of loss, with the exception of injuries to employees. The County self-insures workers' compensation, medical and dental claims and purchases stop-loss insurance for workers' compensation and medical claims that exceed certain amounts.

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.

The County has established three Internal Service Funds to account for self-insured risk financing. Funding of the Health Benefit Fund is based upon an analysis of historical and projected medical and dental claims paid by the third party administrator and the availability of unrestricted net assets to fund projected claims. Funding of the Workers' Compensation Fund is based upon payroll rates established by the State of North Carolina and the availability of unrestricted net assets to fund projected claims. Funding of the Property and Casualty Fund is based upon experience and exposure risks associated with County operations and the availability of unrestricted net assets to fund projected claims.

The County's medical benefits are self-insured with specific claims exceeding \$75,000 and aggregate claims exceeding \$3,260,830 covered by stop-loss insurance. Claims are administered under a contract with a third party administrator. Claim reserves at the end of the plan year (currently June 30) are established based on a combination of insurance industry standards and the County and third party administrator's analysis of claims submission, processing and payment.

The County's workers' compensation is self-insured with claims exceeding \$300,000 covered by stop-loss insurance which provides statutory benefits. Claims are administered under contract with a 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.

The County carries commercial insurance for its exposure to various risks related to torts, theft, damage to and destruction of assets and errors and omissions. The Property and Casualty Fund had no unpaid liabilities at June 30, 2004.

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

	Health Benefit Fund		Workers' Compensation Fund	
	Year Ended June 30, 2004	Year Ended June 30, 2003	Year Ended June 30, 2004	Year Ended June 30, 2003
Unpaid Claims beginning of fiscal year	\$ -	\$ -	\$ 337,831	\$ 252,598
Incurred claims and premiums	4,973,379	4,231,555	26,094	331,087
Claims and premiums paid	(4,550,379)	(4,231,555)	(292,336)	(245,854)
Unpaid Claims end of fiscal year	<u>\$ 423,000</u>	<u>\$ -</u>	<u>\$ 71,589</u>	<u>\$ 337,831</u>

**NOTE 14 - CLAIMS AND JUDGEMENTS**

The County was a defendant in various matters of litigation as of June 30, 2004. 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. 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 \$775,591 for the year ended June 30, 2004.

Minimum future lease payments are as follows:

Year Ending June 30	Anson County	CMUD	Other
2005	\$ 164,153	\$ 205,456	\$ 816,670
2006	164,153	205,456	845,825
2007	164,153	205,456	830,705
2008	164,153	205,456	68,414
2009	164,153	205,456	-
2010-2014	164,153	1,027,279	-
2015-2019	656,613	1,027,279	-
2020-2024	-	948,963	-
Thereafter	-	381,416	-
	<u>\$ 1,641,531</u>	<u>\$ 4,412,217</u>	<u>\$ 2,561,614</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, 2004. 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, bond anticipation notes, installment financing 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 and bond anticipation notes 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 and Installment Financing 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. The other long-term obligations (the North Carolina Clean Water Revolving Loan and the Hunley Creek Sewer System Purchase), are described further in Note 16. B.

1. Long-term obligations at June 30, 2004 are comprised of the following individual issues:

	Issue Date	Due Serially To	Interest Rate	Original Issue	Principal Balance June 30, 2004	Principal and Unamortized Balances (See Note 16.A.3.) June 30, 2004
<b>1. General Obligation Bonds</b>						
1973 Watershed Improvement Bonds	June 01, 1973	June 01, 2008	3.463%	\$ 400,000	\$ 51,500	\$ 51,500
1991 Refunding Bonds (Sanitary Sewer)	March 01, 1991	March 01, 2005	5.7% - 6.0%	1,545,000	35,000	35,000
1992 Refunding Bonds (Water)	June 01, 1992	June 01, 2008	7.50%	1,077,000	560,300	560,300
1993 Refunding Bonds (Water)	March 01, 1993	March 01, 2006	4.0% - 4.1%	3,455,559	595,196	584,521
1993 Refunding Bonds (Sanitary Sewer)	March 01, 1993	March 01, 2006	4.0% - 4.1%	2,437,277	419,804	412,283
1995 School Facility - Series A	June 01, 1995	June 01, 2005	5.0% - 5.2%	2,725,000	125,000	125,000
1995 Sanitary Sewer Bonds	June 01, 1995	June 01, 2005	5.0% - 5.2%	5,000,000	224,775	224,775
1995 School Facility - Series B	June 01, 1995	June 01, 2005	5.0% - 5.2%	10,000,000	450,225	450,225
1996 Refunding Bonds (School Facility)	May 01, 1996	May 01, 2011	4.75% - 5.20%	11,340,560	5,855,696	5,855,696
1996 Refunding Bonds (Water)	May 01, 1996	May 01, 2011	4.75% - 5.20%	11,424,720	5,899,152	5,790,737
1996 Refunding Bonds (Sanitary Sewer)	May 01, 1996	May 01, 2011	4.75% - 5.20%	3,534,720	1,825,152	1,790,478
1996 School Facility - Series A	May 01, 1996	May 01, 2006	5.25% - 5.30%	3,260,000	300,000	300,000
1996 School Facility - Series B	May 01, 1996	May 01, 2006	5.25% - 5.30%	8,000,000	800,000	800,000
1999 Refunding Bonds (School Facility)	March 01, 1999	March 01, 2011	4.4% - 5.0%	14,673,549	10,641,612	10,641,612
1999 Refunding Bonds (Water)	March 01, 1999	March 01, 2011	4.4% - 5.0%	5,961,452	4,323,388	4,277,806
1999 School Facility - Series A	March 01, 1999	March 01, 2020	5.0% - 5.4%	4,050,000	3,250,000	3,250,000
1999 School Facility - Series B	March 01, 1999	March 01, 2020	5.0% - 5.4%	26,000,000	22,200,000	22,200,000
2001 School Facility Bonds	March 01, 2001	March 01, 2020	4.00% - 4.75%	56,700,000	51,300,000	51,300,000
2004 Refunding Bonds (School Facilities) (b)	June 01, 2004	June 01, 2016	2.50% - 4.125%	14,976,804	14,976,804	14,519,689
2004 Refunding Bonds (Sanitary Sewer) (b)	June 01, 2004	June 01, 2016	2.50% - 4.125%	3,303,196	3,303,196	3,196,873
					<u>127,136,800</u>	<u>126,366,495</u>
<b>2. General Obligation Commercial Paper Bond Anticipation Notes</b>						
2004 Commercial Paper BAN's A (Schools)	May 26, 2004	Sept. 14, 2004	1.25%	4,495,000	4,495,000	4,495,000
2004 Commercial Paper BAN's A (Law Enforce)	May 26, 2004	Sept. 14, 2004	1.25%	1,735,000	1,735,000	1,735,000
2004 Commercial Paper BAN's B-1 (Schools)	June 28, 2004	Dec. 14, 2004	1.25%	15,000,000	15,000,000	15,000,000
					<u>21,230,000</u>	<u>21,230,000</u>
<b>3. Installment Financing</b>						
2003 Multi-purpose COP's	June 01, 2003	June 01, 2025	2.0% - 5.0%	43,760,000	41,600,000	43,141,794
2004 Installment Financing (Law Enforcement)	June 15, 2004	May 15, 2009	Variable	306,170	306,170	306,170
					<u>41,906,170</u>	<u>43,447,964</u>
<b>4. Revenue Bonds</b>						
2003 Enterprise System - Series A	June 01, 2003	June 01, 2029	2.0% - 5.0%	33,130,000	32,385,000	33,102,645
2003 Refunding Enterprise System - Series B (a,c)	June 01, 2003	June 01, 2021	Variable	20,935,000	20,165,000	17,618,397
					<u>52,550,000</u>	<u>50,721,042</u>
<b>5. Other Long-term Obligations (Note 16. E.)</b>						
North Carolina Clean Water Revolving Loan	June 01, 1998	June 30, 2017	5.30%	4,673,933	3,038,056	3,038,056
Hunley Creek Sewer System Purchase	August 19, 1991	June 30, 2006	n/a	924,724	219,633	219,633
					<u>3,257,689</u>	<u>3,257,689</u>
Total General Obligation Bonds, Bond Anticipation Notes, Certificates of Participation, Revenue Bonds and Other Long-term Obligations					<u>\$ 246,080,659</u>	<u>\$ 245,023,190</u>

- (a) 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, 2004 the amount held in escrow by the escrow agent was \$19,006,133.

(b) On June 24, 2004, the County issued general obligation refunding bonds totaling \$18,280,000 with interest rates ranging from 2.50 to 4.125% to partially advance refund the 1995 School serial bonds, 1995 Public Improvement serial bonds, and 1996 (A & B) School serial bonds with interest rates on the refunded issues ranging from 5.0 to 5.3%. 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 \$741,252. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$626,852. On June 30, 2004 the amount held in escrow by the escrow agent was \$18,477,028.

(c) 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, 2004, 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	1.05%
Net interest rate swap payments		1.945%
Variable rate bond coupon payments		1.05%
Synthetic interest rate on Bonds		2.995%

*Fair Value.* As of June 30, 2004, the agreement had a positive fair value of \$654,059. 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.* The swap agreement's fair value represented the County's credit exposure to Citibank as of June 30, 2004. Should Citibank fail to perform according to the terms of the swap agreement, the County faced a maximum possible loss equivalent to the swap agreement's \$654,059 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, 2004, 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, 2004, 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		
2005	\$ 785,000	\$ 211,733	\$ 392,209	\$ 1,388,942
2006	810,000	203,490	376,941	1,390,431
2007	1,240,000	194,985	361,187	1,796,172
2008	1,235,000	181,965	337,069	1,754,034
2009	1,230,000	168,998	313,048	1,712,046
2010-2014	5,980,000	653,522	1,210,568	7,844,090
2015-2019	6,135,000	341,829	633,195	7,110,024
2020-2021	2,750,000	43,523	80,621	2,874,144
Total	<u>\$ 20,165,000</u>	<u>\$ 2,000,045</u>	<u>\$ 3,704,838</u>	<u>\$ 25,869,883</u>

\* Computed using (2.995% - 1.05%) x (\$20,165,000 – annual reduction)

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

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 109,493,722	\$ 16,872,773	\$ 126,366,495
Bond Anticipation Notes	21,230,000	-	21,230,000
Certificates of Participation	43,141,794	-	43,141,794
Installment Financing	306,170	-	306,170
Revenue Bonds	-	50,721,042	50,721,042
N.C. Clean Water Revolving Loan	-	3,038,056	3,038,056
Hunley Creek Sewer System Purchase	-	219,633	219,633
Total	<u>\$ 174,171,686</u>	<u>\$ 70,851,504</u>	<u>\$ 245,023,190</u>

3. The table in Note 16 part A differs from the long-term obligations in Note 16 part B due to the following:

	Unamortized Deferred Loss on Defeasance	Unamortized Gain	Unamortized Premium / (Discount)	Total
<b>General Obligation Bonds</b>				
1993 Refunding Bonds (Water)	\$ 10,675	\$ -	\$ -	\$ 10,675
1993 Refunding Bonds (Sanitary Sewer)	7,521	-	-	7,521
1996 Refunding Bonds (Water)	146,952	(36,172)	(2,365)	108,415
1996 Refunding Bonds (Sanitary Sewer)	45,225	(9,852)	(699)	34,674
1999 Refunding Bonds (Water)	57,339	(11,757)	-	45,582
2004 Refunding Bonds (School Facilities) (b)	738,133	-	(281,018)	457,115
2004 Refunding Bonds (Sanitary Sewer) (b)	168,303	-	(61,980)	106,323
<b>Installment Financing</b>				
2003 Multi-purpose COP's	121,886	-	(1,663,680)	(1,541,794)
<b>Revenue Bonds</b>				
2003 Enterprise System - Series A	-	-	(717,645)	(717,645)
2003 Refunding Enterprise System - Series B (a,c)	2,355,868	-	190,735	2,546,603
Total	<u>\$ 3,651,902</u>	<u>\$ (57,781)</u>	<u>\$ (2,536,652)</u>	1,057,469
Long-term Obligations (per Note 16, A.)				245,023,190
Future Maturities of Long-term Obligations (per Note 16, B.)				<u>\$ 246,080,659</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		General Obligation Commercial Paper Bond Anticipation Notes		Certificates of Participation and Installment Financing		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<b>Governmental Activities</b>								
2005	\$ 6,475,523	\$ 5,273,993	\$ 21,230,000	\$ 82,939	\$ 2,252,272	\$ 1,595,377	\$ 29,957,795	\$ 6,952,309
2006	6,498,607	4,957,486	-	-	2,277,272	1,550,341	8,775,879	6,507,827
2007	6,758,390	4,651,416	-	-	2,307,272	1,504,804	9,065,662	6,156,220
2008	6,706,742	4,335,473	-	-	2,102,272	1,458,668	8,809,014	5,794,141
2009	7,048,033	4,020,493	-	-	2,107,082	1,384,547	9,155,115	5,405,040
2010-2014	35,845,084	15,054,475	-	-	10,015,000	5,847,344	45,860,084	20,901,819
2015-2019	35,218,458	6,561,507	-	-	9,475,000	3,849,219	44,693,458	10,410,726
2020-2024	5,400,000	266,575	-	-	9,475,000	1,579,956	14,875,000	1,846,531
2025	-	-	-	-	1,895,000	78,169	1,895,000	78,169
	<u>\$ 109,950,837</u>	<u>\$ 45,121,418</u>	<u>\$ 21,230,000</u>	<u>\$ 82,939</u>	<u>\$ 41,906,170</u>	<u>\$ 18,848,425</u>	<u>\$ 173,087,007</u>	<u>\$ 64,052,782</u>

	General Obligation Bonds		Revenue Bonds		Other Long-term Obligations (Note 16. E.)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<b>Business-type Activities</b>								
2005	\$ 2,971,978	\$ 826,459	\$ 1,570,000	\$ 1,917,078	\$ 362,601	\$ 104,205	\$ 4,904,579	\$ 2,847,742
2006	2,691,294	683,165	1,610,000	1,878,695	324,426	96,190	4,625,720	2,658,050
2007	2,504,210	554,067	2,055,000	1,838,435	233,697	88,174	4,792,907	2,480,676
2008	2,485,057	429,137	2,070,000	1,785,708	233,697	80,158	4,788,754	2,295,003
2009	1,886,966	303,158	2,080,000	1,729,814	233,697	72,142	4,200,663	2,105,114
2010-2014	4,454,916	441,760	10,595,000	7,744,171	1,168,483	240,474	16,218,399	8,426,405
2015-2019	191,542	10,174	11,655,000	5,949,955	701,088	48,095	12,547,630	6,008,224
2020-2024	-	-	9,635,000	3,722,685	-	-	9,635,000	3,722,685
2025-2029	-	-	11,280,000	1,973,115	-	-	11,280,000	1,973,115
	<u>\$ 17,185,963</u>	<u>\$ 3,247,920</u>	<u>\$ 52,550,000</u>	<u>\$ 28,539,656</u>	<u>\$ 3,257,689</u>	<u>\$ 729,438</u>	<u>\$ 72,993,652</u>	<u>\$ 32,517,014</u>

Total Long-term Obligations for Governmental and Business-type Activities \$ 246,080,659 \$ 96,569,796

As of June 30, 2004, Union County had \$180,000,000 general obligation bonds authorized but unissued, and had a legal debt margin of \$508,575,378.

## C. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2004 (and agrees to table in Note 16. B.):

	Balance June 30, 2003	Increases	Decreases	Additions and Deductions to Amortizations	Balance June 30, 2004	Current Portion of Balances
<b>Governmental Activities:</b>						
By Type:						
General obligation bonds	\$ 115,636,279	\$ 14,976,804	\$ 20,662,246	\$ (457,115)	\$ 109,493,722	\$ 6,525,685
Bond Anticipation Note	-	21,230,000	-	-	21,230,000	21,230,000
Certificates of participation	45,550,371	-	2,160,000	(248,577)	43,141,794	1,950,020
Installment financing	-	306,170	-	-	306,170	62,272
Compensated absences	2,141,098	2,084,222	1,860,227	-	2,365,093	-
	<u>\$ 163,327,748</u>	<u>\$ 38,597,196</u>	<u>\$ 24,682,473</u>	<u>\$ (705,692)</u>	<u>\$ 176,536,779</u>	<u>\$ 29,767,977</u>
By Purpose:						
General government	\$ 15,854,851	\$ -	\$ 422,534	\$ (12,997)	\$ 15,419,320	\$ 409,537
Public safety	5,067,166	2,041,170	437,226	(73,302)	6,597,808	2,184,070
Economic/physical development	4,962,863	-	105,809	(4,068)	4,852,986	101,741
Human services	47,470	-	1,265	(39)	46,166	1,226
Education	132,317,220	34,471,804	21,761,477	(612,935)	144,414,612	26,979,819
Cultural and recreational	2,937,080	-	93,935	(2,351)	2,840,794	91,584
Compensated absences	2,141,098	2,084,222	1,860,227	-	2,365,093	-
	<u>\$ 163,327,748</u>	<u>\$ 38,597,196</u>	<u>\$ 24,682,473</u>	<u>\$ (705,692)</u>	<u>\$ 176,536,779</u>	<u>\$ 29,767,977</u>
<b>Business-type Activities:</b>						
By Type:						
General obligation bonds	\$ 19,687,206	\$ 3,303,196	\$ 6,128,955	\$ 11,326	\$ 16,872,773	\$ 2,874,368
Revenue bonds	51,989,396	-	1,515,000	246,646	50,721,042	1,797,148
North Carolina Clean Water Revolving Loan	3,271,753	-	233,697	-	3,038,056	233,697
Hunley Creek Sewer System Purchase	355,961	-	136,328	-	219,633	128,904
Compensated absences	302,225	272,514	224,447	-	350,292	-
	<u>\$ 75,606,541</u>	<u>\$ 3,575,710</u>	<u>\$ 8,238,427</u>	<u>\$ 257,972</u>	<u>\$ 71,201,796</u>	<u>\$ 5,034,117</u>
By Purpose:						
Water and sewer systems	\$ 75,304,316	\$ 3,303,196	\$ 8,013,980	\$ 257,972	\$ 70,851,504	\$ 5,034,117
Compensated absences	302,225	272,514	224,447	-	350,292	-
	<u>\$ 75,606,541</u>	<u>\$ 3,575,710</u>	<u>\$ 8,238,427</u>	<u>\$ 257,972</u>	<u>\$ 71,201,796</u>	<u>\$ 5,034,117</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, 2004.

