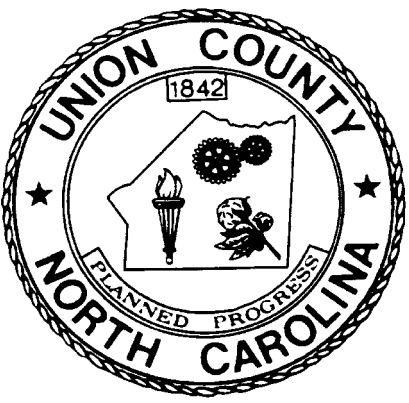




**UNION COUNTY
NORTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2005**

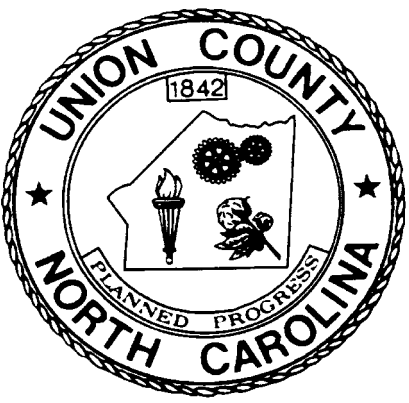


Union County, North Carolina

Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2005

Prepared by
Finance Department
Kai D. Nelson
Finance Director



Union County, North Carolina
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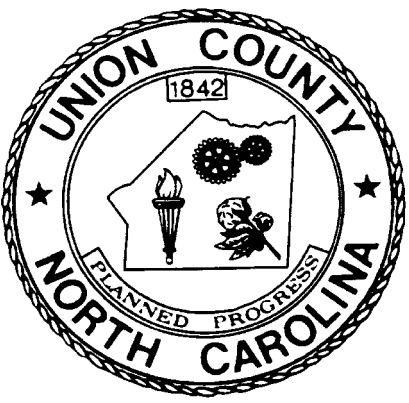
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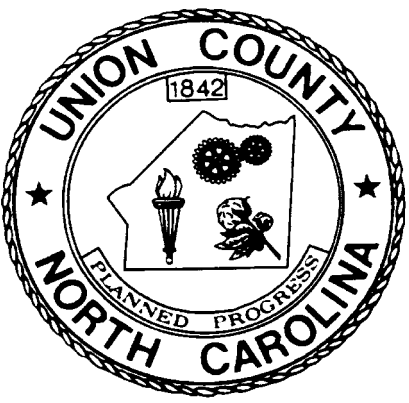
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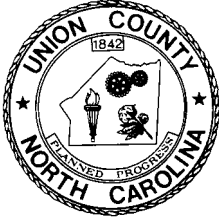
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Introductory Section





UNION COUNTY FINANCE DEPARTMENT

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

November 7, 2005

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, 2005.

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, 2005, 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 and proprietary operating 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 for the general and special revenue funds and at the fund level for the enterprise (proprietary operating) and capital project (multi-year) funds. The County Manager is authorized to approve appropriation transfers within and between all departments within a fund. The Board must approve budget adjustments that alter the total appropriation of any fund. 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 direction) corridor.

Contributing to the County's growth is its proximity to the City of Charlotte and Mecklenburg County, which contain the largest population in the State and comprise the major urban center of North Carolina's piedmont crescent. The recent completion of Interstate 485 from Interstate 85 southwest of Charlotte in the proximity of Charlotte Douglas International Airport to Interstate 77 and Interstate 85 northeast of Charlotte has also contributed to Union County's position as the State's fastest growing county.

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 continue to exceed those of the Charlotte/Mecklenburg area. The County's median family 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 2004, the population increased by 23% to 151,847. The North Carolina State Demographics Unit expects the County's population to grow another 19% or 28,477 between 2004-2009, reaching 180,324 by the year 2009. Public school enrollment, currently at 28,815, is projected to increase to 35,539, or 23.3% by 2009. The County's utility system has been adding over

1,500 new connections for several years and added over 2,300 new connections in fiscal year 2005. Residential building permits and new construction values reached record high levels in fiscal year 2004 and again in fiscal year 2005.

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 \$327.2 million. At June 30, 2005, the County's remaining authorization from these four referendums totaled \$110.7 million. The school system anticipates using the balance of the bond proceeds and additional authorizations totaling \$241 million to construct nine elementary schools, three middle schools and four high schools by the 2010-2011 academic year. 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. These costs are estimated at \$160 million through 2010 and are expected to be funded through the issuance of \$100 million in debt with the balance from operations. Finally, the County anticipates completing needed improvements to its animal shelter, parks and recreational facilities, agricultural services center, library and jail detention facility.

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, 2005, the County earned an equivalent of 1.5 cents on its ad valorem tax rate in investment earnings.

Debt administration. The County's general obligation bond rating improved from Aa3/AA-/AA to Aa3/AA/AA during fiscal year 2005 from the three national rating agencies of Moody's Investors Service, Standard & Poors and Fitch, respectively. The County's key financial ratios relating to debt are summarized in the following table.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>
Assessed Value	\$ 13,472,966,225	\$ 10,808,933,701	\$ 10,245,798,518	\$ 9,525,585,673	\$ 8,920,994,930
Net Tax Supported Debt	\$ 284,072,400	\$ 174,171,686	\$ 161,186,650	\$ 130,528,914	\$ 137,959,777
Net Tax Supported Debt as a Percentage of Assessed Value	2.11%	1.61%	1.57%	1.37%	1.55%
Debt Service as a Percent of Expenditures	11.3%	12.3%	13.3%	14.0%	12.0%
Population	151,847	144,708	138,928	132,086	124,793
Debt per Capita	\$ 1,870.78	\$ 1,203.61	\$ 1,160.22	\$ 988.21	\$ 1,105.51
Available Fund Balance as a Percent of General Fund Expenditures	35.5%	38.1%	39.4%	53.8%	69.7%

Adherence to the County's 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 non-law enforcement claims exceeding \$300,000 and law enforcement claims exceeding \$350,000 covered by stop-loss insurance.

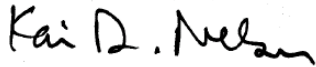
There has been no significant reduction in insurance coverage from the previous year and settled claims have not exceeded insurance policy limits in the last three years.

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, 2005

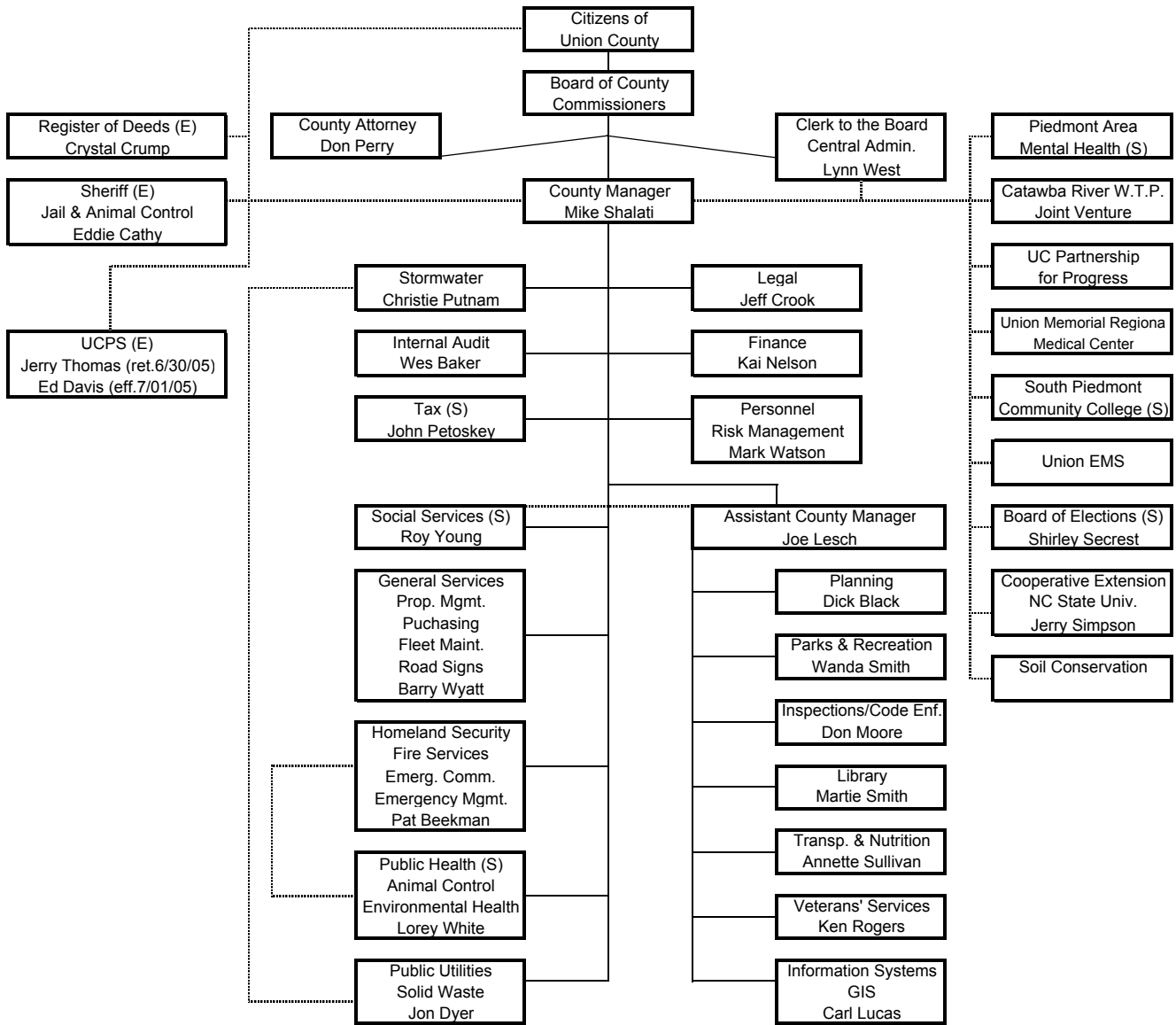
Board of County Commissioners

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
Interim, Patrick Beekman	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
Martha Smith	Library Director
Wanda Smith	Parks and Recreation Director
Mark Watson	Personnel Director
Richard Black	Planning Director
Jon Dyer	Public Works Director
Crystal Crump	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

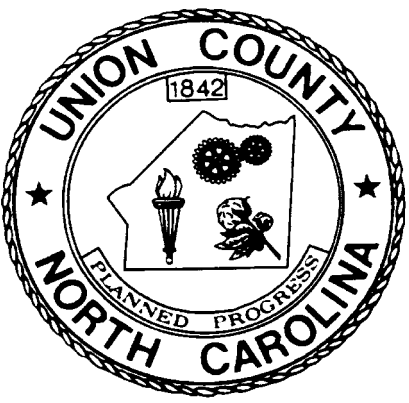
Union County, North Carolina Organizational Chart



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

Updated: June 03, 2005

Financial Section





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, 2005, 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, 2005, 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 23, 2005 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 introductory information, combining and individual nonmajor fund financial statements and schedules and the statistical tables, 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. The combining and individual nonmajor fund financial statements and the accompanying schedule of expenditures of federal and State awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit report, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory information and the statistical tables have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

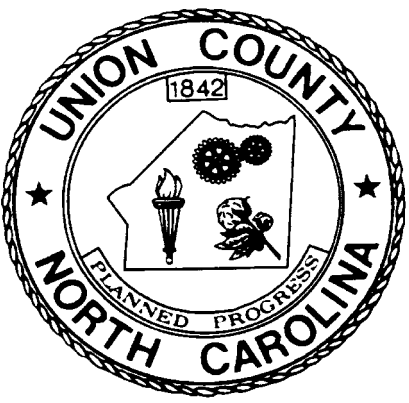
Dixon Hughes PLLC

September 23, 2005

103 Dorssett Drive, PO Box 1945
Salisbury, NC 28145-1945
Ph. 704.636.9090 Fx 704.639.0047
www.dixon-hughes.com



A Member of
BDO USA, LLP
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, 2005. 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.

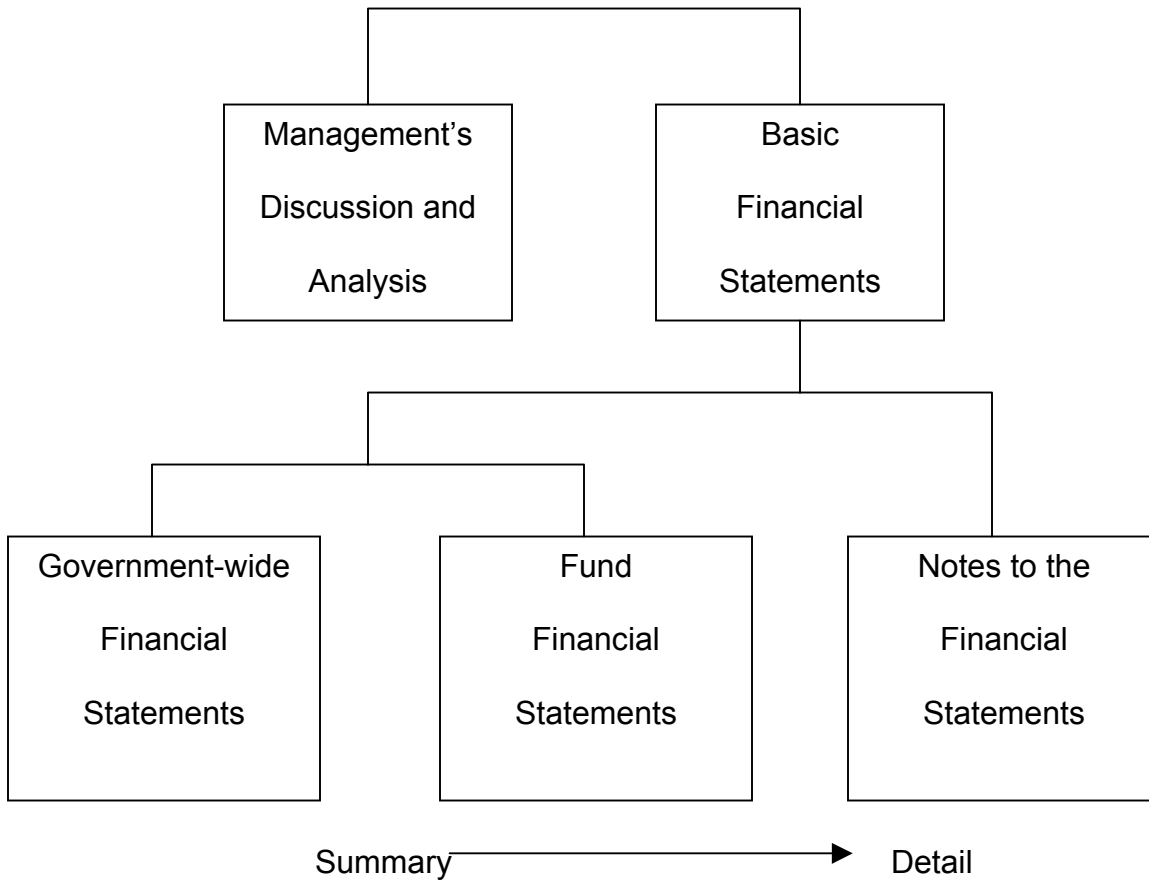
Financial Highlights

- The assets of Union County exceeded its liabilities at the close of the fiscal year by \$46,426,654 (*net assets*), a decrease of \$30,470,308 from the prior fiscal year.
- The total net assets of governmental activities was a deficit \$97,316,507 a decrease of \$53,052,918 from the prior year's deficit amount of \$44,263,589, primarily due to school capital spending and the issuance of general obligation bonds 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 \$131,658,127, an increase of \$72,523,645 in comparison with the prior year. The increase is mainly attributable to unspent general obligation bond proceeds of \$52.7 million for school facilities and improvements and the refinancing of bond anticipation notes of \$19.5 million. Approximately 35.8 percent of this total amount, or \$47,120,515, 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 \$45,494,894, or 30.0 percent of total general fund expenditures and other financing uses for the fiscal year.
- Union County's total debt increased by \$105,315,711 (43.0%) during the current fiscal year with the net increase attributable to the issuance of general obligation bonds and the current year's debt principal payments.
- Union County's general obligation bond rating improved from Aa3/AA-/AA to Aa3/AA/AA during fiscal year 2005.

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 with modifications to the format, language, and classifications from the legal budget document. Any stewardship issues in connection with compliance with the legal budget document are reflected in the notes to the financial statements. 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 74 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 78-139 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 2005 and provides comparative data, including the percentage change, from fiscal year 2004.

Union County's Net Assets
Figure 2

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$ 155,497,901	\$ 101,416,626	\$ 77,034,577	\$ 74,192,440	\$ 232,532,478	\$ 175,609,066	32.41%
Capital assets	54,441,077	48,101,386	139,574,963	124,710,742	194,016,040	172,812,128	12.27%
Total assets	209,938,978	149,518,012	216,609,540	198,903,182	426,548,518	348,421,194	22.42%
Long-term debt outstanding	284,072,400	174,171,686	66,266,501	70,851,504	350,338,901	245,023,190	42.98%
Other liabilities	23,183,085	19,609,915	6,599,878	6,891,129	29,782,963	26,501,044	12.38%
Total liabilities	307,255,485	193,781,601	72,866,379	77,742,633	380,121,864	271,524,234	40.00%
Net assets							
Invested in capital assets, net of related debt	31,209,271	34,098,609	82,495,496	68,120,172	113,704,767	102,218,781	11.24%
Restricted	55,565,377	7,659,736	2,836,676	2,882,435	58,402,053	10,542,171	453.99%
Unrestricted	(184,091,155)	(86,021,934)	58,410,989	50,157,944	(125,680,166)	(35,863,990)	250.44%
Total net assets	\$ (97,316,507)	\$ (44,263,589)	\$ 143,743,161	\$ 121,160,551	\$ 46,426,654	\$ 76,896,962	-39.62%

The assets of Union County exceeded liabilities by \$46,426,654 as of June 30, 2005. The County's net assets decreased by \$30,470,308 for the fiscal year ended June 30, 2005. 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 \$58,402,053 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 \$125,680,166 is unrestricted.

As with many counties in the State of North Carolina, the County's Governmental Activities deficit in unrestricted net assets is due primarily to the portion of the County's outstanding debt incurred for the Union County Board of Education (the "school") and the South Piedmont Community College (the "community college"). Under North Carolina law, the County is responsible for providing capital funding for the school and community college systems. The County has chosen to meet its legal obligation to provide the systems capital funding by using a mixture of County funds, general obligation debt and installment financings. The assets funded by the County, however, are titled to, and utilized by the school and community college systems. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. As of June 30, 2005, \$257,685,992 of the outstanding debt, including accrued interest and unamortized bond issuance costs, on the County's financial statements was related to assets included in the school and community college systems' financial statements. There were also \$52,545,286 of unspent bond proceeds and \$6,106,222 of liabilities payable from bond proceeds at June 30, 2005 for school and community college systems' capital projects. The outstanding amount of this debt of \$257.7 million and the liabilities payable of \$6.1 million have been reported as a reduction of unrestricted net assets for governmental activities,

resulting in a deficit balance of \$184,091,155 for this category of net assets. The outstanding amount of this debt of \$257.7 million and liabilities payable of \$6.1 million net of unspent bond proceeds of \$52.5 million have been reported as a net reduction of net assets for governmental activities, resulting in a deficit balance of \$97,316,507 for this category of net assets. Had capital financing activities in connection with education not been reported as a reduction of unrestricted net assets, the balance of unrestricted net assets for governmental activities would be \$79,701,059 and total net assets would be \$113,930,421.

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
	2005	2004	2005	2004	2005	2004	2004-2005
Revenues:							
Program revenues:							
Charges for services	\$ 15,864,789	\$ 14,151,360	\$ 20,656,519	\$ 18,335,385	\$ 36,521,308	\$ 32,486,745	12.42%
Operating grants and contributions	18,533,128	16,380,736	200,383	298,135	18,733,511	16,678,871	12.32%
Capital grants and contributions	156,953	513,875	22,965,192	19,350,880	23,122,145	19,864,755	16.40%
General revenues:							
Property taxes	73,145,208	59,050,897	-	-	73,145,208	59,050,897	23.87%
Other taxes	28,580,640	24,854,997	-	-	28,580,640	24,854,997	14.99%
Grants and contributions not restricted to specific programs	57,091	63,719	-	-	57,091	63,719	-10.40%
Other	79,328	722,779	1,193,573	445,575	1,272,901	1,168,354	8.95%
Total revenues	<u>136,417,137</u>	<u>115,738,363</u>	<u>45,015,667</u>	<u>38,429,975</u>	<u>181,432,804</u>	<u>154,168,338</u>	17.68%
Expenses:							
General government	12,168,603	11,459,194	-	-	12,168,603	11,459,194	6.19%
Public safety	26,502,956	24,044,141	-	-	26,502,956	24,044,141	10.23%
Economic and physical development	1,077,860	1,230,445	-	-	1,077,860	1,230,445	-12.40%
Human services	31,101,517	29,193,590	-	-	31,101,517	29,193,590	6.54%
Cultural and recreational	5,221,262	5,236,775	-	-	5,221,262	5,236,775	-0.30%
Education	103,593,493	68,849,627	-	-	103,593,493	68,849,627	50.46%
Interest and fees on long term debt	9,673,057	7,068,573	-	-	9,673,057	7,068,573	36.85%
Water and sewer	-	-	19,402,159	16,964,489	19,402,159	16,964,489	14.37%
Solid waste	-	-	3,060,595	2,669,162	3,060,595	2,669,162	14.67%
Stormwater	-	-	101,610	65,485	101,610	65,485	n/a
Total expenses	<u>189,338,748</u>	<u>147,082,345</u>	<u>22,564,364</u>	<u>19,699,136</u>	<u>211,903,112</u>	<u>166,781,481</u>	27.05%
Increase (decrease) in net assets before transfers	(52,921,611)	(31,343,982)	22,451,303	18,730,839	(30,470,308)	(12,613,143)	141.58%
Transfers	(131,307)	(108,406)	131,307	108,406	-	-	-
Increase (decrease) in net assets	(53,052,918)	(31,452,388)	22,582,610	18,839,245	(30,470,308)	(12,613,143)	141.58%
Net assets, July 1	(44,263,589)	(12,811,201)	121,160,551	102,321,306	76,896,962	89,510,105	-14.09%
Net assets, June 30	<u>\$ (97,316,507)</u>	<u>\$ (44,263,589)</u>	<u>\$ 143,743,161</u>	<u>\$ 121,160,551</u>	<u>\$ 46,426,654</u>	<u>\$ 76,896,962</u>	-39.62%

Governmental activities: Governmental activities decreased the County's net assets by \$53,052,918 compared with the prior year's decrease of \$31,452,388. Key elements of this decrease when compared to the prior year are as follows:

- Increased Education (\$34.7 million – current expense and school facilities), Debt Service (\$2.6 million – interest and debt related expenses primarily attributable to schools), Public Safety (\$2.5 million – personnel and depreciation of assets) and Human Services (\$1.9 million – personnel, public assistance and depreciation of assets) contributed to the decline in net assets.
- These increased expenses were partially offset by an increase in revenue collected from property taxes of \$14.1 million due to increases in the County's tax base attributable to property revaluation accompanied by a marginal tax rate reduction from 53.0 to 52.5 cents, new construction and increased local option sales tax revenue (\$3.2 million). Unrestricted investment earnings increased by \$1.8 million during the year due in part to overall higher rate of return on investments. Also, intergovernmental revenues (primarily operating grants and contributions) increased by approximately \$2.2 million with a majority of the increase occurring as a result of federal and State child welfare grant increases (\$856,000), federal homeland security grants (\$362,000), federal medicare assistance grant funds (\$342,000) and Public School Building Capital Funds increases (\$305,000).

Business-type activities: Net assets in the Business-type activities increased by \$22,582,610, offsetting 42.6% of the decrease reflected in governmental activities. Solid Waste services had an increase in net assets of \$210,484, Stormwater services had an increase of \$29,698 and Water and Sewer services had an increase in net assets of \$22,342,428. 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 \$45,494,894, while total fund balance was \$64,397,486. 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 35.0 percent of total General Fund expenditures and other financing uses (excluding the refunded bonds), while total fund balance represents 49.5 percent of that same amount.

At June 30, 2005, the governmental funds of the County reported a combined fund balance of \$131,658,127, a 122.6 percent increase or \$72.5 million from last year. The primary reason for this increase relates to unspent General Obligation Bond, Series 2005, proceeds for school facilities and improvements in the amount of \$54.1 million. Also contributing to the increase in the combined fund balance position were the previous year's commercial paper bond anticipation notes payable in the fund statements in the amount of \$21.2 million that were refinanced into long term debt during fiscal year 2005, which is not reported in the fund statements. Another factor which contributed to the overall increase in the combined fund balance was due to revenues and

other financing sources exceeding expenditures and other financing uses by \$4.0 million in the General Fund. This was partially offset by expenditures and other financing uses exceeding revenues and other financing sources by \$2.8 million in the nonmajor, other governmental funds.

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 and due to the Board's policy of implementing tax rate increases associated with debt service management plans in the year immediately following a voter approved school bond referendum. Fiscal year 2005 revenues reflect continued improvement over fiscal year 2004 while fiscal year 2005 expenditures and other financing uses reflect more moderate increases when compared to fiscal year 2004.

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 \$28,329,082 or 22.2%. The majority of this increase was due to budgeting for a general obligation bond refunding of over \$21.6 million.

The actual operating revenues for the General Fund were greater than the budgeted amount by \$7,286,174 with the majority of net favorable balance resulting from a combination of favorable ad valorem taxes (\$2.3 million), local option sales tax (\$2.0 million), permits and fees (\$2.0 million) and investment earnings (\$1.0 million). Actual expenditures were under the final budget by \$4,410,422 with the majority of the positive variances occurring in General Government, Public Safety and Human Services. Actual fund balance increased by \$4.0 million compared to the final budgeted use of \$8.3 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 \$4,600,823, the Stormwater Fund totaled \$74,200 and those for the Water and Sewer Fund totaled \$53,959,698. The total increase in net assets for these funds was \$208,809, \$30,000 and \$22,334,546, 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, 2005, totaled \$194,016,040 (net of accumulated depreciation), an increase of \$21,203,912 over the prior year's amount of \$172,812,128. 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
- Continued purchase and replacement of parks and recreation facilities and various park land improvements
- Completion of construction of the Judicial Center

- Continuation of purchase of E-911 system hardware and software
- Beginning of construction of the Agricultural Services Center
- Completion of construction related to the historical Old Post Office facility repairs
- Completion of construction of the Crooked Creek lab expansion project
- Construction of 10,435 linear feet of replacement waste water lines and installation of 56 replacement manholes for the town of Waxhaw sewer rehabilitation
- Construction of 24,340 linear feet of replacement waste water lines and installation of 822 replacement manholes for the town of Wingate outfall area and the town of Marshville outfall area to reduce inflow and infiltration
- Construction of 40,930 of water lines along Highway 218
- Continued construction of SCADA system improvements
- Receipt of contributed capital consisting of approximately \$13.6 million for water and sewer distribution and collection systems

**Union County's Capital Assets
Figure 4**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2005	2004	2005	2004	2005	2004	2004-2005
	Land	\$ 5,457,456	\$ 5,431,420	\$ 1,474,616	\$ 1,479,381	\$ 6,932,072	\$ 6,910,801
Construction in progress	3,689,473	9,761,742	4,672,408	6,300,262	8,361,881	16,062,004	-47.94%
Other improvements	1,955,596	1,528,340	65,737	68,091	2,021,333	1,596,431	26.62%
Buildings	36,574,767	25,579,069	-	-	36,574,767	25,579,069	42.99%
Furniture and equipment	4,714,202	3,996,173	921,383	1,116,014	5,635,585	5,112,187	10.24%
Vehicles	2,049,583	1,804,642	841,516	1,025,393	2,891,099	2,830,035	2.16%
Plant and collection systems	-	-	77,949,064	66,950,947	77,949,064	66,950,947	16.43%
Plant and distribution systems	-	-	53,650,239	47,770,654	53,650,239	47,770,654	12.31%
	<u>\$ 54,441,077</u>	<u>\$ 48,101,386</u>	<u>\$ 139,574,963</u>	<u>\$ 124,710,742</u>	<u>\$ 194,016,040</u>	<u>\$ 172,812,128</u>	12.27%

Additional information on the County's capital assets can be found in Note 5 of the Basic Financial Statements.