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, 2004 is as follows:

Revenues	\$	23,087,628
Current Expenses		<u>9,838,861</u>
Net revenues available for debt service		13,248,767
Add: 20% of preceding year's Surplus Fund		<u>6,860,065</u>
Adjusted net revenues available for debt service per Rate Covenant	\$	<u><u>20,108,832</u></u>
Senior debt service coverage:		
Debt service, principal and interest paid	\$	3,412,226
Subordinate debt service:		
Debt service, principal and interest paid		<u>4,320,053</u>
Total debt service:		
Total debt service, principal and interest paid		7,732,279
Add: 20% of senior debt service		<u>682,445</u>
Adjusted debt service requirements	\$	<u><u>8,414,724</u></u>
Coverage Test 1		
Adjusted net revenues / adjusted debt service		2.39
Coverage Test 2		
Net revenues / total debt service		1.71

#### E. Other Long-Term Debt

**North Carolina Clean Water Revolving Loan** - During fiscal year ended 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, 2004. The amount outstanding at June 30, 2004 is \$3,038,056. These funds were 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
2005	\$ 233,697	\$ 104,205
2006	233,697	96,190
2007	233,697	88,174
2008	233,697	80,158
2009	233,697	72,142
Next five years	1,168,483	240,474
Thereafter	<u>701,088</u>	<u>48,095</u>
	<u><u>\$ 3,038,056</u></u>	<u><u>\$ 729,438</u></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 \$136,328 during the fiscal year ended June 30, 2004. 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, 2004.

<u>Year Ending June 30</u>	<u>Estimated Obligation</u>
2005	\$ 128,904
2006	90,729
	<u>\$ 219,633</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, 2004, there were four series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$16,750,000.

**NOTE 17 - INTERFUND BALANCES AND ACTIVITY**

**INTERFUND BALANCES**

The composition of interfund balances as of June 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water & Sewer Fund	\$ 198,192	Note 1
General Fund	Solid Waste Fund	33,518	Note 1
General Fund	Stormwater Fund	1,279	Note 1
		<u>\$ 232,989</u>	

Note 1: 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:				Business Type Activities	
	Governmental Activities:			Total Governmental Funds	Stormwater Fund	Purpose
	General Fund	General Capital Project Fund	Nonmajor Governmental Funds			
Governmental activities:						
General Fund	\$ -	\$ 6,563,736	\$ 924,430	\$ 7,488,166	\$ -	Note 1
Major governmental funds	44,084	-	-	44,084	-	Note 2
Nonmajor governmental funds	19,299	-	-	19,299	-	Note 2
Total governmental activities	63,383	6,563,736	924,430	7,551,549	-	-
Business type activities:						
General Fund	-	-	-	-	108,406	Note 3
Total transfers out	<u>\$ 63,383</u>	<u>\$ 6,563,736</u>	<u>\$ 924,430</u>	<u>\$ 7,551,549</u>	<u>\$ 108,406</u>	

Note 1: The transfer from the General Fund to the General Capital Projects Fund was for the following projects: law enforcement software (\$65,094), fiscal year 2004 school capital outlay contribution (\$4,529,807), Cane Creek Park festival area (\$440,000) and Co-Operative Extension (\$1,528,835). The transfer from the General Fund to the General Special Revenue Fund (a nonmajor governmental fund) was for a local match for the Domestic Violence Grant. The transfer from the General Fund to the School Debt Service Fund (also a nonmajor governmental fund) was to begin the funding for a school debt service sinking fund.

Note 2: The transfer from the major and nonmajor governmental funds to the General Fund were for the following purposes: the contribution of investment earnings from the School Bond Fund -55 (\$44,084) and School Bond Fund - 58 (\$19,299) for school debt service paid by the General Fund.

Note 3: The transfer from the General Fund to the Stormwater Fund (an Enterprise Fund) was to provide funds for the stormwater planning program.

## 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)	\$ -	\$ 658,466	\$ 658,466
Prepaid taxes not yet earned (Special Revenue)	-	10,978	10,978
Grant revenue not yet earned (General)	-	62,381	62,381
Grant revenue not yet earned (Special Revenue)	-	17,627	17,627
Taxes receivable, net (General)	1,793,384	-	1,793,384
Taxes receivable, net (Special Revenue)	22,661	-	22,661
	<u>\$ 1,816,045</u>	<u>\$ 749,452</u>	<u>\$ 2,565,497</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 \$1,257,377 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, 2004 was \$14,088,005. This included the County's recognized loss of \$94,052 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, 2004, is as follows:

Cash and investments	\$ 1,157,082
Other assets	25,241,073
Total assets	<u>\$ 26,398,155</u>
Total liabilities	\$ 121,913
Total net assets	26,276,242
Total liabilities and net assets	<u>\$ 26,398,155</u>
Total revenues	\$ 2,282,055
Total expenses	2,470,158
Net decrease in net assets	<u>\$ (188,103)</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 \$1,904,962. 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 has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for the facilities, the County periodically issues debt to provide financing for new and restructured facilities. Of the last installment financing for this purpose, \$4,327,296 in debt is still outstanding. The County contributed \$667,000 and \$1,584,888 to Piedmont Community College for operating and capital purposes during the fiscal year ended June 30, 2004. In addition, the County made debt service payments of \$293,202 during the fiscal year on installment financing debt issued for the community college capital facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2004. 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, 2004. In accordance with the intergovernmental agreement between the participating governments, the County contributed \$535,122 to PAMH to supplement its activities for the year ended June 30, 2004. 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 \$30,564 during the fiscal year ended June 30, 2004. The County was the sub-recipient of a grant for \$569,936 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 - 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	\$ 1,367,038	\$ -
AFDC Payments and Penalties	(655)	(179)
Low Income Energy Assistance	159,993	-
Refugee Assistance Payment	2,715	-
Adoption Subsidy and Vendor	12,863	170,423
IV-E Adoption Subsidy and Vendor	200,959	60,338
State/County Special Assistance for Adults	-	749,186
Women, Infants and Children	1,809,656	-
Medical Assistance Program	49,071,039	21,540,728
Food Stamp Program-Noncash	8,339,271	-
Food Distribution	73,716	-
	<u>\$ 61,036,595</u>	<u>\$ 22,520,496</u>

## NOTE 22 - 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 23 – PRIOR PERIOD ADJUSTMENTS

During the fiscal year ended June 30, 2004 the State of North Carolina changed the distribution method for local option sales taxes that it collects on behalf of local governments. These taxes are now distributed on a monthly rather than quarterly basis. Taxes on sales for the month of June 2004 will be distributed by the State on or around September 15, 2004.

In accordance with GASB Statement No. 33, all of these items are considered to be revenues as of June 30, 2004. The County has decided to consider revenues available for payment of current year-end liabilities if collected within 90 days after year-end, other than property taxes. The County had previously considered only revenues collected with 60 days of year-end as available (see Note I.C.).

The September 15, 2004 distributions of these taxes are recognized as revenues for the 2004 fiscal year. If this policy had been in effect for the 2003 fiscal year, ending fund balance of the General Fund would have been \$62,007,734 which is \$1,173,703 higher than was previously reported; ending fund balance of the Hemby Bridge Fire District Fund would have been \$74,557 which is \$6,809 higher than was previously reported; ending fund balance of the Stallings Fire District Fund would have been \$110,820 which is \$7,762 higher than was previously reported; ending accounts receivable and accounts payable and accrued liabilities for the Monroe School District Fund would have been \$128,056 and \$199,219 respectively which is \$23,695 higher than was previously reported; and ending accounts receivable and accounts payable and accrued liabilities for the Union County School District Fund would have been \$809,548 and \$1,081,913 respectively which is \$149,794 higher than was previously reported. The beginning fund balances of these funds for the 2004 fiscal year have been restated to their respective amounts.

Also, during the fiscal year ended June 30, 2004 the County discovered that the County's investment in the Catawba River Water Treatment Plant (joint venture) was understated. The County records the change in its fifty percent share of the joint venture on the net income (loss)

method. If this error had been discovered for the 2003 fiscal year end, the ending investment in joint venture and net assets for the Water and Sewer Fund would have been \$11,670,963 and \$96,710,604 respectively which is \$387,674 higher than was previously reported. The beginning net assets of the Water and Sewer Fund for the 2004 fiscal year have been restated to \$96,710,604.

#### **NOTE 24 - SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

On September 7, 2004, the Union County Board of Commissioners ("Board") adopted a resolution setting a special bond referendum for November 2, 2004, at which time qualified voters of the County will consider an order authorizing \$49,500,000 in general obligation school bonds.

At June 30, 2004, the County had issued \$21,230,000 of its \$71,230,000 Commercial Paper ("CP") Bond Anticipation Notes, Series 2004, program authorized by the Board on May 3, 2004. As of September 17, 2004, the County issued an additional \$14,000,000 for an aggregate amount \$35,230,000 in CP Notes outstanding. The County anticipates issuing the balance of the CP Note authorization in the amount of \$36,000,000 during fiscal year 2005 and seek additional authorization of the CP Note program during the period. A portion of or all of the May 3, 2004, authorization will be converted to permanent, amortizing long-term debt during fiscal year 2005.

On August 9, 2004, the Board awarded a construction bid in the amount of \$1,790,681 for the construction of 40,500 linear feet of 12-inch water main and associated appurtenances. The project is funded in the Water and Sewer Capital Project Fund.

On September 7, 2004, the Board awarded a construction bid in the amount of \$3,904,300 for the construction of the Union County Agricultural Services Center. The project is funded in the Capital Project Fund with the proceeds of the \$43,760,000 Certificates of Participation, Series 2003 and transfers from the General Fund.

On September 7, 2004, the Board awarded construction bids aggregating \$1,210,200 for the construction of 14,100 linear feet of gravity and force main sewer lines and a pump station. The project is funded in the Water and Sewer Capital Project Fund.

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# Required Supplementary Information

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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)
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%
2003	1,338,398	4,887,407	3,549,009	27.38%	28,135,434	12.61%

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.



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

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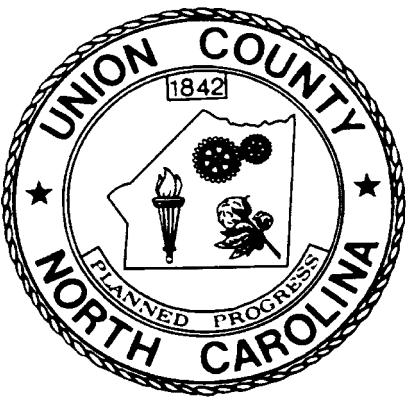
Fiscal Year	Annual Required Contribution	Percentage Contributed
1999	\$ 232,314	86%
2000	245,858	84%
2001	267,109	88%
2002	305,659	116%
2003	332,581	110%
2004	359,209	117%

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## 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, 2003	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



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# Combining and Individual Fund Statements

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**Combining Balance Sheet**  
**Nonmajor Governmental Funds**

June 30, 2004

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 2,122,113	\$ 916,430	\$ 265,159	\$ 3,303,702
Property taxes receivable (net)	22,661	-	-	22,661
Accounts receivable (net)	195,855	-	409	196,264
Restricted cash equivalents and investments	196,064	-	538,521	734,585
Total assets	<u>\$ 2,536,693</u>	<u>\$ 916,430</u>	<u>\$ 804,089</u>	<u>\$ 4,257,212</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 52,024	\$ -	\$ 9,211	\$ 61,235
Deferred revenue	22,661	-	-	22,661
Unearned revenue	28,605	-	-	28,605
Liabilities payable from restricted assets	7,896	-	55,807	63,703
Total liabilities	<u>111,186</u>	<u>-</u>	<u>65,018</u>	<u>176,204</u>
<b>FUND BALANCES</b>				
Reserved for encumbrances	564,782	-	3,934	568,716
Reserved by State statute	195,855	-	409	196,264
Reserved for drug enforcement	170,541	-	-	170,541
Reserved for debt service	-	-	-	-
<b>Unreserved</b>				
Designated for subsequent years' expenditures	109,353	916,430	734,728	1,760,511
Undesignated	1,384,976	-	-	1,384,976
Total fund balances	<u>2,425,507</u>	<u>916,430</u>	<u>739,071</u>	<u>4,081,008</u>
Total liabilities and fund balances	<u>\$ 2,536,693</u>	<u>\$ 916,430</u>	<u>\$ 804,089</u>	<u>\$ 4,257,212</u>

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

For the Year Ended June 30, 2004

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Ad valorem taxes	\$ 1,086,078	\$ -	\$ -	\$ 1,086,078
Local option sales tax	291,354	-	-	291,354
Other taxes and licenses	985,205	-	-	985,205
Intergovernmental	81,211	-	132,000	213,211
Permits and fees	1,316,792	-	-	1,316,792
Investments earnings	14,968	-	20,254	35,222
Total revenues	<u>3,775,608</u>	<u>-</u>	<u>152,254</u>	<u>3,927,862</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	3,781,069	-	-	3,781,069
Capital outlay:				
Cultural and recreational	-	-	731,130	731,130
Education	-	-	4,749,234	4,749,234
Total expenditures	<u>3,781,069</u>	<u>-</u>	<u>5,480,364</u>	<u>9,261,433</u>
Deficiency of revenues under expenditures	<u>(5,461)</u>	<u>-</u>	<u>(5,328,110)</u>	<u>(5,333,571)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	8,000	916,430	-	924,430
Transfers to other funds	-	-	(19,299)	(19,299)
Total other financing sources (uses)	<u>8,000</u>	<u>916,430</u>	<u>(19,299)</u>	<u>905,131</u>
Net change in fund balances	2,539	916,430	(5,347,409)	(4,428,440)
<b>FUND BALANCES</b>				
Beginning, as restated	2,422,968	-	6,086,480	8,509,448
Ending	<u>\$ 2,425,507</u>	<u>\$ 916,430</u>	<u>\$ 739,071</u>	<u>\$ 4,081,008</u>

**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
 June 30, 2004

	Hemby Bridge Fire District Fund	Stallings Fire District Fund	Wesley Chapel Fire District Fund	Emergency Telephone System Fund	Fee Supported Fire Districts Fund	General Special Revenue Fund	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>							
Cash and investments	\$ 22,073	\$ 10,574	\$ 5,285	\$ 2,068,431	\$ 15,750	\$ -	\$ 2,122,113
Property taxes receivable (net)	9,241	10,260	3,160	-	-	-	22,661
Accounts receivable (net)	49,260	41,291	-	86,429	-	18,875	195,855
Restricted cash equivalents and investments	-	-	-	-	-	196,064	196,064
Total assets	<u>\$ 80,574</u>	<u>\$ 62,125</u>	<u>\$ 8,445</u>	<u>\$ 2,154,860</u>	<u>\$ 15,750</u>	<u>\$ 214,939</u>	<u>\$ 2,536,693</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	\$ 236	\$ 2,066	\$ 4,016	\$ 39,311	\$ 6,395	\$ -	\$ 52,024
Deferred revenue	9,241	10,260	3,160	-	-	-	22,661
Unearned revenue	3,377	6,244	1,357	-	-	17,627	28,605
Liabilities payable from restricted assets	-	-	-	-	-	7,896	7,896
Total liabilities	<u>12,854</u>	<u>18,570</u>	<u>8,533</u>	<u>39,311</u>	<u>6,395</u>	<u>25,523</u>	<u>111,186</u>
<b>FUND BALANCES</b>							
Reserved for encumbrances	-	-	-	564,782	-	-	564,782
Reserved by State statute	49,260	41,291	-	86,429	-	18,875	195,855
Reserved for drug enforcement	-	-	-	-	-	170,541	170,541
Unreserved							
Designated for subsequent years' expenditures	14,598	4,960	-	89,795	-	-	109,353
Undesignated	3,862	(2,696)	(88)	1,374,543	9,355	-	1,384,976
Total fund balances	<u>67,720</u>	<u>43,555</u>	<u>(88)</u>	<u>2,115,549</u>	<u>9,355</u>	<u>189,416</u>	<u>2,425,507</u>
Total liabilities and fund balances	<u>\$ 80,574</u>	<u>\$ 62,125</u>	<u>\$ 8,445</u>	<u>\$ 2,154,860</u>	<u>\$ 15,750</u>	<u>\$ 214,939</u>	<u>\$ 2,536,693</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
 For the Year Ended June 30, 2004