Long-term Debt: As of June 30, 2005, the County had total debt outstanding of \$350,338,901. General obligation debt, secured by the full faith and credit of the County, totaled \$257,125,840, an increase from the previous year. The increase is attributable to the issuance in fiscal year 2005 of the Series 2004A, 2004B and 2005 General Obligation Bonds. Revenue bonds, certificates of participation, installment financings and other debt totaled \$93,213,061, a decrease of \$25,443,634. The decrease is attributable, in part, to the refinancing of the Series 2004 Commercial Paper Bond Anticipation Notes (\$21.2 million) to General Obligation Bonds in fiscal year 2005. A summary of total long-term debt is shown in Figure 5.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2005	2004	2005	2004	2005	2004	2004-2005
General obligation bonds	\$ 243,116,688	\$ 109,493,722	\$ 14,009,152	\$ 16,872,773	\$ 257,125,840	\$ 126,366,495	103.48%
C.P. bond anticipation notes	-	21,230,000	-	-	-	21,230,000	n/a
Certificates of participation	40,711,814	43,141,794	-	-	40,711,814	43,141,794	-5.63%
Installment financing	243,898	306,170	-	-	243,898	306,170	n/a
Revenue bonds	-	-	49,378,190	50,721,042	49,378,190	50,721,042	-2.65%
Other	-	-	2,879,159	3,257,689	2,879,159	3,257,689	-11.62%
	<u>\$ 284,072,400</u>	<u>\$ 174,171,686</u>	<u>\$ 66,266,501</u>	<u>\$ 70,851,504</u>	<u>\$ 350,338,901</u>	<u>\$ 245,023,190</u>	42.98%

The County's total net debt increased by \$105,315,711 or 43.0 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 2005 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 \$676,650,738. The County has \$110,730,000 in bonds authorized but unissued at June 30, 2005.

Additional information regarding the County's long-term debt can be found in Note 15.

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 2000-2004	22.8%	6.1%
Projected Population Increase 2005-2009	14.1%	6.3%
Unemployment Rate (2004)	4.6%	5.5%
Unemployment Rate (07/2005)	4.7%	5.9%
Per Capita Personal Income (2003)	\$26,778	\$28,071
Median Family Income (2004)	\$56,197	\$47,112

Data source: U.S. Census Bureau, Bureau of Economic Analysis, North Carolina State Demographics Unit, NC Employment Security Commission

Budget Highlights for the Fiscal Year Ending June 30, 2006

Governmental Activities: The County has approved a \$149.2 million General Fund budget for fiscal year 2006 which represents a \$21.4 million or 16.7% increase from fiscal year 2005's original adopted budget. A significant portion of the increase is attributable to higher school current expense funding (\$4.7 million), school capital contributions (\$2.7 million), school debt service (\$5.0 million, including debt service sinking fund contribution), parks and recreation land and facility improvements (\$1.4 million), labor cost market adjustment (\$1.3 million) and social services personnel and medical assistance (\$1.2 million). The original adopted budget contained a fund balance appropriation of \$6.8 million to balance the fiscal year 2006 budget – representing an increase from fiscal year 2005's initial budgeted fund balance appropriation of \$5.2 million. The increase in expenditure appropriations was achieved, in part, through an increase in the countywide ad valorem levy of approximately \$11.7 million. This increase was due to the continued anticipated growth in county's tax base due to the local housing construction market and an increase of 3.5 cents to the tax rate per \$100 of assessed valuation (from 52.5 cents per \$100 for 2005 to 56.0 cents per \$100 for 2006). The 3.5 cents increase is due to the Board's policy of implementing a tax rate increase associated with the County's debt service management plan in the year immediately following voter approved school bond referendums. A successful bond referendum occurred in November of 2004.

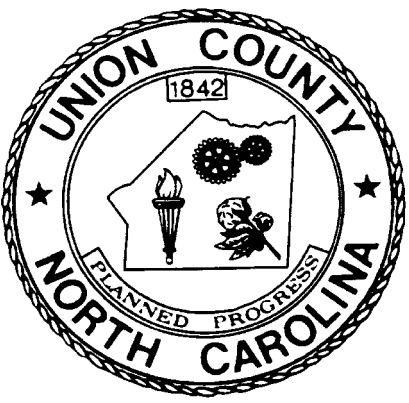
The County anticipates issuing a portion of its outstanding \$110.7 million general obligation bond authorization in fiscal year 2006 through the reinstatement of the commercial paper bond anticipation notes program to finance the public school system's capital construction program.

Business – type Activities: The County has also approved a \$36.6 million Water and Sewer budget for fiscal year 2006 which represents a \$7.2 million increase from fiscal year 2005's original budget of \$29.4 million. The increase is largely attributable to an increased 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 and capital contributions. The County anticipates updating the utility financial feasibility study, to include the capital improvement program, early in fiscal year 2006 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.

The County has approved a \$4.1 million Solid Waste budget for fiscal year 2006 that contains an appropriation from unrestricted net assets in the amount of \$875,074, with a significant portion of this amount being used for capping of closed construction and demolition landfill cells and opening an additional cell. The fiscal year 2006 budget contains tipping fee rate adjustments for municipal solid waste (3%) and construction and demolition waste (20%). The purpose of these rate adjustments are to fund ongoing cell opening, capping and closure costs as well as increased transportation expenses.

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 28112.



Basic Financial Statements

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total Primary Government
ASSETS			
Current assets:			
Cash and investments	\$ 42,314,500	\$ 38,675,571	\$ 80,990,071
Property taxes receivable (net)	2,060,492	-	2,060,492
Accounts receivable (net)	10,342,710	3,673,147	14,015,857
Inventories	33,491	971,528	1,005,019
Internal balances	223,732	(223,732)	-
Cash and investments, restricted	59,095,095	2,836,676	61,931,771
Total current assets	<u>114,070,020</u>	<u>45,933,190</u>	<u>160,003,210</u>
Noncurrent assets:			
Cash and investments	39,640,018	16,226,731	55,866,749
Unamortized bond issuance cost	1,787,863	1,050,840	2,838,703
Investment in joint venture	-	13,823,816	13,823,816
Capital assets:			
Land and other assets not being depreciated	9,146,929	6,147,024	15,293,953
Buildings, equipment and infrastructure, net of depreciation	45,294,148	133,427,939	178,722,087
Total noncurrent assets	<u>95,868,958</u>	<u>170,676,350</u>	<u>266,545,308</u>
Total assets	<u>209,938,978</u>	<u>216,609,540</u>	<u>426,548,518</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	7,939,748	2,474,805	10,414,553
Unearned revenue	822,988	-	822,988
Deposits	3,862,936	961,264	4,824,200
Current portion of long-term obligations	13,673,750	4,302,261	17,976,011
Liabilities payable from restricted assets	7,456,970	-	7,456,970
Workers' compensation claims	39,983	-	39,983
Health care benefits	649,769	-	649,769
Total current liabilities	<u>34,446,144</u>	<u>7,738,330</u>	<u>42,184,474</u>
Noncurrent liabilities:			
Accrued landfill postclosure care costs	-	2,820,292	2,820,292
Compensated absences	2,410,691	343,517	2,754,208
Noncurrent portion of long-term obligations	270,398,650	61,964,240	332,362,890
Total noncurrent liabilities	<u>272,809,341</u>	<u>65,128,049</u>	<u>337,937,390</u>
Total liabilities	<u>307,255,485</u>	<u>72,866,379</u>	<u>380,121,864</u>
NET ASSETS			
Invested in capital assets, net of related debt	31,209,271	82,495,496	113,704,767
Restricted for:			
Public safety	2,816,524	-	2,816,524
Education	52,748,853	-	52,748,853
Debt service	-	2,836,676	2,836,676
Unrestricted	(184,091,155)	58,410,989	(125,680,166)
Total net assets	<u>\$ (97,316,507)</u>	<u>\$ 143,743,161</u>	<u>\$ 46,426,654</u>

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

Statement of Activities
For the Year Ended June 30, 2005

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	
Primary government:							
Governmental activities:							
General government	\$ 12,168,603	\$ 1,557,000	\$ 457,730	\$ -	\$ (10,153,873)	\$ -	\$ (10,153,873)
Public safety	26,502,956	8,840,025	1,863,883	100,000	(15,699,048)	-	(15,699,048)
Economic and physical development	1,077,860	30,615	19,650	-	(1,027,595)	-	(1,027,595)
Human services	31,101,517	4,884,808	14,484,307	56,953	(11,675,449)	-	(11,675,449)
Cultural and recreational	5,221,262	552,341	237,949	-	(4,430,972)	-	(4,430,972)
Education	103,593,493	-	1,469,609	-	(102,123,884)	-	(102,123,884)
Interest and fees on long term debt	9,673,057	-	-	-	(9,673,057)	-	(9,673,057)
Total governmental activities	189,338,748	15,864,789	18,533,128	156,953	(154,783,878)	-	(154,783,878)
Business-type activities:							
Water and sewer	19,402,159	17,731,789	-	22,965,192	-	21,294,822	21,294,822
Solid waste	3,060,595	2,924,730	200,383	-	-	64,518	64,518
Stormwater	101,610	-	-	-	-	(101,610)	(101,610)
Total business-type activities	22,564,364	20,656,519	200,383	22,965,192	-	21,257,730	21,257,730
Total primary government	\$ 211,903,112	\$ 36,521,308	\$ 18,733,511	\$ 23,122,145	(154,783,878)	21,257,730	(133,526,148)
General revenues:							
Property taxes levied for general purposes					73,145,208	-	73,145,208
Local option sales tax					25,331,315	-	25,331,315
Other taxes and licenses					3,249,325	-	3,249,325
Grants and contributions not restricted to specific programs					57,091	-	57,091
Investment earnings, unrestricted					2,539,072	1,332,311	3,871,383
Miscellaneous, unrestricted					31,929	-	31,929
Transfers					(131,307)	131,307	-
Loss on sale of capital assets					(2,491,673)	(138,738)	(2,630,411)
Total general revenues and transfers					101,730,960	1,324,880	103,055,840
Change in net assets					(53,052,918)	22,582,610	(30,470,308)
Net assets - beginning					(44,263,589)	121,160,551	76,896,962
Net assets - ending					\$ (97,316,507)	\$ 143,743,161	\$ 46,426,654

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

Balance Sheet
Governmental Funds
 June 30, 2005

	Major		Nonmajor	Total Governmental Funds
	General Fund	School Bond Fund 55	Other Governmental Funds	
ASSETS				
Cash and investments	\$ 63,299,538	\$ -	\$ 15,476,837	\$ 78,776,375
Property taxes receivable (net)	2,091,153	-	34,798	2,125,951
Accounts receivable (net)	9,893,078	-	326,993	10,220,071
Inventories	33,491	-	-	33,491
Cash and investments, restricted	3,072	54,141,424	4,950,599	59,095,095
Total assets	\$ 75,320,332	\$ 54,141,424	\$ 20,789,227	\$ 150,250,983
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 4,162,462	\$ -	\$ 161,549	\$ 4,324,011
Deferred revenue	2,091,153	-	34,798	2,125,951
Unearned revenue	806,295	-	16,693	822,988
Deposits	3,862,936	-	-	3,862,936
Liabilities payable from restricted assets	-	5,741,664	1,715,306	7,456,970
Total liabilities	10,922,846	5,741,664	1,928,346	18,592,856
FUND BALANCES				
Reserved for encumbrances	558,752	-	2,809,685	3,368,437
Reserved by State statute	9,926,569	-	326,993	10,253,562
Reserved for drug enforcement	-	-	123,006	123,006
Unreserved				
Designated for subsequent years' expenditures	6,842,748	48,399,760	-	55,242,508
Designated for subsequent years' expenditures, reported in nonmajor:				
Special revenue	-	-	148,499	148,499
Debt service	-	-	9,252,954	9,252,954
Capital projects	-	-	4,457,575	4,457,575
Designated for special purpose	1,574,523	-	-	1,574,523
Designated for special purpose, reported in nonmajor:				
Special revenue	-	-	116,548	116,548
Undesignated	45,494,894	-	-	45,494,894
Undesignated, reported in nonmajor:				
Special revenue	-	-	1,625,621	1,625,621
Total fund balances	64,397,486	48,399,760	18,860,881	131,658,127
Total liabilities and fund balances	\$ 75,320,332	\$ 54,141,424	\$ 20,789,227	\$ 150,250,983

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, 2005

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

Ending fund balance - governmental funds	\$ 131,658,127
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	54,441,077
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,060,492
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.	285,653
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.	2,156,196
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.	122,717
Internal balance due from Business Type Activities to Governmental Activities.	223,732
Long-term liabilities for compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(2,410,691)
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 15. A. 2, in the amount of \$284,072,400 and accrued interest payable of \$3,569,273 net of unamortized bond issuance costs of \$1,787,863).	(285,853,810)
Net assets of governmental activities	<u>\$ (97,316,507)</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, 2005

	Major		Nonmajor	Total Governmental Funds
	General Fund	School Bond Fund 55	Other Governmental Funds	
REVENUES				
Ad valorem taxes	\$ 71,303,660	\$ -	\$ 1,503,866	\$ 72,807,526
Local option sales tax	24,850,749	-	480,566	25,331,315
Other taxes and licenses	2,421,248	-	1,036,458	3,457,706
Intergovernmental	17,940,152	-	361,846	18,301,998
Permits and fees	8,516,173	-	1,389,002	9,905,175
Sales and services	3,561,745	-	-	3,561,745
Investment earnings	1,946,602	128,286	395,852	2,470,740
Miscellaneous	2,784,086	-	10,710	2,794,796
Total revenues	133,324,415	128,286	5,178,300	138,631,001
EXPENDITURES				
Current:				
General government	12,205,567	-	-	12,205,567
Public safety	22,549,554	-	4,480,298	27,029,852
Economic and physical development	1,073,782	-	-	1,073,782
Human services	31,293,129	-	-	31,293,129
Cultural and recreational	4,870,027	-	-	4,870,027
Intergovernmental:				
Education	26,440,438	-	-	26,440,438
Capital outlay:				
General government	-	-	5,368,467	5,368,467
Public safety	-	-	60,077	60,077
Economic and physical development	-	-	2,789,138	2,789,138
Cultural and recreational	-	-	537,070	537,070
Education	-	66,819,004	10,141,130	76,960,134
Debt service:				
Principal retirement	8,727,796	-	-	8,727,796
Interest and fees	8,384,492	236,080	-	8,620,572
Total expenditures	115,544,785	67,055,084	23,376,180	205,976,049
Excess (deficiency) of revenues over (under) expenditures	17,779,630	(66,926,798)	(18,197,880)	(67,345,048)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	794,841	-	14,407,996	15,202,837
Transfers to other funds	(14,539,303)	-	(794,841)	(15,334,144)
Proceeds from general obligation bonds	-	138,265,000	1,735,000	140,000,000
Proceeds from refunding general obligation bonds	21,630,000	-	-	21,630,000
Payments to refunded bonds escrow agents	(21,630,000)	-	-	(21,630,000)
Total other financing sources (uses)	(13,744,462)	138,265,000	15,348,155	139,868,693
Net change in fund balances	4,035,168	71,338,202	(2,849,725)	72,523,645
FUND BALANCES				
Beginning	60,362,318	(22,938,442)	21,710,606	59,134,482
Ending	\$ 64,397,486	\$ 48,399,760	\$ 18,860,881	\$ 131,658,127

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, 2005

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

Net change in fund balances - total governmental funds	\$ 72,523,645
 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.	 8,959,568
 The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets.	 (2,619,878)
 Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	 337,682
 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.	 (132,324,689)
 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.	 (45,598)
 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.	 290,240
 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.	 (204,610)
 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.	 <u>30,722</u>
 Change in net assets of governmental activities	 <u>\$ (53,052,918)</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, 2005

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 69,031,382	\$ 69,031,382	\$ 71,303,660	\$ 2,272,278
Local option sales tax	21,755,120	22,861,906	24,850,749	1,988,843
Other taxes and licenses	1,813,000	1,813,000	2,421,248	608,248
Intergovernmental	16,574,505	18,880,926	17,940,152	(940,774)
Permits and fees	6,555,050	6,555,050	8,516,173	1,961,123
Sales and services	3,553,616	3,598,287	3,561,745	(36,542)
Investment earnings	933,977	933,977	1,946,602	1,012,625
Miscellaneous	2,175,380	2,363,713	2,784,086	420,373
Total revenues	<u>122,392,030</u>	<u>126,038,241</u>	<u>133,324,415</u>	<u>7,286,174</u>
EXPENDITURES				
Current:				
General government	11,942,891	13,362,329	12,205,567	1,156,762
Public safety	22,936,188	23,674,796	22,549,554	1,125,242
Economic and physical development	1,500,667	1,432,565	1,073,782	358,783
Human services	31,015,690	32,695,423	31,293,129	1,402,294
Cultural and recreational	4,838,464	5,040,614	4,870,027	170,587
Intergovernmental:				
Education	26,385,790	26,440,768	26,440,438	330
Debt service:				
Principal retirement	8,501,667	8,727,798	8,727,796	2
Interest and fees	9,775,295	8,384,494	8,384,492	2
Contingency	500,000	187,628	-	187,628
Nondepartmental	86,317	8,792	-	8,792
Total expenditures	<u>117,482,969</u>	<u>119,955,207</u>	<u>115,544,785</u>	<u>4,410,422</u>
Revenues over expenditures	<u>4,909,061</u>	<u>6,083,034</u>	<u>17,779,630</u>	<u>11,696,596</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	794,841	794,841
Transfers to other funds	(10,084,195)	(14,540,558)	(14,539,303)	1,255
Proceeds from installment financing debt	194,000	194,000	-	(194,000)
Proceeds from refunding general obligation bonds	-	21,630,000	21,630,000	-
Payments to refunded bonds escrow agents	(229,519)	(21,630,000)	(21,630,000)	-
Appropriated fund balance	5,210,653	8,263,524	-	(8,263,524)
Total other financing sources (uses)	<u>(4,909,061)</u>	<u>(6,083,034)</u>	<u>(13,744,462)</u>	<u>(7,661,428)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>4,035,168</u>	<u>\$ 4,035,168</u>
FUND BALANCES				
Beginning			<u>60,362,318</u>	
Ending			<u>\$ 64,397,486</u>	

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

Statement of Net Assets
Proprietary Funds
 June 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	
ASSETS					
Current assets:					
Cash and investments	\$ 33,283,421	\$ 5,336,202	\$ 55,948	\$ 38,675,571	\$ 3,178,143
Accounts receivable (net)	3,237,064	436,083	-	3,673,147	122,639
Inventories	971,528	-	-	971,528	-
Cash and investments, restricted	2,836,676	-	-	2,836,676	-
Total current assets	<u>40,328,689</u>	<u>5,772,285</u>	<u>55,948</u>	<u>46,156,922</u>	<u>3,300,782</u>
Noncurrent assets:					
Cash and investments	14,118,993	2,085,870	21,868	16,226,731	-
Unamortized bond issuance costs	1,050,840	-	-	1,050,840	-
Investment in joint venture	13,823,816	-	-	13,823,816	-
Land and other assets not being depreciated	5,836,319	310,705	-	6,147,024	-
Buildings, equipment and infrastructure, net of depreciation	132,179,062	1,248,877	-	133,427,939	-
Total noncurrent assets	<u>167,009,030</u>	<u>3,645,452</u>	<u>21,868</u>	<u>170,676,350</u>	<u>-</u>
Total assets	<u>207,337,719</u>	<u>9,417,737</u>	<u>77,816</u>	<u>216,833,272</u>	<u>3,300,782</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	2,093,894	377,295	3,616	2,474,805	46,464
Deposits	954,884	6,380	-	961,264	-
Long-term liabilities, due within one year:					
General obligation bonds payable	2,606,733	-	-	2,606,733	-
Revenue bonds payable	1,387,032	-	-	1,387,032	-
State sanitary sewer loan payable	233,697	-	-	233,697	-
Sewer plant acquisition payable	74,799	-	-	74,799	-
Workers' compensation claims payable	-	-	-	-	39,983
Health care benefits payable	-	-	-	-	649,769
Total current liabilities	<u>7,351,039</u>	<u>383,675</u>	<u>3,616</u>	<u>7,738,330</u>	<u>736,216</u>
Noncurrent liabilities					
Accrued landfill postclosure care costs	-	2,820,292	-	2,820,292	-
Compensated absences	290,152	53,365	-	343,517	-
Long-term liabilities, due in more than one year:					
General obligation bonds	11,402,419	-	-	11,402,419	-
Revenue bonds	47,991,158	-	-	47,991,158	-
State sanitary sewer loan	2,570,663	-	-	2,570,663	-
Total noncurrent liabilities	<u>62,254,392</u>	<u>2,873,657</u>	<u>-</u>	<u>65,128,049</u>	<u>-</u>
Total liabilities	<u>69,605,431</u>	<u>3,257,332</u>	<u>3,616</u>	<u>72,866,379</u>	<u>736,216</u>
NET ASSETS					
Invested in capital assets, net of related debt	80,935,914	1,559,582	-	82,495,496	-
Restricted for debt service	2,836,676	-	-	2,836,676	-
Unrestricted	53,959,698	4,600,823	74,200	58,634,721	2,564,566
Total net assets	<u>\$ 137,732,288</u>	<u>\$ 6,160,405</u>	<u>\$ 74,200</u>	<u>143,966,893</u>	<u>\$ 2,564,566</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(223,732)	
Net assets of business-type activities				<u>\$ 143,743,161</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, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	
OPERATING REVENUES					
Charges for services	\$ 16,985,489	\$ 2,918,775	\$ -	\$ 19,904,264	\$ 6,339,942
Disposal fees	-	200,383	-	200,383	-
Other operating revenue	746,300	5,955	-	752,255	-
Total operating revenues	17,731,789	3,125,113	-	20,856,902	6,339,942
OPERATING EXPENSES					
Personnel	4,183,190	784,952	98,554	5,066,696	-
Operating expenses	6,079,519	2,065,882	2,753	8,148,154	731,104
Depreciation	5,537,330	153,428	-	5,690,758	-
Operating leases	164,153	-	-	164,153	-
Landfill closure	-	58,008	-	58,008	-
Workers' compensation claims	-	-	-	-	185,842
Health benefit claims and premiums	-	-	-	-	4,696,429
Property and casualty claims and premiums	-	-	-	-	669,288
Total operating expenses	15,964,192	3,062,270	101,307	19,127,769	6,282,663
Operating income (loss)	1,767,597	62,843	(101,307)	1,729,133	57,279
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	1,162,668	169,643	-	1,332,311	68,331
Loss on sale of capital assets	(115,061)	(23,677)	-	(138,738)	-
Interest and fees on long term debt	(3,066,271)	-	-	(3,066,271)	-
Loss on investment in joint venture	(379,580)	-	-	(379,580)	-
Total nonoperating revenue (expenses)	(2,398,244)	145,966	-	(2,252,278)	68,331
Income (loss) before contributions and transfers	(630,647)	208,809	(101,307)	(523,145)	125,610
OTHER CHANGES IN NET ASSETS					
Transfers from other funds	-	-	131,307	131,307	-
Capital contributions - cash	9,364,313	-	-	9,364,313	-
Capital contributions - non-cash	13,600,879	-	-	13,600,879	-
Change in net assets	22,334,545	208,809	30,000	22,573,354	125,610
NET ASSETS					
Beginning	115,397,743	5,951,596	44,200	121,393,539	2,438,956
Ending	\$ 137,732,288	\$ 6,160,405	\$ 74,200	143,966,893	\$ 2,564,566
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(223,732)	
Change in net assets of business-type activities				\$ 143,743,161	

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, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total	
OPERATING ACTIVITIES					
Cash received from customers for services	\$ 16,414,098	\$ 2,839,076	\$ -	\$ 19,253,174	\$ 6,459,632
Other operating revenue	746,300	206,338	-	952,638	-
Cash paid to employees	(4,134,875)	(792,645)	(97,565)	(5,025,085)	-
Cash paid for goods and services	(7,228,756)	(1,918,588)	(6,504)	(9,153,848)	(6,070,242)
Net cash provided (used) by operating activities	5,796,767	334,181	(104,069)	6,026,879	389,390
NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	131,307	131,307	-
CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	401,642	-	-	401,642	-
Proceeds from tap fees	9,364,313	-	-	9,364,313	-
Payments on general obligation bond debt	(2,971,977)	-	-	(2,971,977)	-
Payments on revenue bond debt	(1,570,000)	-	-	(1,570,000)	-
Payments on state sanitary loan	(233,696)	-	-	(233,696)	-
Payments on sewer plant acquisition	(144,834)	-	-	(144,834)	-
Issuance costs paid for bonds	(1,572)	-	-	(1,572)	-
Interest paid on bonds and other debt	(2,878,412)	-	-	(2,878,412)	-
Acquisition and construction of capital assets	(7,397,753)	(1,191)	-	(7,398,944)	-
Net cash used by capital and related financing activities	(5,432,289)	(1,191)	-	(5,433,480)	-
INVESTING ACTIVITIES					
Investment earnings	1,162,667	169,641	-	1,332,308	68,331
Net increase in cash and investments	1,527,145	502,631	27,238	2,057,014	457,721
CASH AND INVESTMENTS					
Beginning of year	48,711,945	6,919,441	50,578	55,681,964	2,720,422
End of year	\$ 50,239,090	\$ 7,422,072	\$ 77,816	\$ 57,738,978	\$ 3,178,143
Reconciliation of cash and investments to the Statement of Net Assets:					
Cash and investments	\$ 33,283,421	\$ 5,336,202	\$ 55,948	\$ 38,675,571	\$ 3,178,143
Cash and investments, noncurrent	14,118,993	2,085,870	21,868	16,226,731	-
Cash and investments, restricted assets	2,836,676	-	-	2,836,676	-
Total Statement of Net Assets cash and cash equivalents	\$ 50,239,090	\$ 7,422,072	\$ 77,816	\$ 57,738,978	\$ 3,178,143
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,767,597	\$ 62,843	\$ (101,307)	\$ 1,729,133	\$ 57,279
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	5,537,330	153,428	-	5,690,758	-
Provision for uncollectible accounts	50,144	-	-	50,144	-
Landfill closure and post closure care costs	-	58,008	-	58,008	-
Changes in assets and liabilities					
(Increase) decrease in accounts receivable (net)	(629,858)	(82,199)	-	(712,057)	119,690
Increase in inventories	(439,848)	-	-	(439,848)	-
Increase (decrease) in accounts payable and accrued liabilities	(505,788)	155,243	(2,762)	(353,307)	212,421
Increase in deposits	8,323	2,500	-	10,823	-
Increase (decrease) in compensated absences payable	8,867	(15,642)	-	(6,775)	-
Total adjustments	4,029,170	271,338	(2,762)	4,297,746	332,111
Net cash provided (used) by operating activities	\$ 5,796,767	\$ 334,181	\$ (104,069)	\$ 6,026,879	\$ 389,390
Noncash investing, capital, and financing activities:					
Loss on investment in joint venture	\$ (379,580)	\$ -	\$ -	\$ (379,580)	\$ -
Contribution of capital infrastructure	\$ 13,600,879	\$ -	\$ -	\$ 13,600,879	\$ -

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

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

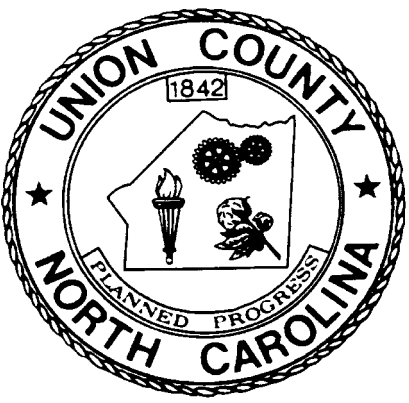
	Special Separation Allowance Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and investments	\$ 1,241,053	\$ 558,453
Property taxes receivable (net)	-	302,322
Accounts receivable (net)	16,872	999,220
Total assets	<u>1,257,925</u>	<u>\$ 1,859,995</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	-	\$ 1,782,070
Due to program participants	-	77,925
Total liabilities	<u>-</u>	<u>\$ 1,859,995</u>
NET ASSETS		
Held in Trust for:		
Employees' pension benefits	1,257,925	
Total net assets	<u>\$ 1,257,925</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, 2005

	Special Separation Allowance Pension Trust Fund
<hr/>	
ADDITIONS	
Employer contributions	\$ 430,743
Net investment income	29,296
Total additions	<hr/> 460,039
 DEDUCTIONS	
Benefits	<hr/> 525,833
 Change in net assets	 (65,794)
 NET ASSETS	
Beginning	<hr/> 1,323,719
Ending	<hr/> <hr/> \$ 1,257,925

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, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Union County, North Carolina and its component units 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, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The County has determined that it has two blended component units, although legally separate entities, which are, in substance, a 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 of 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

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.