	Hemby Bridge Fire District Fund	Stallings Fire District Fund	Wesley Chapel Fire District Fund	Emergency Telephone System Fund	Fee Supported Fire Districts Fund	General Special Revenue Fund	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>							
Ad valorem taxes	\$ 403,655	\$ 394,915	\$ 287,508	\$ -	\$ -	\$ -	\$ 1,086,078
Local option sales tax	146,908	144,446	-	-	-	-	291,354
Other taxes and licenses	-	-	-	985,205	-	-	985,205
Intergovernmental	-	-	-	-	-	81,211	81,211
Permits and fees	-	-	-	-	1,316,792	-	1,316,792
Investments earnings	-	-	-	13,661	-	1,307	14,968
Total revenues	<u>550,563</u>	<u>539,361</u>	<u>287,508</u>	<u>998,866</u>	<u>1,316,792</u>	<u>82,518</u>	<u>3,775,608</u>
<b>EXPENDITURES</b>							
Current:							
Public safety	<u>557,400</u>	<u>606,626</u>	<u>287,596</u>	<u>917,704</u>	<u>1,342,512</u>	<u>69,231</u>	<u>3,781,069</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,837)</u>	<u>(67,265)</u>	<u>(88)</u>	<u>81,162</u>	<u>(25,720)</u>	<u>13,287</u>	<u>(5,461)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>8,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>8,000</u>
Net change in fund balances	(6,837)	(67,265)	(88)	81,162	(25,720)	21,287	2,539
<b>FUND BALANCES</b>							
Beginning, as restated	74,557	110,820	-	2,034,387	35,075	168,129	2,422,968
Ending	<u>\$ 67,720</u>	<u>\$ 43,555</u>	<u>\$ (88)</u>	<u>\$ 2,115,549</u>	<u>\$ 9,355</u>	<u>\$ 189,416</u>	<u>\$ 2,425,507</u>

**Combining Balance Sheet**  
**Nonmajor Capital Project Funds**  
 June 30, 2004

	Library Capital Reserve Fund	Library Capital Project Fund	School Bond Fund-58	Total Nonmajor Capital Project Funds
<b>ASSETS</b>				
Cash and investments	\$ 139,727	\$ 125,432	\$ -	\$ 265,159
Accounts receivable (net)	409	-	-	409
Restricted cash equivalents and investments	-	-	538,521	538,521
Total assets	<u>\$ 140,136</u>	<u>\$ 125,432</u>	<u>\$ 538,521</u>	<u>\$ 804,089</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ 9,211	\$ -	\$ 9,211
Liabilities payable from restricted assets	-	-	55,807	55,807
Total liabilities	<u>-</u>	<u>9,211</u>	<u>55,807</u>	<u>65,018</u>
<b>FUND BALANCES</b>				
Reserved for encumbrances	-	3,934	-	3,934
Reserved by State statute	409	-	-	409
Unreserved				
Designated for subsequent years' expenditures	<u>139,727</u>	<u>112,287</u>	<u>482,714</u>	<u>734,728</u>
Total fund balances	<u>140,136</u>	<u>116,221</u>	<u>482,714</u>	<u>739,071</u>
Total liabilities and fund balances	<u>\$ 140,136</u>	<u>\$ 125,432</u>	<u>\$ 538,521</u>	<u>\$ 804,089</u>



**Combining Statement of Revenues, Expenditures and Changes in Fund Balances****Nonmajor Capital Project Funds**

For the Year Ended June 30, 2004

	Library Capital Reserve Fund	Library Capital Project Fund	School Bond Fund-58	Total Nonmajor Capital Project Funds
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 132,000	\$ -	\$ 132,000
Investments earnings	955	-	19,299	20,254
Total revenues	<u>955</u>	<u>132,000</u>	<u>19,299</u>	<u>152,254</u>
<b>EXPENDITURES</b>				
Capital outlay:				
Cultural and Recreational	-	731,130	-	731,130
Education	-	-	4,749,234	4,749,234
Total expenditures	<u>-</u>	<u>731,130</u>	<u>4,749,234</u>	<u>5,480,364</u>
Excess (deficiency) of revenues over (under) expenditures	955	(599,130)	(4,729,935)	(5,328,110)
<b>OTHER FINANCING USES</b>				
Transfers to other funds	-	-	(19,299)	(19,299)
Net change in fund balances	955	(599,130)	(4,749,234)	(5,347,409)
<b>FUND BALANCES</b>				
Beginning	139,181	715,351	5,231,948	6,086,480
Ending	<u>\$ 140,136</u>	<u>\$ 116,221</u>	<u>\$ 482,714</u>	<u>\$ 739,071</u>

**Combining Statement of Net Assets**

**Internal Service Funds**

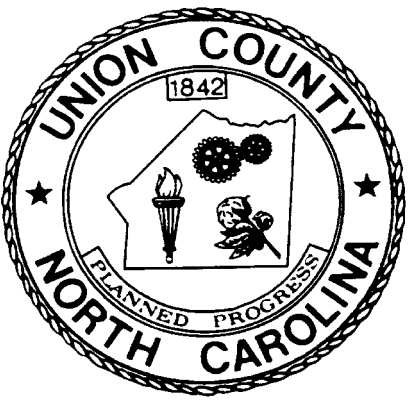
June 30, 2004

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 167,829	\$ 2,465,781	\$ 86,812	\$ 2,720,422
Accounts receivable (net)	235,106	7,223	-	242,329
Total current assets	<u>402,935</u>	<u>2,473,004</u>	<u>86,812</u>	<u>2,962,751</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities	21,793	7,413	-	29,206
Workers' compensation claims payable	-	71,589	-	71,589
Health care benefits payable	423,000	-	-	423,000
Total current liabilities	<u>444,793</u>	<u>79,002</u>	<u>-</u>	<u>523,795</u>
<b>NET ASSETS</b>				
Unrestricted	<u>\$ (41,858)</u>	<u>\$ 2,394,002</u>	<u>\$ 86,812</u>	<u>\$ 2,438,956</u>

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

For the Year Ended June 30, 2004

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
<b>OPERATING REVENUES</b>				
Interfund charges and employee contributions	\$ 4,651,303	\$ -	\$ -	\$ 4,651,303
Other operating revenue	4,600	169,096	86,812	260,508
Total operating revenues	<u>4,655,903</u>	<u>169,096</u>	<u>86,812</u>	<u>4,911,811</u>
<b>OPERATING EXPENSES</b>				
Operating expenses	655,897	125,586	-	781,483
Workers' compensation claims	-	292,336	-	292,336
Health benefit claims and premiums	4,550,379	-	-	4,550,379
Total operating expenses	<u>5,206,276</u>	<u>417,922</u>	<u>-</u>	<u>5,624,198</u>
Operating income (loss)	(550,373)	(248,826)	86,812	(712,387)
<b>NONOPERATING REVENUES</b>				
Investment earnings	4,563	17,667	-	22,230
Gain (loss) on sale of capital assets	-	(10,760)	-	(10,760)
Total nonoperating revenue	<u>4,563</u>	<u>6,907</u>	<u>-</u>	<u>11,470</u>
Change in net assets	(545,810)	(241,919)	86,812	(700,917)
<b>NET ASSETS</b>				
Beginning	503,952	2,635,921	-	3,139,873
Ending	<u>\$ (41,858)</u>	<u>\$ 2,394,002</u>	<u>\$ 86,812</u>	<u>\$ 2,438,956</u>



**Combining Statement of Cash Flows**  
**Internal Service Funds**  
For the Year Ended June 30, 2004

	<b>Health Benefits Fund</b>	<b>Workers' Compensation Fund</b>	<b>Property and Casualty Fund</b>	<b>Total</b>
<b>OPERATING ACTIVITIES</b>				
Cash received from customers for services	\$ 4,565,025	\$ 101,528	\$ -	\$ 4,666,553
Other operating revenue	4,600	169,096	86,812	260,508
Cash paid for goods and services	<u>(4,790,509)</u>	<u>(679,840)</u>	<u>-</u>	<u>(5,470,349)</u>
Net cash provided (used) by operating activities	(220,884)	(409,216)	86,812	(543,288)
<b>INVESTING ACTIVITIES</b>				
Investment earnings	<u>4,563</u>	<u>17,667</u>	<u>-</u>	<u>22,230</u>
Net increase (decrease) in cash and investments	(216,321)	(391,549)	86,812	(521,058)
<b>CASH AND INVESTMENTS</b>				
Beginning of year	384,150	2,857,330	-	3,241,480
End of year	<u>\$ 167,829</u>	<u>\$ 2,465,781</u>	<u>\$ 86,812</u>	<u>\$ 2,720,422</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	<u>\$ (550,373)</u>	<u>\$ (248,826)</u>	<u>\$ 86,812</u>	<u>\$ (712,387)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Change in assets and liabilities				
(Increase) decrease in accounts receivable	(86,278)	101,528	-	15,250
Increase (decrease) in accounts payable and accrued liabilities	<u>415,767</u>	<u>(261,918)</u>	<u>-</u>	<u>153,849</u>
Total adjustments	<u>329,489</u>	<u>(160,390)</u>	<u>-</u>	<u>169,099</u>
Net cash provided (used) by operating activities	<u>\$ (220,884)</u>	<u>\$ (409,216)</u>	<u>\$ 86,812</u>	<u>\$ (543,288)</u>

Union County, North Carolina

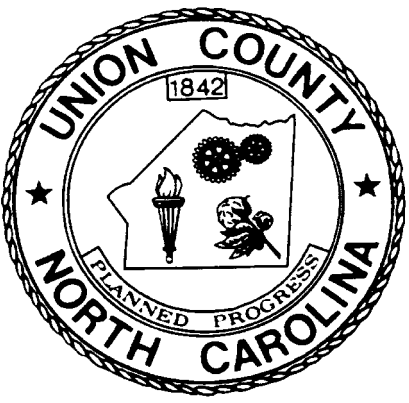
**Combining Statement of Fiduciary Assets and Liabilities - Agency Funds**

June 30, 2004

	Social Services Fund	Fines and Forfeitures Fund	Jail Inmate Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and investments	\$ 57,124	\$ -	\$ 29,089
Property taxes receivable (net)	-	-	-
Accounts receivable (net)	-	70,150	-
Total assets	<u>\$ 57,124</u>	<u>\$ 70,150</u>	<u>\$ 29,089</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ -	\$ 70,150	\$ -
Due to program participants	57,124	-	29,089
Total liabilities	<u>\$ 57,124</u>	<u>\$ 70,150</u>	<u>\$ 29,089</u>

## Schedule 10

Monroe School District Fund	Union County School District Fund	Municipal Tax Collection Fund	Gross Rental Receipts Tax Fund	Totals
\$ 21,484	\$ 99,899	\$ 170,017	\$ 527	\$ 378,140
48,328	206,956	-	-	255,284
126,046	796,841	-	-	993,037
<u>\$ 195,858</u>	<u>\$ 1,103,696</u>	<u>\$ 170,017</u>	<u>\$ 527</u>	<u>\$ 1,626,461</u>
\$ 195,858	\$ 1,103,696	\$ 170,017	\$ 527	\$ 1,540,248
-	-	-	-	86,213
<u>\$ 195,858</u>	<u>\$ 1,103,696</u>	<u>\$ 170,017</u>	<u>\$ 527</u>	<u>\$ 1,626,461</u>



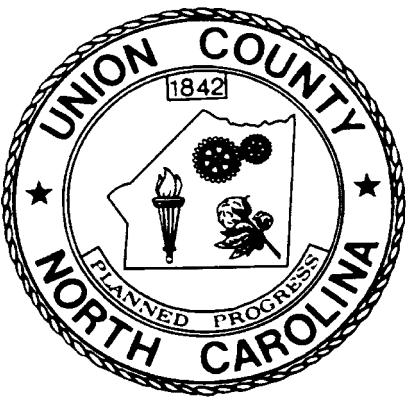


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# General Fund

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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, 2004 and 2003**

	June 30, 2004	June 30, 2003 (as Restated)
<b>ASSETS</b>		
Cash and investments	\$ 59,894,095	\$ 47,323,128
Property taxes receivable (net)	1,793,384	1,498,624
Accounts receivable (net)	9,319,925	9,207,520
Due from other funds	-	9,453,351
Inventories	44,352	37,013
Restricted cash and investments	3,048	906,225
Total assets	<u>\$ 71,054,804</u>	<u>\$ 68,425,861</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 4,483,240	\$ 4,091,218
Deferred revenue	1,793,384	1,499,939
Unearned revenue	720,847	560,635
Deposits	3,695,015	266,335
Total liabilities	<u>10,692,486</u>	<u>6,418,127</u>
<b>FUND BALANCE, AS RESTATED</b>		
Reserved for encumbrances	1,310,337	1,696,985
Reserved by State statute	9,364,277	18,696,569
Unreserved		
Designated for subsequent years' expenditures	5,210,653	6,497,003
Designated for special purpose	57,334	689,235
Undesignated	44,419,717	34,427,942
Total fund balance	<u>60,362,318</u>	<u>62,007,734</u>
Total liabilities and fund balance	<u>\$ 71,054,804</u>	<u>\$ 68,425,861</u>

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

For the Year Ended June 30, 2004

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

	2004		Variance Positive (Negative)	2003
	Final Budget	Actual		Actual (as Restated)
<b>REVENUES</b>				
Ad valorem taxes				
Current year levy	\$ 55,642,792	\$ 56,004,211	\$ 361,419	\$ 47,254,415
Prior years' levy	1,420,385	1,218,533	(201,852)	1,325,682
Animal taxes, penalties and interest	480,130	476,317	(3,813)	443,853
Total	<u>57,543,307</u>	<u>57,699,061</u>	<u>155,754</u>	<u>49,023,950</u>
Local option sales tax	20,024,033	21,821,598	1,797,565	19,354,016
Other taxes and licenses	1,457,394	1,944,321	486,927	1,398,707
Intergovernmental	17,173,099	16,205,773	(967,326)	14,863,357
Permits and fees	6,060,108	7,136,493	1,076,385	4,902,295
Sales and services	3,314,240	3,434,662	120,422	3,348,469
Investment earnings	1,160,000	415,901	(744,099)	1,244,153
Miscellaneous	3,757,339	4,303,984	546,645	1,983,618
Total revenues	<u>110,489,520</u>	<u>112,961,793</u>	<u>2,472,273</u>	<u>96,118,565</u>
<b>EXPENDITURES</b>				
General Government				
Board of Commissioners	285,293	248,298	36,995	239,462
Vision 20/20	-	-	-	72,567
Central Administration	735,707	586,343	149,364	705,739
County Dues and Memberships	134,927	134,814	113	78,936
Internal Audit	78,000	74,698	3,302	72,932
Legal	265,000	259,226	5,774	223,519
Personnel	452,511	442,834	9,677	387,851
Finance	810,000	782,711	27,289	700,857
Tax Administration	3,115,001	2,853,924	261,077	2,503,346
Court Facilities	1,960,814	1,792,811	168,003	1,856,659
Elections	645,294	513,071	132,223	596,405
Register of Deeds	825,000	836,813	(11,813)	766,211
Information Systems	1,728,767	1,524,406	204,361	1,340,577
G.I.S. Department	316,233	303,758	12,475	281,567
General Services	2,028,314	896,123	1,132,191	505,460
Total General Government	<u>13,380,861</u>	<u>11,249,830</u>	<u>2,131,031</u>	<u>10,332,088</u>
Public Safety				
Law Enforcement	12,291,371	11,897,960	393,411	10,245,229
Communications	1,230,286	1,177,211	53,075	890,126
Homeland Security	450,000	291,570	158,430	120,386
Fire Services	920,000	909,073	10,927	782,171
Inspection	2,127,121	1,955,120	172,001	1,523,704
Medical Examiner	40,000	35,300	4,700	21,950
Emergency Medical Services	3,303,566	3,303,566	-	3,070,986
Animal Control	502,337	423,763	78,574	404,532
Juvenile Detention	162,000	75,840	86,160	139,895
Total Public Safety	<u>21,026,681</u>	<u>20,069,403</u>	<u>957,278</u>	<u>17,198,979</u>

Continued on next page.

## General Fund

(continued)

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

For the Year Ended June 30, 2004

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

	2004		Variance Positive (Negative)	2003
	Final Budget	Actual		Actual (as Restated)
<b>EXPENDITURES (Continued)</b>				
Economic and Physical Development				
Planning	\$ 366,593	\$ 311,012	\$ 55,581	\$ 410,753
Economic Development Commission	486,740	435,783	50,957	284,780
Cooperative Extension Service	275,690	258,852	16,838	264,653
Soil Conservation	149,035	145,636	3,399	137,084
Forest Management	50,081	32,358	17,723	39,658
<i>Total Economic and Physical Development</i>	<u>1,328,139</u>	<u>1,183,641</u>	<u>144,498</u>	<u>1,136,928</u>
Human Services				
Health	6,011,651	5,417,736	593,915	5,354,146
Mental Health	637,662	635,083	2,579	634,929
Social Services	22,486,046	20,691,842	1,794,204	19,525,094
Other Human Services				
JCPC - Youth Service Advisory Council	31,463	28,086	3,377	7,941
JCPC - Positive Impact	290,433	278,331	12,102	253,815
JCPC - Uwharrie Group Home	-	-	-	3,900
JCPC - Delinquency Prevention and Remediation	50,892	49,429	1,463	48,058
JCPC - Union County Group Home	24,814	24,814	-	19,571
JCPC - Community Support Services	29,813	29,813	-	39,813
Turning Point	25,000	25,000	-	18,750
Transportation and Nutrition	1,076,396	1,033,078	43,318	948,644
Charlotte Area Transportation	75,898	75,898	-	-
Veterans' Service	183,000	177,950	5,050	143,001
UDI (Sheltered Workshop)	26,500	26,500	-	26,500
Community Action	76,338	76,338	-	76,338
Council on Aging	263,048	265,837	(2,789)	263,897
Community Shelter	10,000	10,000	-	10,000
Criminal Justice Partnership	100,817	-	100,817	-
<i>Total Human Services</i>	<u>31,399,771</u>	<u>28,845,735</u>	<u>2,554,036</u>	<u>27,374,397</u>
Cultural and Recreational				
Library	3,213,037	3,172,914	40,123	2,678,090
Parks and Recreation	2,182,308	1,908,498	273,810	1,419,334
Arts Council	45,000	45,000	-	45,000
Historical Properties	5,000	5,000	-	5,000
Union Symphony Orchestra League	1,000	1,000	-	-
A. J. Historical Foundation	5,000	5,000	-	5,000
<i>Total Cultural and Recreational</i>	<u>5,451,345</u>	<u>5,137,412</u>	<u>313,933</u>	<u>4,152,424</u>
Education				
Public Schools - current expense	22,908,030	22,908,030	-	20,519,344
Public Schools - Building Bond Act of 1996	-	-	-	126,303
Public Schools - capital outlay	-	2,671	(2,671)	-
Public Schools - education planning	168,309	92,500	75,809	-
Subtotal	<u>23,076,339</u>	<u>23,003,201</u>	<u>73,138</u>	<u>20,645,647</u>
School Traffic Control	-	-	-	24,119
Community College	1,289,798	1,291,686	(1,888)	-
Community College - operations	667,000	667,000	-	525,000
Literacy Efforts	2,000	2,000	-	2,000
<i>Total Education</i>	<u>25,035,137</u>	<u>24,963,887</u>	<u>71,250</u>	<u>21,196,766</u>

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, 2004

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

	2004		Variance Positive (Negative)	2003
	Final Budget	Actual		Actual (as Restated)
<b>EXPENDITURES (Continued)</b>				
Debt Service				
School Debt Service				
Principal retirement	\$ 7,315,219	\$ 7,315,218	\$ 1	\$ 7,012,504
Interest and fees	6,398,113	6,397,809	304	6,291,692
Total	<u>13,713,332</u>	<u>13,713,027</u>	<u>305</u>	<u>13,304,196</u>
General Debt Service				
Principal retirement	1,182,206	1,182,203	3	377,500
Interest and fees	1,193,127	1,191,297	1,830	373,851
Total	<u>2,375,333</u>	<u>2,373,500</u>	<u>1,833</u>	<u>751,351</u>
<i>Total Debt Service</i>	<u>16,088,665</u>	<u>16,086,527</u>	<u>2,138</u>	<u>14,055,547</u>
Contingency	<u>369,724</u>	<u>-</u>	<u>369,724</u>	<u>-</u>
Nondepartmental	<u>8,463</u>	<u>-</u>	<u>8,463</u>	<u>-</u>
Total expenditures	<u>114,088,786</u>	<u>107,536,435</u>	<u>6,552,351</u>	<u>95,447,129</u>
Revenues over (under) expenditures	<u>(3,599,266)</u>	<u>5,425,358</u>	<u>9,024,624</u>	<u>671,436</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds:				
Detention Facility Debt Service Fund	-	-	-	4,740
Reappraisal Fund	-	-	-	164,075
School Bond Fund - 55	-	44,084	44,084	224,408
School Bond Fund - 58	-	19,299	19,299	111,282
Transfers to other funds:				
General Special Revenue Fund	(8,000)	(8,000)	-	(142,318)
General Capital Project Fund	(6,571,726)	(6,563,736)	7,990	(2,958,518)
Stormwater Operating Fund	(108,407)	(108,406)	1	-
Debt Service Fund	(916,430)	(916,430)	-	-
Proceeds from installment financing debt	420,000	306,170	(113,830)	858,482
Proceeds from refunding general obligation bonds	15,335,000	15,294,474	(40,526)	-
Proceeds from refunding installment financing debt	-	-	-	7,116,113
Payments to refunded bonds escrow agents	(15,138,229)	(15,138,229)	-	-
Payments to refunded installment debt escrow agents	-	-	-	(6,977,686)
Total other financing sources (uses)	<u>(6,987,792)</u>	<u>(7,070,774)</u>	<u>(82,982)</u>	<u>(1,599,422)</u>
Revenues and other financing sources under expenditures and other financing uses	<u>(10,587,058)</u>	<u>(1,645,416)</u>	<u>8,941,642</u>	<u>(927,986)</u>
<b>APPROPRIATED FUND BALANCE</b>	<u>10,587,058</u>	<u>-</u>	<u>(10,587,058)</u>	<u>-</u>
Revenues, other financing sources, and appropriated fund balance under expenditures and other financing use	<u>\$ -</u>	<u>(1,645,416)</u>	<u>\$ (1,645,416)</u>	<u>(927,986)</u>
<b>FUND BALANCE</b>				
Beginning, as restated		62,007,734		62,935,720
Ending		<u>\$ 60,362,318</u>		<u>\$ 62,007,734</u>

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# Special Revenue Funds

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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.

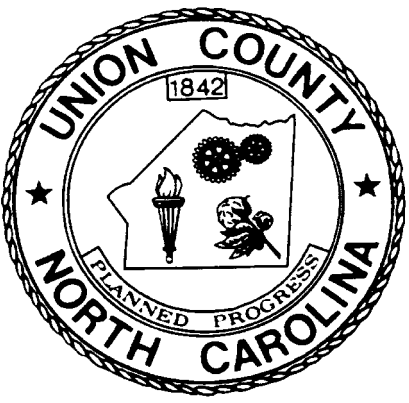
**Stallings Fire District Fund** - This fund accounts for the ad valorem tax levies of this fire district in Union County.

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

**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, 2004

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

	2004		Variance	2003
	Final Budget	Actual	Positive (Negative)	Actual (as Restated)
<b>REVENUES</b>				
Ad valorem taxes				
Current year levy	\$ 394,997	\$ 396,756	\$ 1,759	\$ 379,977
Prior years' levy	2,900	5,315	2,415	7,335
Penalties and interest	900	1,584	684	1,327
Total	<u>398,797</u>	<u>403,655</u>	<u>4,858</u>	<u>388,639</u>
Local option sales tax	<u>154,656</u>	<u>146,908</u>	<u>(7,748)</u>	<u>111,996</u>
Total revenues	553,453	550,563	(2,890)	500,635
<b>EXPENDITURES</b>				
Current				
Public Safety	<u>612,084</u>	<u>557,400</u>	<u>54,684</u>	<u>485,400</u>
Revenues over (under) expenditures	(58,631)	(6,837)	51,794	15,235
<b>APPROPRIATED FUND BALANCE</b>	<u>58,631</u>	<u>-</u>	<u>(58,631)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>(6,837)</u>	<u>\$ (6,837)</u>	15,235
<b>FUND BALANCE</b>				
Beginning of year - July 1, as restated		<u>74,557</u>		<u>59,322</u>
End of year - June 30		<u>\$ 67,720</u>		<u>\$ 74,557</u>

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

For the Year Ended June 30, 2004

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

	2004		Variance Positive (Negative)	2003
	Final Budget	Actual		Actual (as Restated)
<b>REVENUES</b>				
Ad valorem taxes				
Current year levy	\$ 390,959	\$ 387,163	\$ (3,796)	\$ 317,411
Prior years' levy	2,100	4,999	2,899	3,226
Penalties and interest	985	2,753	1,768	1,272
Total	<u>394,044</u>	<u>394,915</u>	<u>871</u>	<u>321,909</u>
Local option sales tax	<u>129,410</u>	<u>144,446</u>	<u>15,036</u>	<u>106,620</u>
Total revenues	<u>523,454</u>	<u>539,361</u>	<u>15,907</u>	<u>428,529</u>
<b>EXPENDITURES</b>				
Current				
Public Safety	<u>606,626</u>	<u>606,626</u>	<u>-</u>	<u>338,526</u>
Revenues over (under) expenditures	\$ (83,172)	(67,265)	\$ 15,907	90,003
<b>APPROPRIATED FUND BALANCE</b>	<u>83,172</u>	<u>-</u>	<u>(83,172)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	(67,265)	<u>\$ (67,265)</u>	90,003
<b>FUND BALANCE</b>				
Beginning of year - July 1, as restated		<u>110,820</u>		<u>20,817</u>
End of year - June 30		<u>\$ 43,555</u>		<u>\$ 110,820</u>

**Wesley Chapel Fire District Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2004

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

	2004		Variance Positive (Negative)	2003
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Ad valorem taxes				
Current year levy	\$ 317,800	\$ 286,557	\$ (31,243)	\$ -
Penalties and interest	-	951	951	-
Total revenues	<u>317,800</u>	<u>287,508</u>	<u>(30,292)</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
Public Safety	<u>317,800</u>	<u>287,596</u>	<u>30,204</u>	<u>-</u>
Revenues under expenditures	<u>\$ -</u>	<u>(88)</u>	<u>\$ (88)</u>	<u>-</u>
<b>FUND BALANCE</b>				
Beginning of year - July 1		<u>-</u>		<u>-</u>
End of year - June 30		<u>\$ (88)</u>		<u>\$ -</u>

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

For the Year Ended June 30, 2004

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

	2004		Variance	2003
	Final Budget	Actual	Positive (Negative)	Actual
<b>REVENUES</b>				
Other taxes and licenses				
911 system subscriber fees	\$ 953,004	\$ 985,205	\$ 32,201	\$ 1,020,075
Investment earnings	28,700	13,661	(15,039)	42,770
Total revenues	981,704	998,866	17,162	1,062,845
<b>EXPENDITURES</b>				
Current				
Public Safety	1,555,000	917,704	637,296	756,519
Revenues over (under) expenditures	(573,296)	81,162	654,458	306,326
<b>OTHER FINANCING USES</b>				
Transfers out				
General Capital Project Fund	-	-	-	(66,000)
Revenues over (under) expenditures and other financing uses	(573,296)	81,162	654,458	240,326
<b>APPROPRIATED FUND BALANCE</b>				
	573,296	-	(573,296)	-
Revenues and appropriated fund balance over expenditures and other financing uses	\$ -	81,162	\$ 81,162	240,326
<b>FUND BALANCE</b>				
Beginning of year - July 1		2,034,387		1,794,061
End of year - June 30		\$ 2,115,549		\$ 2,034,387

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

For the Year Ended June 30, 2004

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

	2004		Variance Positive (Negative)	2003
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Permits and fees	\$ 1,400,473	\$ 1,316,792	\$ (83,681)	\$ 1,438,243
<b>EXPENDITURES</b>				
Current				
Public Safety	1,400,473	1,342,512	57,961	1,428,667
Revenues over (under) expenditures	<u>\$ -</u>	<u>(25,720)</u>	<u>\$ (25,720)</u>	9,576
<b>FUND BALANCE</b>				
Beginning of year - July 1		35,075		25,499
End of year - June 30		<u>\$ 9,355</u>		<u>\$ 35,075</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, 2004

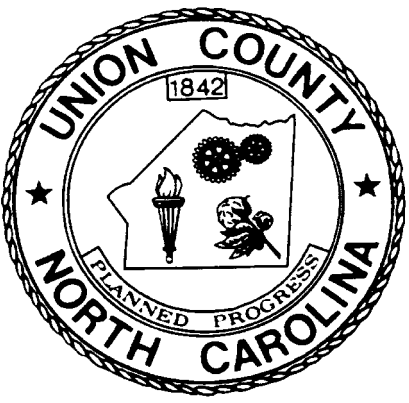
	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
<b>REVENUES</b>					
Intergovernmental	\$ 887,009	\$ 30,944	\$ 81,211	\$ 112,155	\$ (774,854)
Investment earnings	-	787	1,307	2,094	2,094
Miscellaneous	-	5,349	-	5,349	5,349
Total revenues	887,009	37,080	82,518	119,598	(767,411)
<b>EXPENDITURES</b>					
Current					
Public Safety					
Law Enforcement-federal forfeited prop.	71,000	526	7,810	8,336	62,664
Law Enforcement-controlled sub. tax	79,500	10,743	11,871	22,614	56,886
Law Enforcement-domestic violence	192,000	-	49,550	49,550	142,450
Homeland Security-FY03 U.S. grant	380,683	-	-	-	380,683
Homeland Security-FY04 U.S. grant	247,326	-	-	-	247,326
Homeland Security-urban area initiative	75,000	-	-	-	75,000
Total expenditures	1,045,509	11,269	69,231	80,500	965,009
Revenues over (under) expenditures	(158,500)	25,811	13,287	39,098	197,598
<b>OTHER FINANCING SOURCES</b>					
Transfers in					
General Fund	158,500	142,318	8,000	150,318	(8,182)
Revenues and other financing sources over expenditures	\$ -	\$ 168,129	21,287	\$ 189,416	\$ 189,416
<b>FUND BALANCE</b>					
Beginning of year - July 1			168,129		
End of year - June 30			\$ 189,416		

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# Debt Service Fund

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The Debt Service Fund accounts for the accumulation of governmental resources for a debt service sinking fund.





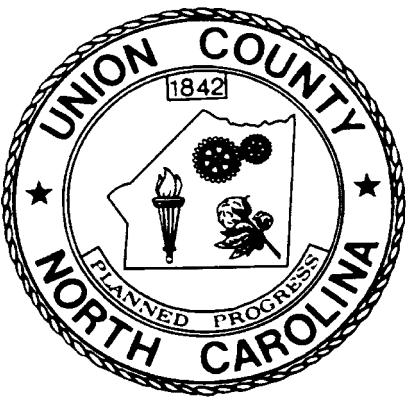
**Debt Service Fund**  
**Schedule of Revenues and Changes**  
**in Fund Balance**

For the Year Ended June 30, 2004

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

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	<u>2004</u>	<u>2003</u>
<b>OTHER FINANCING SOURCES</b>		
Transfers in		
General Fund	\$ 916,430	\$ -
<b>FUND BALANCE</b>		
Beginning of year - July 1	<u>-</u>	<u>-</u>
End of year - June 30	<u>\$ 916,430</u>	<u>\$ -</u>



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# Capital Project Funds

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

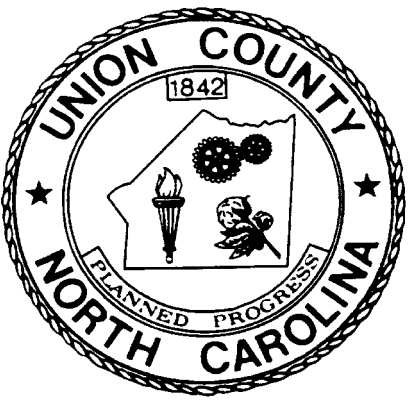
**General Capital Project Fund** - This fund accounts for various capital improvement projects that will be financed from General Fund resources and installment financing(s).