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 Project Fund is consolidated with the 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 Fee Supported Fire Districts Fund, the Emergency Telephone System 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 four nonmajor capital project funds: General Capital Project Fund, 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 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 reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and 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. 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 2004 through February 2005 apply to the fiscal year ended June 30, 2005. 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 2005-2006 and are not shown as receivables at June 30, 2005. For those motor vehicles registered under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2005 because they are intended to finance the County's operations during the 2005-2006 fiscal year.

Those revenues susceptible to accrual are sales taxes and certain intergovernmental revenues, 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 applies 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 Districts Special Revenue Funds 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, General Capital Project Fund, Library Capital Project Fund, School Bond Fund-55, School Bond Fund-58 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 and Special Revenue Funds, and at the fund level for the Enterprise and Capital Project Funds. The County Manager is authorized by the budget ordinance to transfer appropriations within a department and between department appropriations, within the same fund, without limitation. The County Manager is also authorized to transfer personnel compensation pay plan adjustments, limited to an aggregate of 4%, and insurance appropriations both contained in non-departmental to the benefiting departments without limitation. The County Manager is authorized to transfer amounts from contingency, subject to a limitation of \$5,000 per item. The County Manager is authorized to appropriate funds reflected as reservations to fund balance as reflected in the prior year's financial statements. The County Manager is also authorized to appropriate funds for grant applications authorized by or grant agreements accepted by the governing body. The County Manager reports to the governing body all budget ordinance transfers, appropriations and adjustments on a monthly basis. 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, 2005. 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 (2a-7) money market mutual fund, are valued at fair

value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

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 Fund, General Capital Project Fund, School Bond Fund-55, School Bond Fund-58, and the Water and Sewer Fund's are due to bonds issued by the County which are classified as restricted assets because their use is completely restricted to the purpose for which the bonds were originally issued. The restricted assets of the General Special Revenue Fund are unexpended funds, which are restricted for the purpose of drug enforcement.

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, 2004.

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 \$5,000 (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 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.

Some Union County employees, because of their job duties, are required to work when other County offices are closed in observance of holidays. Those employees who work during the holidays accrue holiday leave time which may be used at a later date. The County's current practice permits unlimited accumulation of holiday leave time.

Vacation leave, holiday 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.

12. 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 2005-2006 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 2005-2006 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, and therefore are not recorded in the funds. The details of this \$285,853,810 difference are as follows:

Description	Amount
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds and installment financing principal payments	\$ (284,072,400)
Accrued interest payable, net of unamortized bond issuance costs	(1,781,410)
Net adjustment attributable to liabilities not recorded in the fund statements	<u>\$ (285,853,810)</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 \$125,576,563 as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities	\$ 11,974,562
Transfer of asset(s) between governmental activities and business-type activities	(28,435)
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.	(2,986,559)
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	8,727,796
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	(161,593,348)
Debt issuance premium amortization	290,871
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	715,970
Remittance of funds to escrow agent to defease debt instruments	21,630,000
Defeasance amortization over remaining life of debt	(149,380)
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)	(1,946,598)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(45,598)
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 7/1/04	(1,722,810)
Recording of tax receipts deferred in the fund statements as of 6/30/05	2,125,951
Decrease in accrued taxes receivable for year ended 6/30/05	(65,459)
Loss on disposal of capital asset	(2,619,878)
Health and dental insurance costs, net of investment earnings	290,240
Workers' compensation costs, net of investment earnings	(204,610)
Property and casualty costs, net of investment earnings	<u>30,722</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets-governmental activities	<u>\$ (125,576,563)</u>

NOTE 3 - 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. The County does not have policies regarding custodial credit risk for deposits.

At June 30, 2005, the County's deposits had a carrying amount of \$6,296,100 and a bank balance of \$6,994,826. Of the bank balance, \$289,119 was covered by federal depository insurance and \$6,705,709 in interest bearing deposits were covered by collateral held under the Pooling Method. Also, at June 30 2005, the County had \$6,435 cash on hand.

As of June 30, 2005, the County had the following investments and maturities.

Investment Type	Fair Value	Less Than 6 Months	6 - 12 Months	1 - 3 Years
US Government Agencies	\$ 105,046,296	\$ 7,985,020	\$ 41,194,527	\$ 55,866,749
Commercial Paper	22,819,774	22,819,774	-	-
NC Cash Management Trust - Cash Portfolio	63,419,409	N/A	N/A	N/A
NC State Education Assistance Authority	3,000,000	3,000,000	-	-
Money Market/Municipal Bonds	83	83	-	-
Total:	\$ 194,285,562	\$ 33,804,877	\$ 41,194,527	\$ 55,866,749

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits investments to maturities of no more than five years. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than five years.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the County had no formal policy on managing credit risk. As of June 30, 2005, the County's investments in commercial paper were rated, by at least two of the following three; P1 by Standard & Poor's, F1 by Fitch Ratings, and A1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2005. The County's investments in US Agencies (Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and Federal Farm Credit Bank) are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no investments with custodial credit risk. The County has no policy on custodial credit risk.

Concentration of Credit Risk. The County places no limit on the amount that the County may invest in any one issuer. More than 5 percent of the County's investments are in Lockhart Funding commercial paper and the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association securities. These investments are 5.1%, 10.7%, 10.0% and 33.7% respectively of the County's total investments.

NOTE 4 - RECEIVABLES

A. Receivables and Allowances for Doubtful Accounts

Receivables and their associated allowance for doubtful accounts at the government-wide level at June 30, 2005, were as follows:

	Accounts	Taxes	Internal balances	Total
<u>Governmental Activities:</u>				
General	\$ 9,893,078	\$ 2,615,204	\$ 223,732	\$ 12,732,014
Special Revenue	325,647	33,706	-	359,353
Capital Projects	1,346	-	-	1,346
Internal Service	122,639	-	-	122,639
Total Receivables	10,342,710	2,648,910	223,732	13,215,352
Allowance for doubtful accounts	-	(588,418)	-	(588,418)
Total-governmental activities	<u>\$ 10,342,710</u>	<u>\$ 2,060,492</u>	<u>\$ 223,732</u>	<u>\$ 12,626,934</u>
<u>Business-type Activities:</u>				
Water and Sewer	\$ 4,286,407	\$ -	\$ (190,308)	\$ 4,096,099
Solid Waste	458,112	-	(31,843)	426,269
Stormwater	-	-	(1,581)	(1,581)
Total Receivables	4,744,519	-	(223,732)	4,520,787
Allowance for doubtful accounts	(1,071,372)	-	-	(1,071,372)
Total-business-type activities	<u>\$ 3,673,147</u>	<u>\$ -</u>	<u>\$ (223,732)</u>	<u>\$ 3,449,415</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
2001	\$ 1,286,551	\$ 421,345	\$ 1,707,896
2002	1,293,920	307,306	1,601,226
2003	1,450,434	213,939	1,664,373
2004	4,153,647	238,835	4,392,482
	<u>\$ 8,184,552</u>	<u>\$ 1,181,425</u>	<u>\$ 9,365,977</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2005, was as follows:

Governmental activities:	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 5,431,420	\$ 49,483	\$ 23,447	\$ -	\$ 5,457,456
Construction in progress	9,761,742	9,989,150	-	(16,061,419)	3,689,473
Total capital assets not being depreciated	15,193,162	10,038,633	23,447	(16,061,419)	9,146,929
Capital assets being depreciated:					
Other improvements	3,280,571	82,950	80,798	477,347	3,760,070
Buildings	37,156,385	219,243	2,849,585	14,428,786	48,954,829
Furniture and equipment	8,907,965	700,571	925,068	1,155,286	9,838,754
Vehicles	5,582,417	933,165	396,343	-	6,119,239
Total capital assets being depreciated	54,927,338	1,935,929	4,251,794	16,061,419	68,672,892
Less accumulated depreciation for:					
Other improvements	1,752,231	104,558	52,315	-	1,804,474
Buildings	11,577,316	1,358,446	555,700	-	12,380,062
Furniture and equipment	4,911,792	838,932	626,172	-	5,124,552
Vehicles	3,777,775	684,623	392,742	-	4,069,656
Total accumulated depreciation	22,019,114	2,986,559	1,626,929	-	23,378,744
Total capital assets being depreciated, net	32,908,224	(1,050,630)	2,624,865	16,061,419	45,294,148
Governmental activities capital assets, net	\$ 48,101,386	\$ 8,988,003	\$ 2,648,312	\$ -	\$ 54,441,077

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

General government	\$ 1,005,723
Public safety	1,292,132
Economic and physical development	4,400
Human services	192,921
Cultural and recreational	491,383
Total depreciation expense	\$ 2,986,559

Capital asset activity for the business-type activities for the year ended June 30, 2005, was as follows:

Business-type activities:	Beginning Balances	Additions	Retirements	Transfers	Ending Balances
Water and Sewer					
Capital assets not being depreciated:					
Land	\$ 1,169,123	\$ -	\$ 4,562	\$ -	\$ 1,164,561
Construction in progress	6,291,909	7,217,187	-	-	4,671,758
Total capital assets not being depreciated	7,461,032	7,217,187	4,562	(8,837,338)	5,836,319
Capital assets being depreciated:					
Plant and collection systems	81,694,975	7,994,224	61,136	6,040,809	95,668,872
Plant and distribution systems	61,737,163	5,567,191	804,408	2,796,529	69,296,475
Equipment	2,745,571	114,614	303,357	-	2,556,828
Vehicles	2,684,646	200,950	278,650	-	2,606,946
Total capital assets being depreciated	148,862,355	13,876,979	1,447,551	8,837,338	170,129,121
Less accumulated depreciation for:					
Plant and collection systems	15,874,144	2,896,891	10,211	-	18,760,824
Plant and distribution systems	13,966,509	2,100,455	420,728	-	15,646,236
Equipment	1,689,662	218,474	236,206	-	1,671,930
Vehicles	1,817,824	321,510	268,265	-	1,871,069
Total accumulated depreciation	33,348,139	5,537,330	935,410	-	37,950,059
Total capital assets being depreciated, net	115,514,216	8,339,649	512,141	8,837,338	132,179,062
Water and Sewer capital assets, net	122,975,248	15,556,836	516,703	-	138,015,381
Solid Waste					
Capital assets not being depreciated:					
Land	310,258	-	203	-	310,055
Construction in progress	8,353	1,191	-	(8,894)	650
Total capital assets not being depreciated	318,611	1,191	203	-	310,705
Capital assets being depreciated:					
Other improvements	80,190	-	9,010	8,894	80,074
Plant and collection systems	1,988,010	-	56,027	-	1,931,983
Equipment	1,854,185	-	339,588	-	1,514,597
Vehicles	1,225,914	-	298,235	-	927,679
Total capital assets being depreciated	5,148,299	-	702,860	8,894	4,454,333
Less accumulated depreciation for:					
Other improvements	12,099	2,281	43	-	14,337
Plant and collection systems	857,894	87,950	54,877	-	890,967
Equipment	1,794,080	10,264	326,232	-	1,478,112
Vehicles	1,067,343	52,932	298,235	-	822,040
Total accumulated depreciation	3,731,416	153,427	679,387	-	3,205,456
Total capital assets being depreciated, net	1,416,883	(153,427)	23,473	8,894	1,248,877
Solid Waste capital assets, net	1,735,494	(152,236)	23,676	-	1,559,582
Business-type activities capital assets, net	\$ 124,710,742	\$ 15,404,600	\$ 540,379	\$ -	\$ 139,574,963

Interest and fees incurred for the Water and Sewer Fund for the year ended June 30, 2005 consisted of the following:

Capitalized interest	\$ 210,923
Other interest and fees	3,066,271
Total interest and fees costs	<u>\$ 3,277,194</u>

NOTE 6 – LIABILITIES

Payables at the government-wide level at June 30, 2005, including liabilities payable from restricted assets, were as follows:

Payables:	Governmental Activities	Business Type Activities	Total
Vendors	\$ 10,542,559	\$ 2,002,329	\$ 12,544,888
Salaries and benefits	1,284,886	174,469	1,459,355
Accrued Interest	3,569,273	298,007	3,867,280
Total	<u>\$ 15,396,718</u>	<u>\$ 2,474,805</u>	<u>\$ 17,871,523</u>

NOTE 7 - PENSION PLAN OBLIGATIONS

A. Local Governmental Employees’ Retirement System

Description

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

Funding Policy

Plan members are required to contribute 6% of their annual covered salary. The County is required to contribute at an actuarially determined rate. For the County, the current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.64% respectively, of annual covered payroll. The contribution requirements of members and of the County are established and may be amended by the North Carolina General Assembly. The County’s contributions to LGERS for the years ended June 30, 2005, 2004, and 2003 were \$1,481,253, \$1,356,403, and \$1,280,776 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, 2004, the Separation Allowance's membership consisted of:

Retirees receiving benefits	46
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>874</u>
Total	<u><u>920</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 \$430,448 or 1.431% 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, 2005 was determined as part of the December 31, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return 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, 2004 was 26 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	\$ 409,880
Interest on net pension obligation	(17,020)
Adjustment to annual required contribution	<u>13,170</u>
Annual pension cost	406,030
Contributions made	<u>(430,448)</u>
Increase (decrease) in net pension obligation	(24,418)
Net pension obligation - beginning of year	<u>(234,760)</u>
Net pension obligation - end of year	<u><u>\$ (259,178)</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, 2003	\$ 329,965	110%	\$ 171,539
June 30, 2004	356,183	118%	234,760
June 30, 2005	406,030	106%	259,178

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, 2005 were \$2,292,103, which consisted of \$1,466,865 from the County and \$825,238 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, 2005, the County's required and actual contributions were \$68,910.