**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, 2004

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
<b>REVENUES</b>					
Intergovernmental	\$ 450,000	\$ -	\$ 250,000	\$ 250,000	\$ (200,000)
Investment earnings	-	-	231,648	231,648	231,648
Miscellaneous	120,000	120,000	-	120,000	-
Total revenues	570,000	120,000	481,648	601,648	31,648
<b>EXPENDITURES</b>					
Capital outlay					
General Government					
Judicial Center	15,957,496	831,295	8,151,617	8,982,912	6,974,584
Public Safety					
Law Enforcement-Jail Software	164,518	102,171	57,447	159,618	4,900
Law Enforcement-Animal Shelter	742,500	-	-	-	742,500
Economic and Physical Development					
Agricultural/One-Stop Permit Center	6,528,835	29,413	192,382	221,795	6,307,040
Cultural and Recreation					
Parks & Recreation-2004 PARTF Grant	500,000	-	76,541	76,541	423,459
Parks & Recreation-Potential Grant	140,000	-	-	-	140,000
Cane Creek Park-Festival Area	60,000	59,594	-	59,594	406
Parks & Recreation-J. Helms Park Ph.1	-	-	5,000	5,000	(5,000)
Education					
School Capital Outlay-FY2002 Roll	764,300	764,300	-	764,300	-
School Capital Outlay-FY2003 Allocation	2,800,000	2,240,483	559,517	2,800,000	-
School Capital Outlay-Fairview Elem	258,363	8,363	40,474	48,837	209,526
School Capital Outlay-W. Bickett Elem	8,514,353	6,706,969	1,344,202	8,051,171	463,182
School Capital Outlay-FY2004 Allocation	4,027,314	-	3,005,387	3,005,387	1,021,927
School Capital Outlay-Brewer Renov/Expan	510,483	-	-	-	510,483
SPCC-Old Charlotte Hwy	2,299,264	1,788,764	469,704	2,258,468	40,796
SPCC-West Continuing Education Center	2,291,430	131,587	871,539	1,003,126	1,288,304
Debt Service					
Debt Issuance	805,224	789,009	-	789,009	16,215
Total expenditures	46,364,080	13,451,948	14,773,810	28,225,758	18,138,322
Revenues under expenditures	(45,794,080)	(13,331,948)	(14,292,162)	(27,624,110)	18,169,970
<b>OTHER FINANCING SOURCES</b>					
Transfers in					
General Fund	10,179,450	3,722,818	6,563,736	10,286,554	107,104
Emergency Telephone System Fund	66,000	66,000	-	66,000	-
Proceeds from general obligation bonds	742,500	-	-	-	(742,500)
Proceeds from installment financing debt	34,806,130	34,901,154	-	34,901,154	95,024
Total other financing sources	45,794,080	38,689,972	6,563,736	45,253,708	(540,372)
Revenues and other financing sources over (under) expenditures	\$ -	\$ 25,358,024	(7,728,426)	\$ 17,629,598	\$ 17,629,598
<b>FUND BALANCE</b>					
Beginning of year - July 1			25,358,024		
End of year - June 30			\$ 17,629,598		

**Library Capital Reserve Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance**

For the Year Ended June 30, 2004

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

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Investment earnings	\$ 955	\$ 13,392
<b>OTHER FINANCING USES</b>		
Transfers out		
Library Capital Projects Fund	-	(680,000)
Revenues over (under) other financing uses	955	(666,608)
<b>FUND BALANCE</b>		
Beginning of year - July 1	<u>139,181</u>	<u>805,789</u>
End of year - June 30	<u>\$ 140,136</u>	<u>\$ 139,181</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, 2004

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
<b>REVENUES</b>					
Intergovernmental	\$ 868,040	\$ 736,040	\$ 132,000	\$ 868,040	\$ -
Miscellaneous	550,741	550,741	-	550,741	-
Total revenues	1,418,781	1,286,781	132,000	1,418,781	-
<b>EXPENDITURES</b>					
Capital outlay					
Cultural and Recreation					
Monroe Library	4,612,675	4,545,492	28,234	4,573,726	38,949
Union West Library	1,805,744	1,730,652	24,800	1,755,452	50,292
Marshville	1,535,462	831,130	678,096	1,509,226	26,236
Weddington	32,965	32,965	-	32,965	-
Waxhaw	221,899	221,155	-	221,155	744
Automation	24,411	24,411	-	24,411	-
Total expenditures	8,233,156	7,385,805	731,130	8,116,935	116,221
Revenues under expenditures	(6,814,375)	(6,099,024)	(599,130)	(6,698,154)	116,221
<b>OTHER FINANCING SOURCES</b>					
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 installment financing debt	2,824,674	2,824,674	-	2,824,674	-
Total other financing sources	6,814,375	6,814,375	-	6,814,375	-
Revenues and other financing sources over (under) expenditures	\$ -	\$ 715,351	(599,130)	\$ 116,221	\$ 116,221
<b>FUND BALANCE</b>					
Beginning of year - July 1			715,351		
End of year - June 30			\$ 116,221		

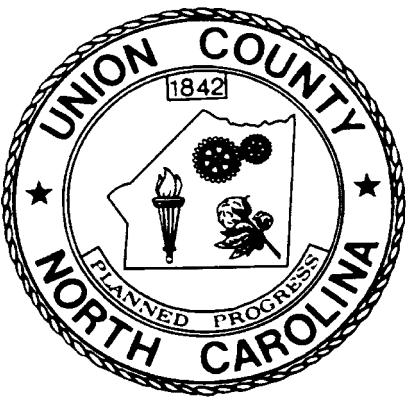
**School Bond Fund - 55**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
From Inception and for the Year Ended June 30, 2004

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
<b>REVENUES</b>					
Investment earnings	\$ 1,363,308	\$ 1,312,918	\$ 44,084	\$ 1,357,002	\$ (6,306)
<b>EXPENDITURES</b>					
Capital outlay					
Education					
Forest Hills Cluster	1,814,064	1,670,261	100,035	1,770,296	43,768
Monroe Cluster	524,035	449,218	74,817	524,035	-
Parkwood Cluster	4,228,399	1,880,177	1,954,198	3,834,375	394,024
Piedmont Cluster	860,666	794,219	56,778	850,997	9,669
Sun Valley Cluster	1,806,725	1,358,657	399,747	1,758,404	48,321
Weddington Cluster	82,381	69,831	6,367	76,198	6,183
New ES#1-Piedmont Area	9,782,467	604,351	7,309,632	7,913,983	1,868,484
New ES#2-Parkwood Area	10,673,272	16,100	109,195	125,295	10,547,977
New ES#3-Sun Valley Area	9,933,162	1,874,559	6,931,739	8,806,298	1,126,864
New ES#4-Weddington Area / Marvin	7,917,614	7,833,253	49,623	7,882,876	34,738
New MS-Piedmont/Sun Valley Area	16,445,401	19,505	4,725,035	4,744,540	11,700,861
New HS-Piedmont/Sun Valley Area	32,827,675	2,199,936	10,394,046	12,593,982	20,233,693
New Career Center	15,414,738	-	132,561	132,561	15,282,177
Land costs	5,250,000	-	1,800,000	1,800,000	3,450,000
Off-site costs	2,505,099	-	-	-	2,505,099
Contingency / inflation	2,672,630	-	-	-	2,672,630
School administrative costs	2,202,172	-	27,616	27,616	2,174,556
Debt Service					
Debt Issuance	59,500	58,236	38,750	96,986	(37,486)
Total expenditures	125,000,000	18,828,303	34,110,139	52,938,442	72,061,558
Revenues under expenditures	(123,636,692)	(17,515,385)	(34,066,055)	(51,581,440)	72,055,252
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out					
General Fund	(1,363,308)	(1,312,918)	(44,084)	(1,357,002)	6,306
Proceeds from general obligation bonds	125,000,000	30,000,000	-	30,000,000	(95,000,000)
Total other financing sources (uses)	123,636,692	28,687,082	(44,084)	28,642,998	(94,993,694)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 11,171,697	(34,110,139)	\$ (22,938,442)	\$ (22,938,442)
<b>FUND BALANCE</b>					
Beginning of year - July 1			11,171,697		
End of year - June 30			\$ (22,938,442)		



**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, 2004

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
<b>REVENUES</b>					
Investment earnings	\$ 2,387,488	\$ 2,355,039	\$ 19,299	\$ 2,374,338	\$ (13,150)
<b>EXPENDITURES</b>					
Capital outlay					
Education					
Forest Hills Cluster	10,824,393	10,634,102	186,302	10,820,404	3,989
Monroe Cluster	7,444,012	7,531,849	(85,709)	7,446,140	(2,128)
Parkwood Cluster	8,372,652	7,338,624	1,026,482	8,365,106	7,546
Piedmont Cluster	11,854,602	10,546,258	1,260,921	11,807,179	47,423
Sun Valley Cluster	9,378,104	8,443,202	912,266	9,355,468	22,636
Weddington Cluster	3,850,887	2,404,956	1,195,773	3,600,729	250,158
Piedmont / Sun Valley Cluster	868,000	462,910	253,199	716,109	151,891
Debt Service					
Debt Issuance	107,350	106,151	-	106,151	1,199
Total expenditures	52,700,000	47,468,052	4,749,234	52,217,286	482,714
Revenues under expenditures	(50,312,512)	(45,113,013)	(4,729,935)	(49,842,948)	469,564
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					
General Fund	1,184,579	1,184,578	-	1,184,578	(1)
Transfers out					
General Fund	(3,572,067)	(3,539,617)	(19,299)	(3,558,916)	13,151
Proceeds from general obligation bonds	52,700,000	52,700,000	-	52,700,000	-
Total other financing sources (uses)	50,312,512	50,344,961	(19,299)	50,325,662	13,150
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 5,231,948	(4,749,234)	\$ 482,714	\$ 482,714
<b>FUND BALANCE</b>					
Beginning of year - July 1			5,231,948		
End of year - June 30			\$ 482,714		



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# Enterprise Funds

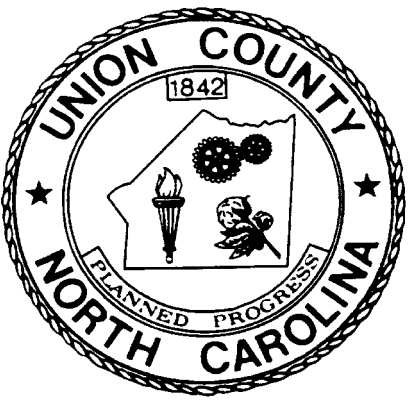
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Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost of providing goods and services to the general public on a continuing 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.

**Stormwater Fund** - This fund accounts for the county's stormwater program.



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

For the Year Ended June 30, 2004

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

	2004		Variance Positive (Negative)	2003
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Operating revenues				
Water sales	\$ 7,400,000	\$ 8,181,615	\$ 781,615	\$ 7,224,465
Sewer sales	5,950,000	6,848,691	898,691	6,277,874
Other operating revenues	185,000	679,632	494,632	302,855
Total	<u>13,535,000</u>	<u>15,709,938</u>	<u>2,174,938</u>	<u>13,805,194</u>
Nonoperating revenues				
Investment earnings	528,011	373,378	(154,633)	528,189
Water and sewer taps	3,855,000	6,838,614	2,983,614	4,556,927
Proceeds from sale of fixed assets	-	25,480	25,480	7,604,550
Intergovernmental	-	115,000	115,000	211,016
Total	<u>4,383,011</u>	<u>7,352,472</u>	<u>2,969,461</u>	<u>12,900,682</u>
Total revenues	<u>17,918,011</u>	<u>23,062,410</u>	<u>5,144,399</u>	<u>26,705,876</u>
<b>EXPENDITURES</b>				
Administration	1,180,911	989,511	191,400	1,111,747
Water	4,950,766	4,657,407	293,359	3,905,226
Sewer-county customers	4,317,802	4,106,658	211,144	7,256,803
Sewer-Marshville/Monroe	814,388	765,435	48,953	936,023
Nondepartmental	43,005	-	43,005	-
Debt Service				
General obligation bonds - principal	2,968,779	2,968,779	-	2,980,664
Revenue bonds - principal	1,515,000	1,515,000	-	490,000
State sanitary loan - principal	233,697	233,697	-	233,697
Interest and fees	3,094,164	3,070,777	23,387	3,363,994
Total expenditures	<u>19,118,512</u>	<u>18,307,264</u>	<u>811,248</u>	<u>20,278,154</u>
Revenues over (under) expenditures	<u>(1,200,501)</u>	<u>4,755,146</u>	<u>5,955,647</u>	<u>6,427,722</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds:				
Water and Sewer Fund	(12,218,168)	(12,218,168)	-	-
Proceeds from revenue bonds	-	-	-	6,455,371
Proceeds from refunding revenue bonds	-	-	-	20,935,000
Proceeds from refunding general obligation bonds	3,379,900	3,373,260	(6,640)	-
Payments to refunded bonds escrow agent	(3,352,000)	(3,338,799)	13,201	(20,501,835)
Total other financing sources (uses)	<u>(12,190,268)</u>	<u>(12,183,707)</u>	<u>6,561</u>	<u>6,888,536</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(13,390,769)</u>	<u>(7,428,561)</u>	<u>5,962,208</u>	<u>13,316,258</u>
<b>APPROPRIATED FUND BALANCE</b>				
	<u>13,390,769</u>	<u>-</u>	<u>(13,390,769)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing use	<u>\$ -</u>	<u>\$ (7,428,561)</u>	<u>\$ (7,428,561)</u>	<u>\$ 13,316,258</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, 2004

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
<b>REVENUES</b>					
Nonoperating revenues					
Intergovernmental	\$ 1,961,300	\$ -	35,468	\$ 35,468	\$ (1,925,832)
Investment earnings	-	10,148	50,104	60,252	60,252
Developer contributions	64,062	64,062	485	64,547	485
Total revenues	2,025,362	74,210	86,057	160,267	(1,865,095)
<b>EXPENDITURES</b>					
Administration capital outlay					
Public Works Renovation	113,000	-	12,571	12,571	100,429
SCADA System Improvements	850,000	-	-	-	850,000
Master Plan Update	200,000	-	-	-	200,000
Contributed Capital	25,000	-	-	-	25,000
Water capital outlay					
Expand CRWTP 18MGD	7,406,047	4,811,629	2,153,779	6,965,408	440,639
Rocky River WTP	98,450	-	83,515	83,515	14,935
Stallings Tank	457,150	454,694	410	455,104	2,046
Stallings Area Water Lines	732,435	652,819	7,745	660,564	71,871
Water Main to Sims Road	5,690,871	1,774,094	3,488,388	5,262,482	428,389
Sims Tank & Pump Station	1,575,632	1,157,631	292,909	1,450,540	125,092
Water Main County Wide	11,583,873	486,699	229,025	715,724	10,868,149
Anson Water Improvements	-	1,785	-	1,785	(1,785)
Waxhaw Marvin Improvements	323,246	75,394	242,896	318,290	4,956
Waxhaw Marvin Generator	152,000	109,924	41,951	151,875	125
Auto Meter Read	800,600	600	19,451	20,051	780,549
Altan South Lines	3,030,996	562,212	1,232,494	1,794,706	1,236,290
Northwest Tank	-	14,714	1,200	15,914	(15,914)
NC218 Goose Creek Crossing	200,330	-	5,824	5,824	194,506
Hemby Bridge Crossing	83,202	-	1,070	1,070	82,132
Self Help Program	8,850	869	-	869	7,981
Wellington Woods Self Help	36,581	34,696	-	34,696	1,885
Helms Road Line Self Help	66,304	65,313	-	65,313	991
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
NC218 Water Line	2,057,000	-	134,480	134,480	1,922,520
Indian Trail Water Line Relocation	75,377	-	691	691	74,686
J. Frank Moser Rd Self Help Program	26,000	-	4,400	4,400	21,600
Watkins Rd Pump Station	2,309,585	-	53,583	53,583	2,256,002
County Wide Phase II	300,000	-	78,244	78,244	221,756
Roanoke Church Rd Self Help Program	35,125	-	4,920	4,920	30,205
Brett Dr Self Help Program	6,155	-	2,680	2,680	3,475
Providence Woods Self Help Program	80,725	-	-	-	80,725
Mt Pleasant Church Rd Self Help Program	65,625	-	-	-	65,625
Bulk Water Stations	60,000	-	-	-	60,000
Misc Water Line Replacement	260,000	-	-	-	260,000
Sewer capital outlay					
Expand 12 Mile Creek 6MGD	1,022,697	223,237	195,372	418,609	604,088
Hunley Creek Off Line	1,452,242	97,674	19,670	117,344	1,334,898
Crooked Creek Lab Expansion and UV	947,930	28,974	775,709	804,683	143,247

Continued on next page.

**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, 2004

(continued)

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
<b>EXPENDITURES (continued)</b>					
Sewer capital outlay (continued)					
IBT Permitting	30,740	27,096	483	27,579	3,161
Rocky River WWTP-Future	255,333	90,667	133,125	223,792	31,541
Sheafer Cost Validation	24,709	19,767	4,942	24,709	-
Tallwood UV Improvements	57,500	-	-	-	57,500
Sewer Miscellaneous Projects	26,302	-	1,777	1,777	24,525
Little 12 Mile Creek Sewer	1,985,536	1,030,901	44,021	1,074,922	910,614
Blythe Creek Sewer	1,823,539	671,729	1,009,278	1,681,007	142,532
Parkwood School	443,744	302,427	116,595	419,022	24,722
West Union School	391,750	12,425	2,304	14,729	377,021
Marvin Branch	62,146	60,130	-	60,130	2,016
Crooked Creek I and I	-	10,500	4,500	15,000	(15,000)
Waxhaw Server Rehabilitation	1,139,932	17,950	4,493	22,443	1,117,489
Phase 1 Sewer Improvements	240,026	121,516	50,029	171,545	68,481
Crooked Creek Interceptor-Contract 4	1,469,569	270,634	5,210	275,844	1,193,725
Crooked Creek Interceptor-Contract 5	16,434	14,920	1,514	16,434	-
Crooked Creek Interceptor-Contract 6	308,893	57,033	7,084	64,117	244,776
Upper Price Mill	-	593	-	593	(593)
West Fork 12 Mile Creek	-	7,990	-	7,990	(7,990)
Sewer Mapping and Hydraulic Model	330,000	-	-	-	330,000
I and I Reduction	1,707,500	3,750	70,665	74,415	1,633,085
Connect Diversion Force Main	100,000	-	-	-	100,000
Total expenditures	<u>52,713,819</u>	<u>13,423,692</u>	<u>10,538,997</u>	<u>23,962,689</u>	<u>28,751,130</u>
Revenues under expenditures	(50,688,457)	(13,349,482)	(10,452,940)	(23,802,422)	26,886,035
<b>OTHER FINANCING SOURCES</b>					
Transfers from other funds:					
Water and Sewer Capital Reserve Fund	187,656	-	187,656	187,656	-
Water and Sewer Fund	22,218,168	-	12,218,168	12,218,168	(10,000,000)
Proceeds from bonds	27,378,378	27,420,980	-	27,420,980	42,602
Proceeds from loan	904,255	-	-	-	(904,255)
Total other financing sources	50,688,457	27,420,980	12,405,824	39,826,804	(10,861,653)
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 14,071,498</u>	1,952,884	<u>\$ 16,024,382</u>	<u>\$ 16,024,382</u>
<b>FUND BALANCE</b>					
Beginning of year - July 1			14,071,498		
End of year - June 30			<u>\$ 16,024,382</u>		

**Water and Sewer Capital Reserve Fund**  
**Schedule of Revenues and Expenditures-**  
**Non-GAAP**

For the Year Ended June 30, 2004

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

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Investment earnings	\$ 109	\$ 4,212
<b>OTHER FINANCING USES</b>		
Transfers to other funds:		
Water and Sewer Capital Project Fund	<u>(187,656)</u>	<u>-</u>
Revenues over (under) expenditures and other financing uses	<u>\$ (187,547)</u>	<u>\$ 4,212</u>



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

For the Year Ended June 30, 2004

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

	2004	2003
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ (7,428,561)	\$ 13,316,258
Water and Sewer Capital Reserve Fund	(187,547)	4,212
Water and Sewer Capital Project Fund	1,952,884	14,071,498
Sewer Capital Project Fund	-	(37,302)
Water Capital Project Fund	-	(1,159,835)
Total	<u>(5,663,224)</u>	<u>26,194,831</u>
Reconciling items		
Amortization of G.O. bond and Revenue bond defeasance	(390,185)	(154,354)
Amortization of G.O. and Revenue bond issuance costs	(62,440)	(28,916)
Amortization of G.O. and Revenue bond premium	29,120	415
Amortization of G.O. bond gain on refunding	7,990	7,990
Amortization of Revenue bond discount	(11,220)	(22,573)
G.O. bond and Revenue bond proceeds	(3,303,196)	(54,065,000)
G.O. bond and Revenue bond proceeds - interest	(8,084)	-
G.O. bond and Revenue bond premium	(61,980)	(746,351)
G.O. bond and Revenue bond defeasance	3,338,799	20,501,835
G.O. bond and Revenue bond issuance costs	19,457	1,041,090
Capitalized interest	964,746	907,532
Payment of debt principal	4,717,476	3,704,361
Increase in compensated absences payable	(23,074)	(39,626)
(Increase) decrease in interest expense accrual	27,069	(23,967)
Net interest expense incurred due to debt refunding	(2,237)	-
Increase in inventories	102,784	77,939
Increase in allowance for uncollectible accounts	(193,136)	(147,799)
Capital outlay	11,332,573	18,525,778
Loss on investment in joint venture	(94,052)	(122,901)
Disposal of land	-	(477,410)
(Gain) loss on disposal of fixed assets	(48,348)	1,425
Capital contributions	12,476,798	8,726,879
Depreciation	(4,468,498)	(3,524,150)
Total	<u>24,350,362</u>	<u>(5,857,803)</u>
Change in net assets	<u>\$ 18,687,138</u>	<u>\$ 20,337,028</u>

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

For the Year Ended June 30, 2004

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

	2004			2003
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>REVENUES</b>				
Operating revenues				
Solid waste charges	\$ 2,500,941	\$ 2,620,764	\$ 119,823	\$ 2,550,031
Disposal fees	165,000	183,135	18,135	170,795
Other operating revenues	7,020	4,198	(2,822)	7,120
Total	<u>2,672,961</u>	<u>2,808,097</u>	<u>135,136</u>	<u>2,727,946</u>
Nonoperating revenues				
Investment earnings	50,000	15,679	(34,321)	49,932
Total revenues	<u>2,722,961</u>	<u>2,823,776</u>	<u>100,815</u>	<u>2,777,878</u>
<b>EXPENDITURES</b>				
Administration	170,445	123,164	47,281	67,597
Solid waste landfill	3,203,647	2,645,912	557,735	2,899,236
Nondepartmental	79,350	-	79,350	-
Total expenditures	<u>3,453,442</u>	<u>2,769,076</u>	<u>684,366</u>	<u>2,966,833</u>
Revenues over (under) expenditures	(730,481)	54,700	785,181	(188,955)
<b>APPROPRIATED FUND BALANCE</b>				
	<u>730,481</u>	<u>-</u>	<u>(730,481)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 54,700</u>	<u>\$ 54,700</u>	<u>\$ (188,955)</u>

**Solid Waste Capital Reserve Fund**

**Schedule of Revenues -**

**Non-GAAP**

For the Year Ended June 30, 2004

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

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	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Investment earnings	<u>\$ 30,696</u>	<u>\$ 97,588</u>

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

For the Year Ended June 30, 2004

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

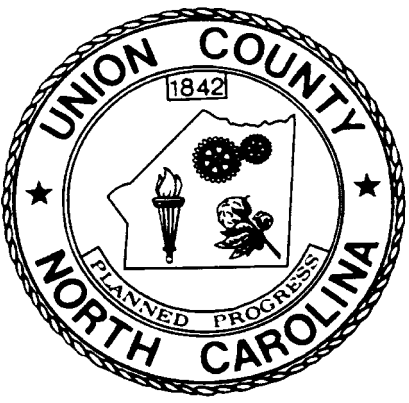
	2004	2003
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ 54,700	\$ (188,955)
Capital Reserve Fund	30,696	97,588
Total	<u>85,396</u>	<u>(91,367)</u>
Reconciling items		
(Increase) decrease in compensated absences payable	(24,993)	2,376
Increase in accrued landfill postclosure care costs	197,029	(35,166)
(Increase) decrease in allowance for uncollectible accounts	-	(12,944)
Capital outlay	135,988	101,789
Depreciation	(195,641)	(228,018)
Loss on disposal of capital asset	(1,525)	-
Total	<u>110,858</u>	<u>(171,963)</u>
Change in net assets	<u>\$ 196,254</u>	<u>\$ (263,330)</u>

**Stormwater Operating Fund**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non-GAAP)**

For the Year Ended June 30, 2004

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

	2004			2003
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES</b>				
Administration	\$ 139,648	\$ 64,206	\$ 75,442	\$ -
<b>OTHER FINANCING SOURCES</b>				
Transfers in				
General Fund	139,648	108,406	(31,242)	-
Other financing sources over expenditures	\$ -	\$ 44,200	\$ 44,200	\$ -



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# Internal Service Funds

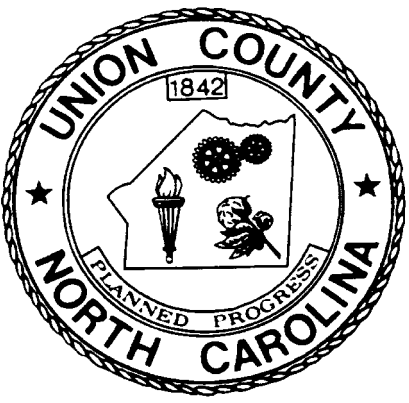
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The Internal Service Funds account for the financing of goods or services provided by one department to other departments of the county on a cost-reimbursement basis.

**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.

**Property and Casualty Fund** - This fund accounts for amounts from individual departments to pay workers' compensation claims.





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

For the Year Ended June 30, 2004

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

	2004	2003
<b>REVENUES</b>		
Operating revenues		
Interfund charges and employee contributions	\$ 4,651,303	\$ 3,669,847
Insurance reimbursement	4,600	312,936
Total	<u>4,655,903</u>	<u>3,982,783</u>
Nonoperating revenues		
Investment earnings	<u>4,563</u>	<u>6,755</u>
Total revenues	<u>4,660,466</u>	<u>3,989,538</u>
<b>EXPENDITURES</b>		
Operating expenditures		
Health benefit claims and premiums	4,127,379	4,265,659
Other operating expenditures	<u>655,897</u>	<u>20,076</u>
Total expenditures	<u>4,783,276</u>	<u>4,285,735</u>
Revenues under expenditures	<u>\$ (122,810)</u>	<u>\$ (296,197)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis</b>		
Revenues under expenditures	\$ (122,810)	\$ (296,197)
Reconciling items:		
Increase in health benefit claims payable	<u>(423,000)</u>	<u>-</u>
Change in net assets	<u>\$ (545,810)</u>	<u>\$ (296,197)</u>

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

For the Year Ended June 30, 2004

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

	2004	2003
<b>REVENUES</b>		
Operating revenues		
Insurance reimbursement	\$ 169,096	\$ 6,479
Nonoperating revenues		
Investment earnings	17,667	62,141
Total revenues	<u>186,763</u>	<u>68,620</u>
<b>EXPENDITURES</b>		
Operating expenditures		
Workers' compensation claims	558,578	375,621
Other operating expenditures	125,586	113,556
Total expenditures	<u>684,164</u>	<u>489,177</u>
Revenues under expenditures	<u>\$ (497,401)</u>	<u>\$ (420,557)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual basis</b>		
Revenues under expenditures	\$ (497,401)	\$ (420,557)
Reconciling items:		
Decrease in workers' compensation claims payable	266,242	129,767
Loss on disposal of capital assets	(10,760)	-
Depreciation	-	(3,228)
Change in net assets	<u>\$ (241,919)</u>	<u>\$ (294,018)</u>

Union County, North Carolina

**Schedule 35**

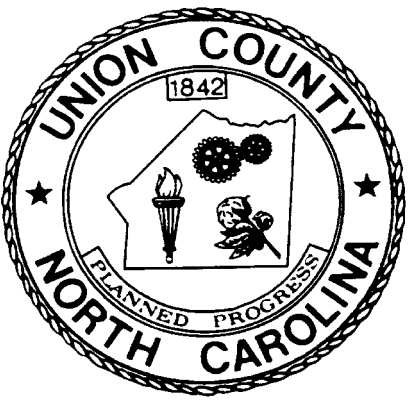
**Property and Casualty Fund**  
**Schedule of Revenues**  
**(Non-GAAP)**

For the Year Ended June 30, 2004

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

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	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Operating revenues		
Insurance reimbursement	<u>\$ 86,812</u>	<u>\$ -</u>



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# Fiduciary Funds

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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.

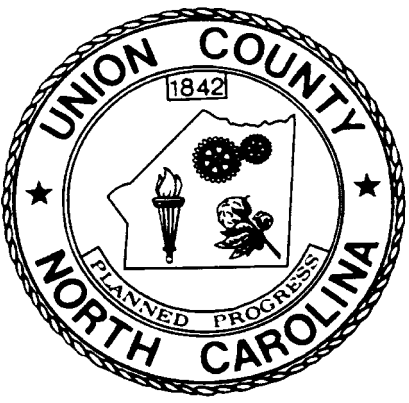
**Fines and Forfeitures Fund** - This fund accounts for fines and forfeitures collected by the county that are required to be remitted to the Union County Public Schools Board of Education.

**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**

For the Year Ended June 30, 2004

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

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Operating revenues		
Employer contributions	\$ 419,405	\$ 362,209
Investment earnings	8,865	29,278
Total revenues	<u>428,270</u>	<u>391,487</u>
<b>EXPENSES</b>		
Operating expenses		
Employee benefits	<u>455,376</u>	<u>362,905</u>
Revenues over expenses	(27,106)	28,582
<b>NET ASSETS</b>		
Beginning of year-July 1	<u>1,350,825</u>	<u>1,322,243</u>
End of year-June 30	<u><u>\$ 1,323,719</u></u>	<u><u>\$ 1,350,825</u></u>

**Agency Funds****Combining Statement of Changes in Assets and Liabilities**

For the Year Ended June 30, 2004

	Balance June 30, 2003 (as Restated)	Additions	Deductions	Balance June 30, 2004
<b>SOCIAL SERVICES</b>				
<b>ASSETS</b>				
Cash and investments	\$ 79,829	\$ 256,747	\$ 279,452	\$ 57,124
<b>LIABILITIES</b>				
Due to program participants	\$ 79,829	\$ 256,747	\$ 279,452	\$ 57,124
<b>FINES AND FORFEITURES</b>				
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 1,353,650	\$ 1,353,650	\$ -
Accounts receivable (net)	87,273	70,150	87,273	70,150
Total assets	\$ 87,273	\$ 1,423,800	\$ 1,440,923	\$ 70,150
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 87,273	\$ 1,423,800	\$ 1,440,923	\$ 70,150
<b>JAIL INMATE FUND</b>				
<b>ASSETS</b>				
Cash and investments	\$ 18,254	\$ 326,434	\$ 315,599	\$ 29,089
<b>LIABILITIES</b>				
Due to program participants	\$ 18,254	\$ 326,434	\$ 315,599	\$ 29,089
<b>MONROE SCHOOL DISTRICT</b>				
<b>ASSETS</b>				
Cash and investments	\$ 18,932	\$ 1,423,425	\$ 1,420,873	\$ 21,484
Property taxes receivable (net)	52,231	977,837	981,740	48,328
Accounts receivable (net)	128,056	126,046	128,056	126,046
Total assets	\$ 199,219	\$ 2,527,308	\$ 2,530,669	\$ 195,858
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 199,219	\$ 1,629,127	\$ 1,632,488	\$ 195,858
<b>UNION COUNTY SCHOOL DISTRICT</b>				
<b>ASSETS</b>				
Cash and investments	\$ 81,189	\$ 9,479,950	\$ 9,461,240	\$ 99,899
Property taxes receivable (net)	191,176	6,686,341	6,670,561	206,956
Accounts receivable (net)	809,548	796,841	809,548	796,841
Total assets	\$ 1,081,913	\$ 16,963,132	\$ 16,941,349	\$ 1,103,696
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,081,913	\$ 10,650,541	\$ 10,628,758	\$ 1,103,696

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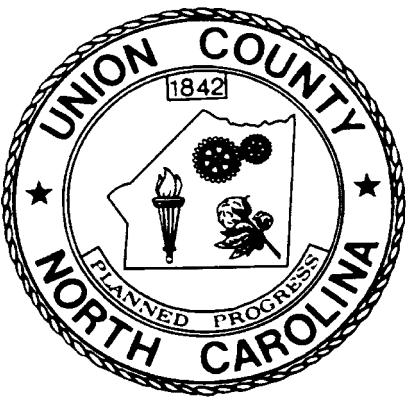
## Agency Funds

(continued)

## Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2004

	Balance June 30, 2003 (as Restated)	Additions	Deductions	Balance June 30, 2004
<b>MUNICIPAL TAX COLLECTION</b>				
<b>ASSETS</b>				
Cash and investments	\$ 146,285	\$ 1,750,888	\$ 1,727,156	\$ 170,017
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 146,285	\$ 1,641,149	\$ 1,617,417	\$ 170,017
<b>GROSS RENTAL RECEIPTS TAX FUND</b>				
<b>ASSETS</b>				
Cash and investments	\$ 198	\$ 43,880	\$ 43,551	\$ 527
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 198	\$ 50,275	\$ 49,946	\$ 527
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and investments	\$ 344,687	\$ 14,634,974	\$ 14,601,521	\$ 378,140
Property taxes receivable (net)	243,407	7,664,178	7,652,301	255,284
Accounts receivable (net)	1,024,877	993,037	1,024,877	993,037
Total assets	\$ 1,612,971	\$ 23,292,189	\$ 23,278,699	\$ 1,626,461
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,514,888	\$ 15,394,892	\$ 15,369,532	\$ 1,540,248
Due to program participants	98,083	583,181	595,051	86,213
Total liabilities	\$ 1,612,971	\$ 15,978,073	\$ 15,964,583	\$ 1,626,461



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# Additional Financial Data

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This section contains additional information on property taxes.