NOTE 8 – 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 9 - 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, 89 retirees younger than 65 years of age are receiving post-retirement health and dental benefits. For the fiscal year ended June 30, 2005, the County made contributions of \$377,782 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, 2005, the County made payments of \$268,023 for the Supplement to Medicare plans.

B. Death Benefits

Under the terms of the Board of Commissioner's resolution, the County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$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, 2005, the County made contributions to the State for death benefits of \$30,758. 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 10 – 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 municipal solid waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure of the municipal solid waste collection cell. The County has continued to collect construction and demolition waste in different cells which are opened based on demand and closed when each cell reaches its capacity. Closure and post closure care costs have been accumulated up to the dates of closure for each of the cells; 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 municipal solid 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 municipal solid waste, which is transported to other sites outside of the County. The \$2,820,292 reported as landfill post closure care liability at June 30, 2005 represents a cumulative liability amount reported to date, based on the use of 100% of the total estimated capacity of the landfill. At June 30, 2005 there was an increase of \$58,008 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 and continues to meet 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. 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 \$4,411,623. 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 11 - COMMITMENTS

A. Contractual Commitments

The County had several outstanding projects as of June 30, 2005. At year end the significant contractual commitments include the following:

Project	Spent to Date	Remaining Commitment
<u>General Fund:</u>		
MVP Tax Software	\$ 103,244	\$ 142,156
<u>Emergency Telephone System Fund:</u>		
Flyover Orthographic Photography Project	256,924	330,437
<u>General Capital Projects Fund:</u>		
Justice Center	13,259,478	318,872
AG/One Stop Permit Center - Agricultural Services	3,010,933	1,390,723
Cane Creek ADA Improvements Phase II	662,976	537,796
<u>Water Capital Projects:</u>		
County Wide Trans Main Phase I	979,589	12,671,868
North County Tank Farm & PS	1,798	177,982
Auto Meter Read	699,246	112,289
Hwy 218 Water Lines	1,776,636	215,017
Watkins Road Pump Station	68,890	2,503,828
County Wide Trans Main Phase II	65,760	175,230
<u>Sewer Capital Projects:</u>		
Hunley Creek Offline	206,227	1,255,265
Waxhaw Sewer Rehabilitation	1,067,177	136,658
Sewer Mapping & Hydraulic	119,035	178,265
Total	\$ 22,277,913	\$ 20,146,386

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, general obligation bonds, grants 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 \$696,000 to \$1,105,000 and expects the payments to be made over the next four years.

NOTE 12 - 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 \$125,000 and aggregate claims exceeding \$3,529,778 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 non-law enforcement claims exceeding \$300,000 and law enforcement claims exceeding \$350,000 both being 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.

Unpaid liabilities at year end are as follows:

	Health Benefit Fund		Workers' Compensation Fund		Property & Casualty Fund	
	Year Ended June 30, 2005	Year Ended June 30, 2004	Year Ended June 30, 2005	Year Ended June 30, 2004	Year Ended June 30, 2005	Year Ended June 30, 2004
Unpaid Claims beginning of fiscal year	\$ 423,000	\$ -	\$ 71,589	\$ 337,831	\$ -	\$ -
Incurring claims and premiums	4,923,198	4,973,379	154,236	26,094	669,288	-
Claims and premiums paid	(4,696,429)	(4,550,379)	(185,842)	(292,336)	(669,288)	-
Unpaid Claims end of fiscal year	<u>\$ 649,769</u>	<u>\$ 423,000</u>	<u>\$ 39,983</u>	<u>\$ 71,589</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 13 - CLAIMS AND JUDGEMENTS

The County was a defendant in various matters of litigation as of June 30, 2005. 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 14 - 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 Waste Water Treatment Plant at cost. The County can increase its allocation up to a maximum of three million gallons per day by the assumption of additional debt service used to construct the McAlpine Creek WWTP, outfall lines and pump stations. Rents paid under all operating leases totaled \$1,161,656 for the year ended June 30, 2005.

Minimum future lease payments are as follows:

Year Ending June 30	Anson County	CMUD	Other
2006	\$ 164,153	\$ 205,456	\$ 792,099
2007	164,153	205,456	761,953
2008	164,153	205,456	94,258
2009	164,153	205,456	23,143
2010	164,153	205,456	460
2011-2015	492,461	1,027,279	-
2016-2020	-	1,027,279	-
2021-2025	-	870,645	-
Thereafter	-	254,277	-
	<u>\$ 1,313,226</u>	<u>\$ 4,206,760</u>	<u>\$ 1,671,913</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, 2005. 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 15 - LONG - TERM OBLIGATIONS

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

The general obligation bonds, 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 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 derivatives are interest swap agreements with the objective

of protecting Union County against the risk of interest rate changes in connection with variable rate debt and to effect lower debt service costs on the County's fixed rate debt. 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 15. E.

1. Long-term obligations at June 30, 2005 are comprised of the following individual issues:

	Issue Date	Due Serially To	Interest Rate	Original Issue	Principal Balance June 30, 2005	Principal and Unamortized Balances (See Note 15.A.3.) June 30, 2005
1. General Obligation Bonds						
1973 Watershed Improvement Bonds	June 01, 1973	June 01, 2008	3.463%	\$ 400,000	\$ 34,000	\$ 34,000
1992 Refunding Bonds (Water)	June 01, 1992	June 01, 2008	7.50%	1,077,000	440,300	440,300
1993 Refunding Bonds (Water)	March 01, 1993	March 01, 2006	4.0% - 4.1%	3,455,559	255,084	252,567
1993 Refunding Bonds (Sanitary Sewer)	March 01, 1993	March 01, 2006	4.0% - 4.1%	2,437,277	179,916	178,143
1996 Refunding Bonds (School Facility)	May 01, 1996	May 01, 2011	4.75% - 5.20%	11,340,560	4,678,520	4,678,520
1996 Refunding Bonds (Water)	May 01, 1996	May 01, 2011	4.75% - 5.20%	11,424,720	4,713,240	4,650,929
1996 Refunding Bonds (Sanitary Sewer)	May 01, 1996	May 01, 2011	4.75% - 5.20%	3,534,720	1,458,240	1,437,932
1996 School Facility - Series A	May 01, 1996	May 01, 2006	5.25% - 5.30%	3,260,000	150,000	150,000
1996 School Facility - Series B	May 01, 1996	May 01, 2006	5.25% - 5.30%	8,000,000	400,000	400,000
1999 Refunding Bonds (School Facility)	March 01, 1999	March 01, 2011	4.4% - 5.0%	14,673,549	9,599,850	9,599,850
1999 Refunding Bonds (Water)	March 01, 1999	March 01, 2011	4.4% - 5.0%	5,961,452	3,900,150	3,867,061
1999 School Facility - Series A	March 01, 1999	March 01, 2009	5.0% - 5.2%	4,050,000	800,000	800,000
1999 School Facility - Series B	March 01, 1999	March 01, 2009	5.0% - 5.2%	26,000,000	3,650,000	3,650,000
2001 School Facility Bonds (f)	March 01, 2001	March 01, 2020	4.00% - 4.75%	56,700,000	49,500,000	49,500,000
2004 Refunding Bonds (School Facilities) (b)	June 01, 2004	June 01, 2016	2.50% - 4.125%	14,976,804	14,812,944	14,449,293
2004 Refunding Bonds (Sanitary Sewer) (b)	June 01, 2004	June 01, 2016	2.50% - 4.125%	3,303,196	3,267,056	3,182,220
2004 School Facility - Series A (e, g)	Dec. 14, 2004	March 01, 2029	Variable	48,265,000	48,265,000	48,265,000
2004 Law Enf. Facility - Series A (e, g)	Dec. 14, 2004	March 01, 2029	Variable	1,735,000	1,735,000	1,735,000
2004 Refunding Bonds (School Facility) (c,e, g)	Dec. 14, 2004	March 01, 2020	Variable	21,630,000	21,630,000	19,855,025
2005 School Facility - Series A (g)	June 13, 2005	March 01, 2030	Variable	50,000,000	50,000,000	50,000,000
2005 School Facility - Series B (g)	June 13, 2005	March 01, 2030	Variable	20,000,000	20,000,000	20,000,000
2005 School Facility - Series C (g)	June 13, 2005	March 01, 2030	Variable	20,000,000	20,000,000	20,000,000
					<u>259,469,300</u>	<u>257,125,840</u>
2. Installment Financing						
2003 Multi-purpose COP's (f)	June 01, 2003	June 01, 2025	2.0% - 5.0%	43,760,000	39,410,000	40,711,814
2004 Installment Financing (Law Enforcement) (h)	June 15, 2004	May 15, 2009	Variable	306,170	243,898	243,898
					<u>39,653,898</u>	<u>40,955,712</u>
3. Revenue Bonds						
2003 Enterprise System - Series A	June 01, 2003	June 01, 2029	2.0% - 5.0%	33,130,000	31,600,000	32,288,939
2003 Refunding Enterprise System - Series B (a,d, g)	June 01, 2003	June 01, 2021	Variable	20,935,000	19,380,000	17,089,251
					<u>50,980,000</u>	<u>49,378,190</u>
4. Other Long-term Obligations (Note 15. E.)						
North Carolina Clean Water Revolving Loan	June 01, 1998	June 30, 2017	5.30%	4,673,933	2,804,360	2,804,360
Hunley Creek Sewer System Purchase	August 19, 1991	June 30, 2006	n/a	924,724	74,799	74,799
					<u>2,879,159</u>	<u>2,879,159</u>
Total General Obligation Bonds, Certificates of Participation, Revenue Bonds and Other Long-term Obligations					<u>\$ 352,982,357</u>	<u>\$ 350,338,901</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, 2005, the principal outstanding on the refunded bonds was \$17,260,000 and the amount held in escrow by the escrow agent was \$17,867,659.
- (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, 2005, the principal outstanding on the refunded bonds was \$6,310,000 and the amount held in escrow by the escrow agent was \$6,573,245.

- (c) On December 14, 2004, the County issued general obligation refunding bonds totaling \$21,630,000 with an interest rate of 3.425 to partially advance refund the 1999 (A & B) School serial bonds with interest rates on the refunded issues ranging from 5.1 to 5.4%. 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 \$1,840,165. The refunding resulted in economic gains (the difference between the present value of the debt service payments on the old and new debt) of \$1,410,198. On June 30, the principal outstanding on the refunded bonds was \$19,850,000 and the amount held in escrow by the escrow agent was \$21,882,848.

- (d) Derivative Disclosure - Pay-Fixed, Receive-Variable Interest Rate Swap Agreement dated May 14, 2003 – 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%, excluding liquidity, remarketing, and other fees associated with the Bonds.

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. Such yield adjustment may increase the County’s interest cost. 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, 2005, 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	<u>2.260%</u>
Net interest rate swap payments		0.735%
Variable rate bond coupon payments		<u>2.260%</u>
Synthetic interest rate on Bonds		<u>2.995%</u>

Fair Value. As of June 30, 2005, the agreement had a positive fair value of \$39,544. This mark-to-market valuation was established by market quotations obtained by the counterparty, representing estimates of the amounts that would be paid or received for replacement transactions.

Credit Risk. The swap agreement’s fair value represented the County’s credit exposure to Citibank as of June 30, 2005. Should Citibank fail to perform according to the terms of the swap agreement, the County would face a possible loss approximately equivalent to the swap agreement’s positive fair value, if any, at the time of any failure to perform. As of June 30, 2005, the swap agreement had a positive fair value of \$39,544. 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, 2005, 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, including but not limited to failure to pay,

bankruptcy, and downgrade below the “BBB” credit rating category. 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, 2005, 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	Total
	Principal	Interest	Swaps, Net *	
2006	\$ 810,000	\$ 437,988	\$ 142,443	\$ 1,390,431
2007	1,240,000	419,682	136,490	1,796,172
2008	1,235,000	391,658	127,376	1,754,034
2009	1,230,000	363,747	118,298	1,712,045
2010	1,220,000	335,949	109,258	1,665,207
2011-2015	5,910,000	1,271,476	413,511	7,594,987
2016-2020	6,340,000	597,092	194,187	7,131,279
2021	1,395,000	31,527	10,253	1,436,780
Total	<u>\$ 19,380,000</u>	<u>\$ 3,849,119</u>	<u>\$ 1,251,816</u>	<u>\$ 24,480,935</u>

* Computed using $(2.995\% - 2.260\%) \times (\$19,380,000 - \text{annual reduction})$

- (e) Derivative Disclosure - Pay-Fixed, Receive-Variable Interest Rate Swap Agreements effective December 14, 2004 – Assumptions

Objective of the interest rate swap. As a means to lower the County’s borrowing costs when compared to fixed-rate bonds at the time of issuance in December 2004 and as a means of achieving refunding savings, the County entered into interest rate swaps in connection with its \$50,000,000 Variable Rate General Obligation Bonds, Series 2004A and \$21,630,000 Variable Rate General Obligation Refunding Bonds, Series 2003B (together, the “2004 Bonds”). The intention of the swap agreements was to effectively change the County’s interest rate on the 2004 Bonds to a synthetic fixed rate of 3.425%, excluding liquidity, remarketing, and other fees associated with the Bonds.