**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, 2004

**Schedule 38**

Fiscal Year	Uncollected Balance June 30, 2003	Additions and Adjustments	Collections and Credits	Uncollected Balance June 30, 2004
2004-2005	\$ -	\$ 63,622	\$ 12,559	\$ 51,063
2003-2004	59,362	57,066,655	55,711,807	1,414,210
2002-2003	1,185,974	74,962	908,210	352,726
2001-2002	312,136	73,369	186,431	199,074
2000-2001	179,518	61,807	165,981	75,344
1999-2000	166,509	1,386	111,314	56,581
1998-1999	35,371	719	3,409	32,681
1997-1998	21,434	-	981	20,453
1996-1997	17,056	-	649	16,407
1995-1996	16,465	-	608	15,857
1994-1995	16,417	(205)	82	16,130
1993-1994	14,091	-	14,091	-
	<u>\$ 2,024,333</u>	<u>\$ 57,342,315</u>	<u>\$ 57,116,122</u>	<u>2,250,526</u>
Plus: Uncollected 2003-2004 ad valorem taxes receivable on annually registered vehicles				41,386
Less: Allowance for uncollectible ad valorem taxes receivable				<u>(498,527)</u>
Ad valorem taxes receivable (net)				<u>\$ 1,793,385</u>
Reconcilement with revenues				
Taxes - ad valorem				<u>\$ 57,699,061</u>
Reconciling items				
2004 tax prepayments				12,559
Write-offs per statute of limitations and of small amounts				14,091
Write-offs of 1999-2000 uncollected motor vehicle tax				166,206
Refunds				21,548
Recognition of previously collected 2002-2003 ad valorem taxes on annually registered vehicles				134,474
Collections in advance				(558,584)
Interest and advertising cost recovery				(350,287)
Foreclosure fees and overpayments				30,917
Collections on written off motor vehicle amounts				(25,769)
Animal Taxes				(28,094)
Adjustment				-
Total reconciling items				<u>(582,939)</u>
Total collections and credits				<u>\$ 57,116,122</u>

Union County, North Carolina  
**Analysis of Current Tax Levy**  
**County-wide Levy**  
For the Year Ended June 30, 2004

**Schedule 39**

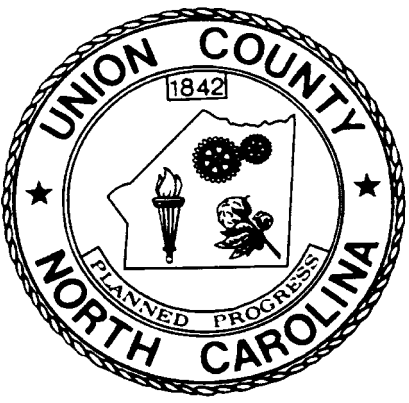
	County-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original Levy</b>					
Property taxed at current year's rate	\$ 10,330,728,343	0.5300	\$ 54,750,902	\$ 50,958,929	\$ 3,791,973
Motor vehicles taxed at prior year's rate	436,045,220	0.4705	2,012,688	-	2,012,688
Motor vehicles taxed at prior year's rate	13,090	0.6600	86	-	86
Late listing	-		77,805	77,805	-
<b>Total</b>	<b>10,766,786,653</b>		<b>56,841,481</b>	<b>51,036,734</b>	<b>5,804,747</b>
<b>Discoveries</b>					
Property taxed at current year's rate	46,017,152	0.5300	243,384	243,384	-
Late listing	-		10,557	10,557	-
<b>Total</b>	<b>46,017,152</b>		<b>253,941</b>	<b>253,941</b>	<b>-</b>
<b>Abatements</b>					
Property taxed at current year's rate	33,239,294	0.5300	166,489	109,489	57,000
Motor vehicles taxed at prior year's rate	8,772,281	0.4705	36,110	-	36,110
Motor vehicles taxed at prior year's rate	12,420	0.66	27	-	27
Late listing	-		3,931	3,931	-
<b>Total</b>	<b>42,023,995</b>		<b>206,557</b>	<b>113,420</b>	<b>93,137</b>
<b>Total property valuation</b>	<b>\$ 10,770,779,810</b>				
<b>Net levy</b>			<b>56,888,865</b>	<b>51,177,255</b>	<b>5,711,610</b>
Add: Prior years' discoveries			170,199	170,199	-
Add: Refunds			7,452	7,452	-
Add: Write-off's of small amounts			139	-	139
<b>Total additions and adjustments for 2003-2004</b>			<b>57,066,655</b>	<b>51,354,906</b>	<b>5,711,749</b>
Add: Uncollected taxes at June 30, 2003			59,362	5,155	54,207
Less: Uncollected taxes at Sept 30, 2003			(1,414,210)	(885,149)	(529,061)
<b>Total collections and credits for 2002-2003</b>			<b>\$ 55,711,807</b>	<b>\$ 50,474,912</b>	<b>\$ 5,236,895</b>
<b>Percent current year collected</b>			<b>97.63%</b>	<b>98.29%</b>	<b>91.69%</b>

**SECONDARY MARKET DISCLOSURES**

	County-wide		
	Property Valuation	Rate	Amount of Levy
<b>Assessed valuation</b>			
Assessment ratio	100%		
Real property	\$ 8,563,562,876		
Personal property	843,686,824		
Public service companies	232,941,971		
	9,640,191,671	0.5300	\$ 51,177,255
Personal property-motor vehicles	703,314,530	0.5300	3,734,973
Personal property-motor vehicles	427,272,939	0.4705	1,976,578
Personal property-motor vehicles	670	0.6600	59
<b>Total</b>	<b>\$ 10,770,779,810</b>		<b>\$ 56,888,865</b>

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, 2004:

School districts	\$ 7,546,718
Fire protection districts	1,090,259
<b>Total</b>	<b>\$ 8,636,977</b>



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# Statistical Section

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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
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
2004	11,249,830	20,069,403	1,183,641	28,845,735	24,963,887

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
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	19,354,016	1,398,707	14,863,357	4,902,295
2004	57,699,061	21,821,598	1,944,321	16,205,773	7,136,493



**Table 1**

<u>Cultural and Recreational</u>	<u>Debt Service</u>	<u>Total</u>
\$ 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	14,055,547	95,447,129
5,137,412	16,086,527	107,536,435

**Table 2**

<u>Sales and Services</u>	<u>Investment Earnings</u>	<u>Miscellan- eous</u>	<u>Total</u>
\$ 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	96,118,565
3,434,662	415,901	4,303,984	112,961,793

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
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
2004	2003	57,066,655	55,711,807	97.6%	1,211,459

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
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
2004	2003	8,563,563	1,974,275	232,942	10,770,780

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

**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>
\$ 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%
56,923,266	99.7%	2,250,526	3.9%

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

Fiscal Year Ended June 30	Tax Year	Taxes Levied by Union County									City of Monroe
		County-wide Rate	Supplemental School Districts (Approved by the Voters)		Supplemental Fire Districts			Total County Rates			
			Monroe Schools District	County Schools District	Hemby Bridge VFD	Wesley Chapel VFD	Stallings VFD	Maximum	Minimum	Average	
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
2004	2003	.5300	.070	.070	.0360	.0170	.0392	.6392	.6000	.6196	.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 (2)	Net General Bonded Debt Per Capita
1995	\$ 4,479,332	\$ 90,750,900	\$ 37,435,602	\$ 53,315,298	1.19%	96,273	\$ 553.79
1996	4,729,065	85,827,600	35,384,735	50,442,865	1.07%	100,520	501.82
1997	4,965,080	93,353,600	34,407,921	58,945,679	1.19%	105,123	560.73
1998	5,445,525	87,088,500	32,266,570	54,821,930	1.01%	109,787	499.35
1999	5,837,284	80,826,700	30,073,937	50,752,763	0.87%	114,780	442.17
2000	6,308,030	105,182,500	28,078,510	77,103,990	1.22%	120,677	638.93
2001	8,863,213	154,340,201	25,880,364	128,459,837	1.45%	125,421	1,024.23
2002	9,477,687	144,994,000	22,992,386	122,001,614	1.29%	131,813	925.57
2003	10,169,868	135,648,000	20,011,722	115,636,278	1.14%	138,716	833.62
2004	10,770,780	127,136,800	17,185,963	109,950,837	1.02%	144,708	759.81

(2) Source: North Carolina State Demographic Unit

**Table 5**

Overlapping Taxes Levied by Municipalities

Downtown Monroe District	Town of Hemby Bridge	Town of Marshville	Town of Mineral Springs	Town of Mint Hill	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	\$ -	\$ .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
.20	.05	.38	.03	.275	.36	.04	.37	.02	.16	.02	.08	.02	.052	.22

Union County, North Carolina  
**Computation of Legal Debt Margin**  
 June 30, 2004

**Table 7**

Assessed value of taxable property		\$ 10,770,779,810
		x .08
		<u>861,662,385</u>
Debt limit - 8 percent of assessed value		
Gross debt		
General obligation debt	\$ 127,136,800	
General obligation debt authorized and unissued	180,000,000	
Commercial paper bond anticipation notes	21,230,000	
Certificates of Participation	41,600,000	
Installment Financing	306,170	
NC Clean Water Revolving Loan	3,038,056	
	<u>373,311,026</u>	
Less: Water bonds issued and outstanding	(11,378,036)	
Sewer bonds issued and outstanding	(5,807,927)	
NC Clean Water Revolving Loan	<u>(3,038,056)</u>	
Total amount of debt applicable to debt limit		<u>353,087,007</u>
Legal debt margin		<u><u>\$ 508,575,378</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**

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest on Bonds</u>	<u>Total Debt Service</u>	<u>Total General Fund Expenditures</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
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)	95,447,129	13.01%
2004	6,337,421	5,839,507	12,176,928 (2)	107,536,435	11.32%

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  
**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		Adjusted Net Revenues Available for Debt Service
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
2001	19,838,079	7,501,632	12,336,447		12,336,447
2002	17,761,343	9,274,368	8,486,975		8,486,975
				20% Preceding Year's Surplus	
2003	26,044,846	9,414,336	16,630,510	\$ 5,738,188	22,368,698
2004	23,087,628	9,838,861	13,248,767	6,860,065	20,108,832

Notes: FY1995 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 through FY2004

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 9**

<u>Senior Debt Service</u>	<u>Senior Debt Service Coverage</u>	<u>Total Debt Service</u>				<u>Coverage of Total Debt Service Requirements</u>
\$ -	-	\$ 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
1,965,043	6.46	5,060,984				2.51
1,948,307	6.33	4,967,972				2.48
1,940,229	4.37	5,239,371				1.62
			<u>Adj. Total Debt Service + 20% Senior Debt</u>	<u>Coverage Tests</u>		
	<u>Subordinate Debt Service</u>			<u>Adj. Net Rev / Adj. Dbt. Svc.</u>	<u>Net Rev / Total Dbt. Svc.</u>	
1,506,033	\$ 4,514,193	6,020,226	\$ 6,321,433	3.54	2.76	
3,412,226	4,320,053	7,732,279	8,414,724	2.39	1.71	

Union County, North Carolina  
**Demographic Statistics**  
 Last Ten Fiscal Years

**Table 10**

<u>Fiscal Year Ended June 30</u>	<u>Population (1)</u>	<u>Per Capita Personal Income (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>	<u>Retail Sales (5) (000's Omitted)</u>
1995	96,273	\$ 19,785	17,715	2.6%	\$ 867,530
1996	100,520	20,667	18,080	2.5%	991,135
1997	105,123	21,936	18,838	2.7%	1,106,300
1998	109,787	23,486	19,646	2.4%	1,109,397
1999	114,780	24,827	20,504	2.0%	1,210,670
2000	120,677	26,175	21,602	2.0%	1,304,253
2001	125,421	27,311	22,875	2.7%	1,370,180
2002	131,813	26,227	24,868	5.7%	1,409,840
2003	138,716	Not Available	25,830	5.4%	1,425,656
2004	144,708	Not Available	27,031	5.2%	1,093,412

- Sources:
- (1) Source: North Carolina State Demographic Unit
  - (2) United States Dept of Commerce, Bureau of Economic Analysis
  - (3) Amounts for fiscal years 1995-2001 use final ADM estimates provided by the State Board of Education and DPI. The amount shown for the 2002 fiscal year is estimated by the School System.
  - (4) North Carolina Employment Security Commission
  - (5) North Carolina Department of Revenue  
 The amount shown for the 2004 fiscal year is for July 2003-March 2004.

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

**Table 11**

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)
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	1,096,649	1,273,609	8,896,259
2004	312	130,596	4,060	517,127	1,161,178	1,322,250	9,448,530

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, 2004

**Table 12**

Taxpayer	Type of Business	2003 Assessed Valuation	Percentage of Total Assessed Valuation
Charlotte Pipe & Foundry Company	Plastics	\$ 111,678,876	1.04%
Teledyne	Metals	58,668,723	0.54%
Union Electric Membership Corporation	Utility	58,440,355	0.54%
Duke Power Company	Utility	52,487,859	0.49%
Tyson Foods / Holly Farms	Poultry	44,844,439	0.42%
Verizon South Inc.	Utility	39,603,374	0.37%
Alltel Carolina Inc.	Utility	34,319,021	0.32%
NC Natural Gas Corporation	Gas	26,739,352	0.25%
Harris Teeter	Distribution of Food	26,276,896	0.24%
Wampler Foods, Inc	Poultry	26,141,685	0.24%
Total assessed valuation of top 10 taxpayers		<u>\$ 479,200,580</u>	<u>4.45%</u>
Total county-wide assessed valuation		<u>\$ 10,770,779,810</u>	

Source: Union County Tax Assessor's Office.

Union County, North Carolina  
**Miscellaneous Statistics**  
 June 30, 2004

**Table 13**

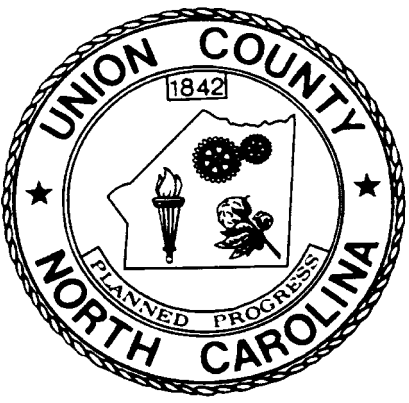
Date of establishment	1842
Form of government	Commissioner-Manager
Area in square miles	643
Miles of roads-paved ( 1 )	1,409
Miles of roads-unpaved ( 1 )	69
Police Protection: ( 2 )	
Number of stations	8
Number of deputies/officers	309
Number of patrol units	236
Fire Protection: ( 3 )	
Number of stations	18 Main, 7 sub-stations
Number of volunteer fire personnel	500
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	180,193
Employees:	
Full-time	796
Part-time	145
Education: ( 6 )	
Number of schools	34
Number of classrooms	1,126
Number of teachers	1,672
Number of students	27,031
Water system: ( 7 )	
Number of service connections	26,564
Average daily consumption in gallons	7,272,060
Miles of water mains	585
Number of fire hydrants	2,490
Sewer system: ( 7 )	
Number of service connections	17,028
Miles of sewer mains	439

- 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

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# Compliance Section

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**DIXON HUGHES** PLLC

Certified Public Accountants and Advisors

Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

Board Of County Commissioners  
Union County, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, budget to actual comparison for the general fund, and the aggregate remaining fund information of Union County, North Carolina, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 17, 2004. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Union County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. We noted certain matters that we reported to the management of Union County in a separate letter dated September 17, 2004.

This report is intended solely 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.

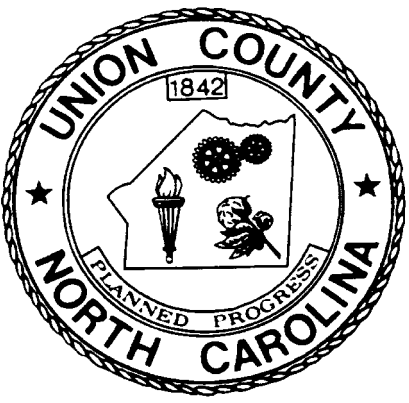
*Dixon Hughes PLLC*

September 17, 2004

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**DIXON HUGHES** PLLC

Certified Public Accountants and Advisors

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, 2004. 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, 2004.

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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

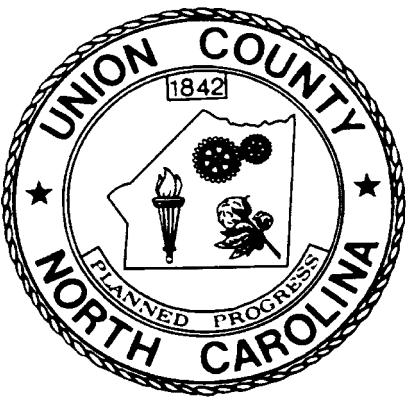
This report is intended for the information and use of the Board of Commissioners, management, others within the organization, and federal and State awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Dixon Hughes PLLC*

September 17, 2004

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**DIXON HUGHES** PLLC

Certified Public Accountants and Advisors

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, 2004. 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, 2004.

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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

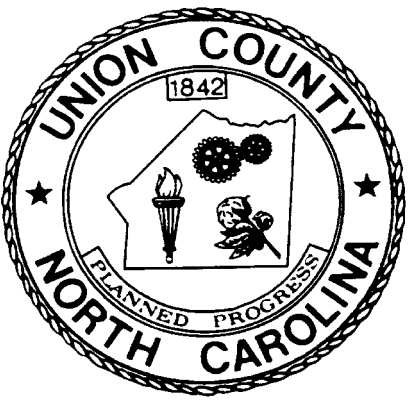
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*Dixon Hughes PLLC*

September 17, 2004

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[www.dixon-hughes.com](http://www.dixon-hughes.com)





**Schedule of Findings and Questioned Costs**

For the Year Ended June 30, 2004

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**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of auditors report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	_____ <input checked="" type="checkbox"/> no
Reportable condition(s) identified not considered to be material weakness(es)?	_____ yes	_____ <input checked="" type="checkbox"/> none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?	_____ yes	_____ <input checked="" type="checkbox"/> no
Reportable condition(s) identified not considered to be material weakness(es)?	_____ yes	_____ <input checked="" type="checkbox"/> none reported

Noncompliance material to federal awards? \_\_\_\_\_ yes  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  no

Major federal programs for Union County for the fiscal year ended June 30, 2004 were:

CFDA#	Program Name
93.778	Medicaid
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
93.767	State Children's Insurance Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 2,124,696

Auditee qualified as low-risk auditee? \_\_\_\_\_  yes  no

Continued on next page.

Schedule of Findings and Questioned Costs

(continued)

For the Year Ended June 30, 2004

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

State Awards

Internal control over major State programs:

Material weakness(es) identified? \_\_\_\_\_ yes        x   no

Reportable condition(s) identified not considered to be material weakness(es)? \_\_\_\_\_ yes        x   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, 2004 were:

Program Name \_\_\_\_\_  
Public School Building Capital Fund

Section II - Financial Statement Findings

None reported.

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, 2004

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**Section II - Financial Statement Findings**

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None reported.

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**Section III- Federal Award Findings and Questioned Costs**

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None reported.

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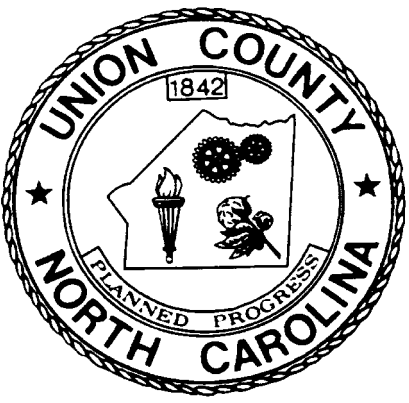
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**Section IV - State Award Findings and Questioned Costs**

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None reported.





**Summary Schedule for Prior Year's Audit Findings**

For the Year Ended June 30, 2004

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**Summary of Prior Year's Audit Findings**

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Finding: 2003-1

Description:

- The County did not have a complete written disaster recovery plan.
- The Information Technology department was not notified timely when County personnel changed job positions, resigned or were terminated.

Status:

- Business continuity plan completed.
- Implementation of procedures for notifying the Information Technology department of personnel changes.

Union County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
 For the Year Ended June 30, 2004

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
Women, Infants and Children	10.557
Women, Infants and Children	10.557
Women, Infants and Children	10.557
Women, Infants and Children	10.557
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. OFFICE OF WATER, ENVIRONMENTAL PROTECTION AGENCY	
Environmental Protection Agency	
Vulnerability Assessments and Related Security Improvements	66.477

Schedule 43

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 73,716	\$ -	\$ -	\$ 73,716
	8,339,271	-	-	8,339,271
	606,237	-	604,258	1,210,495
	<u>8,945,508</u>	<u>-</u>	<u>604,258</u>	<u>9,549,766</u>
1540-5403-GD	63,122	-	47,167	110,289
1540-5403-GE	139,050	-	-	139,050
1540-5404-GD	46,886	-	-	46,886
1540-5404-GE	96,346	-	-	96,346
1540-5405-GD	2,161	-	-	2,161
1540-5405-GE	8,520	-	-	8,520
1540-5409-GD	6,536	-	-	6,536
1540-5409-GE	13,432	-	-	13,432
	1,809,656	-	-	1,809,656
	<u>3,815</u>	<u>-</u>	<u>(41)</u>	<u>3,774</u>
	<u>11,208,748</u>	<u>-</u>	<u>651,384</u>	<u>11,860,132</u>
HS-38017301-0	<u>115,000</u>	<u>-</u>	<u>-</u>	<u>115,000</u>

Continued on next page.

Union County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
For the Year Ended June 30, 2004

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
<b>U.S. DEPARTMENT OF JUSTICE</b>	
Office of Justice Programs:	
Local Law Enforcement Block Grant	16.592
Passed-through N. C. Department of Crime Control and Public Safety	
Domestic Violence Response Unit	16.590
Structured Day After School Program	16.523
Total U.S. Department of Justice	
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>	
Passed-through N. C. Department of Crime Control and Public Safety:	
Division of Emergency Management	
Emergency Management Assistance	97.042
Terrorism Grant	97.004
Support (FEMA)	83.562
Total Federal Emergency Management Agency	
<b>U.S. FEDERAL TRANSIT ADMINISTRATION, DEPARTMENT OF TRANSPORTATION</b>	
Passed-through N. C. Department of Transportation	
Department of Transportation	
Formula Grants for Other than Urbanized Areas	20.509
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>	
Administration of Aging	
Division of Social Services	
Passed-through Centralina Council of Governments:	
Aging Cluster:	
Nutrition Program for the Elderly	10.570
In Home Aide	93.667
Special Programs for the Aging-Title III B	
Grants for Supportive Services and Senior Centers	93.044
Special Programs for the Aging-Title III C	
Nutrition Services	93.045
Total Aging Cluster	

Schedule 43  
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
2003-LB-BX-0298	\$ 17,627	\$ -	\$ -	\$ 17,627
090-1-03-001-AX-296	49,551	-	-	49,551
090-1-03-002-AK-461	93,475	-	31,158	124,633
	<u>160,653</u>	<u>-</u>	<u>31,158</u>	<u>191,811</u>
EMGP-2003-37179	23,037	-	191,570	214,607
DOJ-02-047	31,637	-	-	31,637
SP-02-073	27,176	-	-	27,176
	<u>81,850</u>	<u>-</u>	<u>191,570</u>	<u>273,420</u>
04-CT-089	<u>97,869</u>	<u>6,043</u>	<u>18,338</u>	<u>122,250</u>
	53,599	-	-	53,599
	14,103	404	-	14,507
	161,616	9,522	-	171,138
	69,070	4,039	-	73,109
	<u>298,388</u>	<u>13,965</u>	<u>-</u>	<u>312,353</u>

Continued on next page.

Union County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
 For the Year Ended June 30, 2004

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)	
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	
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
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
Chafee Education and Training Vouchers Program	93.599
Child Care Development Fund-Administration	93.596
Total Division of Social Services	
Election Assistance for Individuals with Disabilities:	
HAVA Accessibility	93.617
Division of Aging:	
Division of Social Services	
SSBG - In Home Services Fund	93.667
SSBG - Adult Day Care	93.667
Total Division of Aging	

Schedule 43  
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 468,356	\$ 169,890	\$ 298,465	\$ 936,711
	112,059	18,870	47,693	178,622
	200,959	60,338	60,338	321,635
	<u>781,374</u>	<u>249,098</u>	<u>406,496</u>	<u>1,436,968</u>
	1,731,024	278	1,996,102	3,727,404
	1,367,038	-	534	1,367,572
	(655)	(179)	(180)	(1,014)
	2,715	-	-	2,715
	28,368	-	33,664	62,032
	159,993	-	-	159,993
	145,601	-	-	145,601
	69,379	29,423	49,916	148,718
	229,073	39,885	1,073,235	1,342,193
	18,909	4,727	39,996	63,632
	1,152	-	-	1,152
	158,135	155,596	164,544	478,275
	<u>4,692,106</u>	<u>478,828</u>	<u>3,764,307</u>	<u>8,935,241</u>
400023	<u>34,858</u>	-	-	<u>34,858</u>
	162,228	-	427,976	590,204
	53,289	18,207	10,213	81,709
	<u>215,517</u>	<u>18,207</u>	<u>438,189</u>	<u>671,913</u>

Continued on next page.

Union County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
 For the Year Ended June 30, 2004

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 Child Development:	
Subsidized Child Care Cluster:	
TANF Child Care	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 Development -Smart Start TANF	N/A
Child Care State Maintenance of Effort	N/A
Total Subsidized Child Care Cluster	
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-Adult Home	93.778
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
Breast & Cervical Wise Woman Project	93.919
Child Service Coordination	93.994
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283



Schedule 43  
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 313,846	\$ -	\$ -	\$ 313,846
	1,585,566	-	-	1,585,566
	619,778	-	-	619,778
	386,417	228,834	-	615,251
	14,262	-	-	14,262
	-	100,186	-	100,186
	-	65,400	-	65,400
	-	384,566	-	384,566
	-	715,449	-	715,449
	-	457,278	-	457,278
	<u>2,919,869</u>	<u>1,951,713</u>	<u>-</u>	<u>4,871,582</u>
	56,615	5,611	14,329	76,555
	62,923	38,485	24,438	125,846
	1,162,965	18,991	1,028,759	2,210,715
	<u>49,071,039</u>	<u>21,540,728</u>	<u>3,614,034</u>	<u>74,225,801</u>
	<u>50,353,542</u>	<u>21,603,815</u>	<u>4,681,560</u>	<u>76,638,917</u>
1551-5503-PH	14,989	-	37,960	52,949
1551-5452-EK	25,099	-	5,919	31,018
1551-5465-JV	17,947	-	2,214	20,161
1551-5465-WW	4,321	-	-	4,321
1531-5318-AP	38,599	-	143,074	181,673
1451-5683-EN	2,744	-	9,772	12,516
1451-5685-EN	39,915	-	-	39,915
1561-2681-ET	35,789	-	-	35,789
1561-2686-ET	4,126	-	-	4,126
1562-2688-ET	5,747	-	-	5,747

Continued on next page.

Union County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
 For the Year Ended June 30, 2004

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)	
Centers for Disease Control (continued)	
Passed-through N.C. Department of Health and Human Services (continued):	
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
Family Planning	93.994
Family Planning	93.994
Family Planning	93.994
Maternal Health	93.994
Child Health	93.994
Child Health	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
Institute of Museum and Library Services	45.312
Total U. S. Department of Education	
Total federal awards	
STATE AWARDS:	
N.C. DEPARTMENT OF CULTURAL RESOURCES	
Division of State Library:	
CIPA Compliance	N/A
State Aid to Public Libraries	N/A
Total Division of State Library	

Schedule 43  
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
1570-6023-EJ	\$ 23,980	\$ -	\$ 74,050	\$ 98,030
1570-6024-EJ	15,515	-	-	15,515
	<u>228,771</u>	<u>-</u>	<u>272,989</u>	<u>501,760</u>
1511-5151-T2	12,115	-	-	12,115
1505-5735-AP	65,537	-	241,964	307,501
1511-6013-FP	3,413	-	-	3,413
1511-6014-FP	58,296	-	-	58,296
1505-5740-AP	46,174	-	618,918	665,092
1505-5745-AP	37,237	-	568,946	606,183
1535-5351	1,504	-	-	1,504
	<u>224,276</u>	<u>-</u>	<u>1,429,828</u>	<u>1,654,104</u>
	<u>58,967,327</u>	<u>24,066,528</u>	<u>10,586,873</u>	<u>93,620,728</u>
CL-CL-02-0009	46,902	-	2,891	49,793
	<u>132,000</u>	<u>-</u>	<u>-</u>	<u>132,000</u>
	<u>178,902</u>	<u>-</u>	<u>2,891</u>	<u>181,793</u>
	<u>70,810,349</u>	<u>24,072,571</u>	<u>11,482,214</u>	<u>106,365,134</u>
	-	3,915	-	3,915
	-	168,783	3,184,541	3,353,324
	-	<u>172,698</u>	<u>3,184,541</u>	<u>3,357,239</u>

Continued on next page.

Union County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
 For the Year Ended June 30, 2004

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
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	N/A
90% State Funds - In-Home Services	
90% State Funds - Congregate Nutrition	
90% State Funds - Home Delivered Meals	
Other Division of Social Services Programs	
LINKS	N/A
State Adult Protective Services	N/A
State Aid to Counties	N/A
Foster Care At Risk Maximization	N/A
State Foster Home	N/A
CWS Adoption Subsidy and Vendor Payments	N/A
State/County Special Assistance For Adults-Direct Benefit Payments	N/A
Total Division of Social Services	
Division of Public Health:	
Aid to Counties-Health Administration	N/A
Breast & Cervical Cancer	N/A
Child Hood Lead Poisoning	N/A
Communicable Disease	N/A
Communicable Disease-Tuberculosis	N/A
Communicable Disease-Aids	N/A
Environmental Health	N/A
Environmental Health	N/A
Family Planning	N/A
Maternal Health	N/A
Risk Reduction/Health Promotion	N/A
Targeted Infant Mortality	N/A
Tuberculosis	N/A
Total Division of Public Health	
Total N.C. Department of Health and Human Services	

Schedule 43  
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ -	\$ 68,767	\$ -	\$ 68,767
	-	59,345	-	59,345
	-	218,144	-	218,144
	-	16,493	-	16,493
	-	17,200	-	17,200
	-	2,924	-	2,924
	-	60,439	26,313	86,752
	-	85,839	-	85,839
	-	11,594	6,875	18,469
	-	44,178	44,177	88,355
	12,862	170,423	36,933	220,218
	-	749,186	749,186	1,498,372
	<u>12,862</u>	<u>1,435,765</u>	<u>863,484</u>	<u>2,312,111</u>
1410-4110-00	-	38,388	1,949,640	1,988,028
1551-5561-00	-	5,000	-	5,000
4760	-	11,400	1,053	12,453
1451-4510-00	-	7,600	58,784	66,384
1451-4551-00	-	3,867	-	3,867
1461-4536-BN	-	12,500	-	12,500
4751-485	-	3,686	1,055,437	1,059,123
4752-573	-	15,212	-	15,212
1511-6014-FR	-	5,000	-	5,000
1505-5746-00	-	60,293	-	60,293
1551-5503-00	-	6,022	-	6,022
1511-5108-00	-	26,500	4,132	30,632
1451-4554-00	-	1,150	(11)	1,139
	-	196,618	3,069,035	3,265,653
	<u>12,862</u>	<u>1,701,150</u>	<u>3,932,519</u>	<u>5,646,531</u>

Continued on next page.

Union County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
 For the Year Ended June 30, 2004

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
N.C. DEPARTMENT OF PUBLIC INSTRUCTION Office of State Budget, Planning, and Management Public School Building Capital Fund	N/A
N.C. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION Juvenile Crime Prevention Council Positive Impact Positive Impact Restitution Delinquency Prevention and Remediation United Family Services Shelter Care Home Based Community Support Total N.C. Department of Juvenile Justice and Delinquency Prevention	N/A N/A N/A N/A N/A N/A N/A
N.C. DEPARTMENT OF TRANSPORTATION Elderly and Disabled Transportation Assistance: Public Transportation Public Transportation Public Transportation Public Transportation Public Transportation Rural Operating Assistance Program Total N.C. Department of Transportation	
N.C. DEPARTMENT OF ENVIRONMENTAL AND NATURAL RESOURCES Department of Environmental and Natural Resources Parks and Recreation Trust Fund Division of Soil and Water Conservation Soil and Water Conservation Total N.C. Department of Environmental and Natural Resources	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 43  
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ -	\$ 1,164,474	\$ -	\$ 1,164,474
290000	-	8,085	-	8,085
290001	-	159,784	-	159,784
290005	-	25,072	-	25,072
290006	-	33,096	16,332	49,428
290018	-	20,000	-	20,000
290011	-	24,814	-	24,814
290016	-	29,813	-	29,813
	<u>-</u>	<u>300,664</u>	<u>16,332</u>	<u>316,996</u>
03-AT-021	-	(4,152)	-	(4,152)
03-SF-003	-	7,200	800	8,000
04-AT-026	-	3,148	350	3,498
04-CT-089	-	53,816	5,980	59,796
03-SC-011	-	17,399	1,933	19,332
DOT-16CL	-	138,474	-	138,474
	<u>-</u>	<u>215,885</u>	<u>9,063</u>	<u>224,948</u>
2003-305-PARTF	-	250,000	76,541	326,541
	<u>-</u>	<u>19,200</u>	<u>126,435</u>	<u>145,635</u>
	<u>-</u>	<u>269,200</u>	<u>202,976</u>	<u>472,176</u>
02-31-04	<u>-</u>	<u>35,468</u>	<u>-</u>	<u>35,468</u>
	<u>-</u>	<u>2,000</u>	<u>175,945</u>	<u>177,945</u>
	<u>12,862</u>	<u>3,861,539</u>	<u>7,521,376</u>	<u>11,395,777</u>
	<u>\$ 70,823,211</u>	<u>\$ 27,934,110</u>	<u>\$ 19,003,590</u>	<u>\$ 117,760,911</u>

Continued on next page.

Union County, North Carolina  
**Schedule of Expenditures of Federal and State Awards**  
For the Year Ended June 30, 2004

Schedule 43  
(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 and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Benefit payments are paid directly to recipients and are not included in the County's basic financial statements. However, due to the county's involvement in determining eligibility, they are considered federal awards to the County and are included on 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 JUVENILE JUSTICE AND DELINQUENCY PREVENTION			
Juvenile Crime Prevention Council	290000	\$ 8,085	\$ -
Positive Impact	290001	159,784	-
Positive Impact Restitution	290005	25,072	-
Delinquency Prevention and Remediation	290006	33,096	16,332
United Family Services	290018	20,000	-
Shelter Care	290011	24,814	-
Home Based Community Support	290016	29,813	-
		\$ 300,664	\$ 16,332