Terms. Under the terms of the swap agreements effective December 14, 2004, the County pays the Wachovia Bank, National Association, Citibank, N.A. and Bank of America N.A. (collectively, the “Counterparties”) fixed payments of 3.425% and receives the following floating amounts:

From the agreements’ effective dates and ending before before July 1, 2009, the lesser of Index I or Index II.

From the agreements’ effective dates and ending after July 1, 2009, Index II

Index I: The actual weekly remarketed 7 Day rates on the 2004 Bonds

Index II: The greater amount of 67% of USD-LIBOR-BBA or 63% of USD-LIBOR-BBA plus .20% (together the “Libor Index”)

The notional value of the swap agreements and the principal amount of the associated debt decline in unison over the term of the swap agreements and 2004 Bonds. The swap agreement is subject to yield adjustments in certain circumstances described above. Such yield adjustment may increase the County’s interest cost. On a semiannual basis, the County pays the Counterparties interest at the fixed rate of 3.425%. The notional amount of the swaps reduces annually; the reductions begin on March 1, 2006, and end on March 1, 2029. The agreements mature March 1, 2029. As of June 30, 2005, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to Counterparties	Fixed	3.425%
Variable payment from Counterparties	See above	<u>2.260%</u>
Net interest rate swap payments		1.165%
Variable rate bond coupon payments	Bond Rate	<u>2.260%</u>
Synthetic interest rate on 2004 Bonds		<u>3.425%</u>

Fair Value. As of June 30, 2005, the swap agreements had a negative fair value of \$3,290,851. This mark-to-market valuation was established by market quotations obtained by the Counterparties, representing estimates of the amounts that would be paid or received for replacement transactions.

Credit Risk. The swap agreements’ fair value represented the County’s credit exposure to the Counterparties as of June 30, 2005. Since the swap agreements had a negative fair value at June 30,

2005, the County was not exposed to credit risk. However, should interest rates change and the fair value of the swap agreements become positive, the County would be exposed to credit risk in the amount of the derivatives' fair value. The swap Counterparties as of June 30, 2005 are rated as follows:

Counterparty	Moody's	Standard & Poor's	Fitch
Bank of America N.A.	Aa1	AA	AA-
Citibank	Aa1	AA	AA+
Wachovia Bank, N.A.	Aa3	A+	AA-

To mitigate the potential for credit risk, if the Counterparties' credit quality falls below Baa1/BBB+/BBB+, the Counterparties are obligated to post collateral consisting of U.S. government securities for the fair value of the swap agreements. Collateral would be posted with a third party custodian.

Basis Risk. The County receives variable payments from the Counterparties based on the floating rates identified under *Terms*. The County pays the Bond Rate to its bondholders set by the remarketing agent. The County is exposed to basis risk when its 2004 Bonds begin to trade at a yield which exceeds the floating rate received from the Counterparties. At June 30, 2005, the rate on the County's 2004 Bonds was equal to the floating rate received from the Counterparties. However, should the relationship of the 2004 Bonds trade higher than the floating rate received from the Counterparties, the County will experience an increase in debt service above the fixed rate on the swap agreements.

Termination Risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, including but not limited to failure to pay, bankruptcy, and downgrade below the "BBB" credit rating category. The County or the Counterparties may terminate the swaps if the other party fails to perform under the terms of the contract. An additional termination event occurs if the County's or the Counterparties' ratings fall below Baa3/BBB-/BBB-. If at the time of termination the swap agreements have a negative fair value, the County would be liable to the Counterparties for a payment equal to the swap agreements' fair value.

Swap payments and associated debt: Using rates as of June 30, 2005, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates as of June 30, 2005 remain the same for the term of the 2004 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		
2006	\$ 1,355,000	\$ 1,618,838	\$ 834,490	\$ 3,808,328
2007	1,365,000	1,588,215	818,704	3,771,919
2008	1,370,000	1,557,366	802,802	3,730,168
2009	1,375,000	1,526,404	786,841	3,688,245
2010	2,535,000	1,495,329	770,822	4,801,151
2011-2015	15,810,000	6,508,574	3,355,084	25,673,658
2016-2020	15,445,000	4,677,522	2,411,201	22,533,723
2021-2025	13,575,000	3,044,785	1,569,547	18,189,332
2026-2029	18,800,000	1,062,200	547,550	20,409,750
Total	\$ 71,630,000	\$ 23,079,233	\$ 11,897,041	\$ 106,606,274

* Computed using $(3.425\% - 2.260\%) \times (\$71,630,000 - \text{annual reduction})$

- (f) Derivative Disclosure – Pay-Floating, Receive-Floating Interest Rate Fixed Spread Basis Swap Agreement dated and effective June 13, 2005 – Assumptions

Objective of the interest rate swap. As a means to lower the County's borrowing costs and increase its savings, when compared to the issuance of traditional fixed-rate or synthetic fixed rate refunding bonds in June 2004, Union County entered into a fixed spread basis swap agreement for the purpose of generating savings on \$38,000,000 in callable maturities of its General Obligation Bonds, Series 2001 and \$22,740,000 in callable maturities of its Certificates of Participation, Series 2003 (collectively "the Bonds"). The intention of the fixed spread basis swap agreement was to effectively lower the County's interest rate on the Bonds.

Terms. Under the terms of a fixed spread basis swap agreement dated and effective June 13, 2004 Wachovia Bank, N.A. ("Wachovia") pays Union County 67% of USD-LIBOR-BBA plus a fixed spread of 0.532% semi-annually on the notional amount of \$60,740,000. Union County pays Wachovia the USD-BMA Municipal Swap Index semi-annually on the same notional amount. The notional value of the fixed spread basis swap and the principal amount of the associated debt decline in unison over the term of the

fixed spread basis swap agreement and Bonds. The notional amount of the swap reduces annually; the reductions begin on March 1, 2012, and end on March 1, 2025. The agreement matures March 1, 2025. As of June 30, 2005, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Average coupon on the Bonds	Fixed	4.640%
Receive Floating Rate	67% LIBOR + 0.532%	2.770%
Pay Floating Rate	BMA Swap Index	<u>2.280%</u>
Net interest rate on Bonds		<u>4.150%</u>

Fair Value. As of June 30, 2005, the agreement had a negative fair value of \$519,826. This mark-to-market valuation was established by market quotations obtained by the counterparty, representing estimates of the amounts that would be paid or received for replacement transactions.

Credit Risk. The interest rate swap agreement's fair value represented the County's credit exposure to Wachovia as of June 30, 2005. Since the interest rate swap agreement had a negative fair value at June 30, 2005, the County was not exposed to credit risk. However, should interest rates change and the fair value of the interest rate swap agreement becomes positive, the County would be exposed to credit risk in the amount of the derivative's fair value. As of June 30, 2005, Wachovia is rated "Aa3" by Moody's Investor's Service, "A+" by Standard and Poor's Ratings Services, and "AA-" by Fitch Ratings. To mitigate the potential for credit risk, if Wachovia's credit quality falls below Baa1/BBB+/BBB+, Wachovia is obligated to post collateral consisting of U.S. government securities for the fair value of the interest rate swap agreement. Collateral would be posted with a third party custodian.

Basis Risk. Union County receives from Wachovia 67% LIBOR plus a fixed spread of 0.532% and pays to Wachovia the BMA Municipal Swap Index. Union County is exposed to basis risk when its payment to Wachovia begins to trade at a yield which exceeds 67% LIBOR plus 0.532%. In the event of such an occurrence, the County will experience an increase in debt service above the fixed coupon rate on the Bonds.

Termination Risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, including but not limited to failure to pay, bankruptcy, and downgrade below the "BBB" credit rating category. Termination could result in the County being required to make an unanticipated termination payment.

Swap payments and associated debt: Using rates as of June 30, 2005, debt service requirements of the Bonds and net interest rate swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows. As net interest rate swap payments vary, the County's fixed bond interest payments and net interest rate swap payments will vary.

Fiscal Year Ending June 30	Bonds		Interest Rate Swaps, Net *	Total
	Principal	Interest		
2006	\$ -	\$ 2,825,931	\$ (297,626)	\$ 2,528,305
2007	-	2,825,931	(297,626)	2,528,305
2008	-	2,825,931	(297,626)	2,528,305
2009	-	2,825,931	(297,626)	2,528,305
2010	-	2,825,931	(297,626)	2,528,305
2011-2015	17,890,000	13,210,693	(1,258,076)	29,842,617
2016-2020	33,375,000	6,695,720	(175,287)	39,895,433
2021-2025	9,475,000	1,172,532	(46,430)	10,601,102
Total	<u>\$ 60,740,000</u>	<u>\$ 35,208,600</u>	<u>\$ (2,967,923)</u>	<u>\$ 92,980,677</u>

* Computed using $(2.280\% - 2.770\%) \times (\$60,740,000 - \text{annual reduction})$

- (g) The County has issued variable rate bonds. The County has remarketing agreements and standby purchase agreements with banks related to these bonds. Under the remarketing agreements, the agents will remarket any bonds for which payment is demanded. If the bonds cannot be remarketed, the banks will purchase the bonds. The following schedule shows the expiration dates, which can be renewed, fees paid in fiscal year 2005 pursuant to these agreements, and the interest rate at year-end for these issues. Interest rates may change pursuant to the terms of the remarketing agreements based on market conditions. There have been slight increases in the range of 0.30% to 0.40% in the variable rates subsequent to the fiscal year-end. The interest rates, per the remarketing agreements, cannot exceed 12%. The maximum interest required for these bonds through maturity would be \$301,973,129.

	Balance	Standby Purchase Agreement Expiration	Fees Paid for the Fiscal Year 2005	Interest Rate June 30, 2005
Issue	June 30, 2005			
General Obligation Bonds				
2004A	\$ 50,000,000	December 14, 2011	\$ 62,548	2.26%
2004B	21,630,000	December 14, 2011	27,058	2.26%
2005A	50,000,000	June 13, 2015	14,144	2.26%
2005B	20,000,000	June 13, 2015	5,658	2.30%
2005C	20,000,000	June 13, 2015	5,658	2.28%
Revenue Bonds				
2003B	19,380,000	June 12, 2006	50,403	2.26%

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

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 243,116,688	\$ 14,009,152	\$ 257,125,840
Certificates of Participation	40,711,814	-	40,711,814
Installment Financing	243,898	-	243,898
Revenue Bonds	-	49,378,190	49,378,190
N.C. Clean Water Revolving Loan	-	2,804,360	2,804,360
Hunley Creek Sewer System Purchase	-	74,799	74,799
Total	\$ 284,072,400	\$ 66,266,501	\$ 350,338,901

3. The table in Note 15 part A differs from the long-term obligations in Note 15 part B due to the following:

	Unamortized Deferred Loss on Defeasance	Unamortized Gain	Unamortized Premium / (Discount)	Total
General Obligation Bonds				
1993 Refunding Bonds (Water)	\$ 2,517	\$ -	\$ -	\$ 2,517
1993 Refunding Bonds (Sanitary Sewer)	1,773	-	-	1,773
1996 Refunding Bonds (Water)	95,633	(31,277)	(2,045)	62,311
1996 Refunding Bonds (Sanitary Sewer)	29,431	(8,519)	(604)	20,308
1999 Refunding Bonds (Water)	43,084	(9,995)	-	33,089
2004 Refunding Bonds (School Facilities) (b)	620,831	-	(257,180)	363,651
2004 Refunding Bonds (Sanitary Sewer) (b)	141,556	-	(56,720)	84,836
2004 Refunding Bonds (School Facilities) (c,e)	1,774,975	-	-	1,774,975
Installment Financing				
2003 Multi-purpose COP's	94,833	-	(1,396,647)	(1,301,814)
Revenue Bonds				
2003 Enterprise System - Series A	-	-	(688,939)	(688,939)
2003 Refunding Enterprise System - Series B (a,d)	2,111,234	-	179,515	2,290,749
Total	\$ 4,915,867	\$ (49,791)	\$ (2,222,620)	2,643,456
Long-term Obligations (per Note 15, A)				350,338,901
Future Maturities of Long-term Obligations (per Note 15, B)				\$ 352,982,357

B. Future Maturities of Long-Term Obligations

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

	General Obligation Bonds		Certificates of Participation and Installment Financing		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	Governmental Activities					
2006	\$ 11,453,607	\$ 14,088,364	\$ 2,277,272	\$ 1,555,063	\$ 13,730,879	\$ 15,643,427
2007	11,723,389	16,363,884	2,307,272	1,508,390	14,030,661	17,872,274
2008	11,676,743	15,572,441	2,102,272	1,460,842	13,779,015	17,033,283
2009	12,023,033	14,772,102	2,107,082	1,385,123	14,130,115	16,157,225
2010	12,162,015	13,963,596	2,060,000	1,336,650	14,222,015	15,300,246
2011-2015	60,246,641	57,975,970	9,850,000	5,470,038	70,096,641	63,446,008
2016-2020	57,594,886	38,501,086	9,475,000	3,375,468	67,069,886	41,876,554
2021-2025	31,575,000	21,892,932	9,475,000	1,172,531	41,050,000	23,065,463
2026-2030	36,800,000	8,089,972	-	-	36,800,000	8,089,972
	<u>\$ 245,255,314</u>	<u>\$ 201,220,347</u>	<u>\$ 39,653,898</u>	<u>\$ 17,264,105</u>	<u>\$ 284,909,212</u>	<u>\$ 218,484,452</u>

	General Obligation Bonds		Revenue Bonds		Other Long-term Obligations (E.)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	Business-type Activities							
2006	\$ 2,691,294	\$ 683,165	\$ 1,610,000	\$ 1,878,695	\$ 308,496	\$ 96,190	\$ 4,609,790	\$ 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	2,485,058	429,137	2,070,000	1,785,708	233,697	80,158	4,788,755	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	1,857,985	212,115	2,090,000	1,673,235	233,697	64,126	4,181,682	1,949,476
2011-2015	2,733,359	237,546	10,665,000	7,424,390	1,168,483	200,395	14,566,842	7,862,331
2016-2020	55,114	2,274	12,120,000	5,506,484	467,392	24,047	12,642,506	5,532,805
2021-2025	-	-	8,565,000	3,354,441	-	-	8,565,000	3,354,441
2026-2029	-	-	9,725,000	1,431,375	-	-	9,725,000	1,431,375
	<u>\$ 14,213,986</u>	<u>\$ 2,421,462</u>	<u>\$ 50,980,000</u>	<u>\$ 26,622,577</u>	<u>\$ 2,879,159</u>	<u>\$ 625,232</u>	<u>\$ 68,073,145</u>	<u>\$ 29,669,271</u>

Total Long-term Obligations for Governmental and Business-type Activities \$ 352,982,357 \$ 248,153,723

As of June 30, 2005, Union County had \$110,730,000 general obligation bonds authorized but unissued, and had a legal debt margin of \$676,650,738.

C. Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2005 (and agrees to table in Note 15. B.):

	Balance June 30, 2004	Increases	Decreases	Additions and Deductions to Amortizations	Balance June 30, 2005	Current Portion of Balances
Governmental Activities:						
By Type:						
General obligation bonds	\$ 109,493,722	\$ 161,630,000	\$ 26,325,523	\$ (1,681,511)	\$ 243,116,688	\$ 11,156,498
Bond Anticipation Note	21,230,000	-	21,230,000	-	-	-
Certificates of participation	43,141,794	-	2,190,000	(239,980)	40,711,814	2,454,980
Installment financing	306,170	-	62,272	-	243,898	62,272
Compensated absences	2,365,093	2,375,161	2,329,563	-	2,410,691	-
	<u>\$ 176,536,779</u>	<u>\$ 164,005,161</u>	<u>\$ 52,137,358</u>	<u>\$ (1,921,491)</u>	<u>\$ 286,483,091</u>	<u>\$ 13,673,750</u>
By Purpose:						
General government	\$ 15,329,933	\$ -	\$ 422,534	\$ (12,997)	\$ 14,894,402	\$ 435,531
Public safety	7,688,969	1,735,000	2,254,498	(70,428)	7,099,043	640,699
Economic/physical development	3,855,930	-	105,809	(4,068)	3,746,053	109,877
Human services	45,899	-	1,265	(39)	44,595	1,304
Education	144,426,330	159,895,000	46,929,754	(1,831,608)	255,559,968	12,390,053
Cultural and recreational	2,824,625	-	93,935	(2,351)	2,728,339	96,286
Compensated absences	2,365,093	2,375,161	2,329,563	-	2,410,691	-
	<u>\$ 176,536,779</u>	<u>\$ 164,005,161</u>	<u>\$ 52,137,358</u>	<u>\$ (1,921,491)</u>	<u>\$ 286,483,091</u>	<u>\$ 13,673,750</u>
Business-type Activities:						
By Type:						
General obligation bonds	\$ 16,872,773	\$ -	\$ 2,971,977	\$ 108,356	\$ 14,009,152	\$ 2,606,733
Revenue bonds	50,721,042	-	1,570,000	227,148	49,378,190	1,387,032
North Carolina Clean Water Revolving Loan	3,038,056	-	233,696	-	2,804,360	233,697
Hunley Creek Sewer System Purchase	219,633	-	144,834	-	74,799	74,799
Compensated absences	350,292	287,327	294,101	-	343,518	-
	<u>\$ 71,201,796</u>	<u>\$ 287,327</u>	<u>\$ 5,214,608</u>	<u>\$ 335,504</u>	<u>\$ 66,610,019</u>	<u>\$ 4,302,261</u>
By Purpose:						
Water and sewer systems	\$ 70,851,504	\$ -	\$ 4,920,507	\$ 335,504	\$ 66,266,501	\$ 4,302,261
Compensated absences	350,292	287,327	294,101	-	343,518	-
	<u>\$ 71,201,796</u>	<u>\$ 287,327</u>	<u>\$ 5,214,608</u>	<u>\$ 335,504</u>	<u>\$ 66,610,019</u>	<u>\$ 4,302,261</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, 2005.

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, 2005 is as follows:

Revenues	\$ 28,258,771
Current Expenses	<u>10,426,862</u>
Net revenues available for debt service	17,831,909
Add: 20% of preceding year's Surplus Fund	<u>5,261,847</u>
Adjusted net revenues available for debt service per Rate Covenant	<u>\$ 23,093,756</u>
Senior debt service coverage:	
Debt service, principal and interest paid	\$ 3,487,927
Subordinate debt service:	
Debt service, principal and interest paid	<u>4,136,339</u>
Total debt service:	
Total debt service, principal and interest paid	7,624,266
Add: 20% of senior debt service	<u>697,585</u>
Adjusted debt service requirements	<u>\$ 8,321,851</u>
Coverage Test 1	
Adjusted net revenues / adjusted debt service	2.78
Coverage Test 2	
Net revenues / total debt service	2.34

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, 2005. The amount outstanding at June 30, 2005 is \$2,804,360. 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	Principal	Interest
June 30		
2006	\$ 233,697	\$ 96,190
2007	233,697	88,174
2008	233,697	80,158
2009	233,697	72,142
2010	233,697	64,126
Next five years	1,168,483	200,395
Thereafter	<u>467,392</u>	<u>24,047</u>
Total	<u>\$ 2,804,360</u>	<u>\$ 625,232</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 \$144,834 during the fiscal year ended June 30, 2005. 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, 2005.

Year Ending June 30	Estimated Obligation
2006	<u>\$ 74,799</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, 2005, there were four series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$15,650,000.

NOTE 16 - INTERFUND BALANCES AND ACTIVITY

INTERFUND BALANCES

The composition of interfund balances as of June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Water & Sewer Fund	\$ 190,308	Note 1
General Fund	Solid Waste Fund	31,843	Note 1
General Fund	Stormwater Fund	1,581	Note 1
		<u>\$ 223,732</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:	Transfers In:				Purpose
	Governmental Activities:			Business Type Activities	
	General Fund	Nonmajor Governmental Funds	Total Governmental Funds	Stormwater Fund	
Governmental activities:					
General Fund	\$ -	\$ 14,407,996	\$ 14,407,996	\$ -	Note 1
General Capital Project	794,841	-	794,841	-	Note 2
Total governmental activities	794,841	14,407,996	15,202,837	-	
Business type activities:					
General Fund	-	-	-	131,307	Note 3
Total transfers out	<u>\$ 794,841</u>	<u>\$ 14,407,996</u>	<u>\$ 15,202,837</u>	<u>\$ 131,307</u>	

Note 1: The transfers from the General Fund to Nonmajor Governmental Funds were for the following funds and projects:

General Capital Project Fund:	
Law enforcement animal shelter, firearms' range and jail expansion	935,200
UCPS Brewer Drive renovation	41,266
UCPS FY2005 school capital outlay allocation	4,345,006
Parks and recreation Jesse Helms park phase 1	250,000
Parks and recreation Jesse Helms park phase 2	250,000
Parks and recreation Cane Creek park	250,000
Debt Service Fund:	
Second year of funding for the school debt service sinking fund	8,336,524

Note 2: The transfer from the General Capital Project fund to the General Fund was to provide funds for the debt interest payments on applicable projects.

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 17 - 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)	\$ -	\$ 806,295	\$ 806,295
Prepaid taxes not yet earned (Special Revenue)	-	16,693	16,693
Taxes receivable, net (General)	2,091,153	-	2,091,153
Taxes receivable, net (Special Revenue)	34,798	-	34,798
	<u>\$ 2,125,951</u>	<u>\$ 822,988</u>	<u>\$ 2,948,939</u>

NOTE 18 - 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 \$1,311,587 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, 2005 was \$13,823,816. This included the County's recognized loss of \$379,580 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, 2005, is as follows:

Cash and investments	\$ 1,254,257
Other assets	26,518,883
Total assets	<u>\$ 27,773,140</u>
Total liabilities	\$ 125,510
Total net assets	27,647,630
Total liabilities and net assets	<u>\$ 27,773,140</u>
Total revenues	\$ 2,343,020
Total expenses	2,959,754
Net decrease in net assets	<u>\$ (616,734)</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 \$1,978,762. 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, \$4,205,863 in debt is still outstanding. The County contributed \$765,865 and \$6,171 to Piedmont Community College for operating and capital purposes during the fiscal year ended June 30, 2005. In addition, the County made debt service payments of \$300,183 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, 2005. 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, 2005. In accordance with the intergovernmental agreement between the participating governments, the County contributed \$537,803 to PAMH to supplement its activities for the year ended June 30, 2005. Complete financial statements for PAMH can be obtained from PAMH's offices at 245 Le Phillip Court, NE, Concord, NC 28025.

NOTE 19 - 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, 2005. The County was the sub-recipient of a grant for \$645,576 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 20 - 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	\$ 1,298,526	\$ -
AFDC Payments and Penalties	(275)	(75)
Low Income Energy Assistance	148,591	-
Refugee Assistance Payment	5,571	-
CWS Adoption Subsidy and Vendor	-	207,410
IV-E Adoption Subsidy and Vendor	229,434	67,408
State/County Special Assistance for Adults	-	806,337
Women, Infants and Children	2,156,793	-
Medical Assistance Program	52,228,016	24,907,276
Food Stamp Program	9,573,270	-
Food Distribution	77,354	-
Health Choice	2,066,085	906,699
	<u>\$ 67,783,365</u>	<u>\$ 26,895,055</u>

NOTE 21 - 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 22 - SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

On July 25, 2005, the Board awarded contracts in the amount of \$1,348,075 for the construction of an animal control facility. The project is funded in the General Capital Project Fund.

On July 25, 2005, the Board adopted a resolution authorizing the filing of an application with the State of North Carolina for a low interest loan to finance, in part, the expansion of Twelve Mile Creek Wastewater Treatment Plant.

On August 15, 2005, the Board awarded contracts in the amount of \$1,062,266 for the construction of the Hunley Creek Wastewater Diversion Project. The project is funded in the Water and Sewer Capital Project Fund.

On August 15, 2005, the Board approved various amendments to a lease agreement for the premises known as Union Village. The amendment reduces the County's payment obligations under the terms of the existing lease and establishes a single lease agreement termination date of 2015. The amended lease reduces the County's cash flow requirements over the term by \$836,000. The lease is funded in the General Fund.

On August 15, 2005, the Board approved the purchase of a sewer cleaner truck in the amount of \$202,044. Funds for the purchase are included in the FY2006 budget.

On August 15, 2005, the Board of County Commissioners adopted an amendment to the Union County Land Use Ordinance establishing a 12-month moratorium on major residential development.

On September 6, 2005, the Board awarded a construction administration and inspection services contract in an amount not to exceed \$778,840 for the Twelve Mile Wastewater Treatment Plant expansion project. The contract is funded in the Water and Sewer Capital Project Fund.

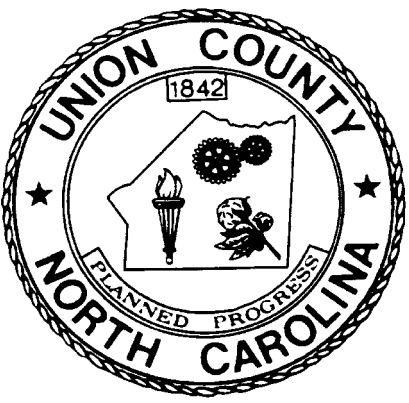
On September 6, 2005, the Board awarded an architectural design contract in an amount not to exceed \$477,600 for renovations to the Government Center and Historic Post Office. The contract is funded in the General Capital Project Fund.

On September 6, 2005, the Board adopted a resolution declaring its intent to reimburse itself for capital expenditures incurred in connection with various improvements to the water and sewer utilities system from the proceeds of a revenue bond to be issued in 2007.

On September 19, 2005, the Board adopted a resolution authorizing the execution and delivery of various interest rate swap agreements for the County. The interest rate swap agreements are for the purpose of achieving debt service savings related to all or a portion of the Water and Sewer Enterprise System Revenue Bonds, Series 2003A and a forward starting interest rate swap agreement for the purpose of achieving an effective fixed interest cost relating to the Series 2007 Bonds.

On September 19, 2005, the Board amended School Capital Project Fund in the amount of \$1,150,000 to provide resources to the Union County Public Schools for the purpose of contracting for the design to two elementary schools. Funding for these expenditures are expected to be provided from the issuance of bonds.

On September 19, 2005, the Board authorized the transfer from the General Fund to the General Capital Project Fund and in the amount of \$981,000 in matching grant funds included in the 2006 budget for various parks and recreation improvements.



Required Supplementary Information

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

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

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

Notes to the Required Schedules for Special Separation Allowance

Union County, North Carolina
Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress

Exhibit M

	(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)
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%
2004	1,293,203	5,344,110	4,050,907	24.20%	28,814,222	14.06%

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.

Union County, North Carolina
Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

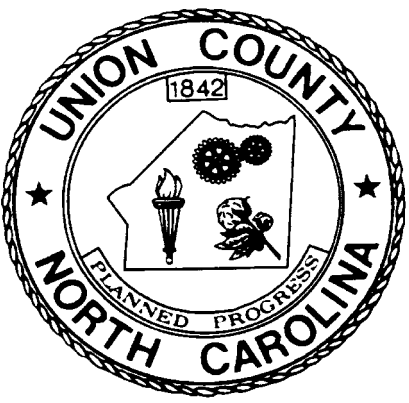
Exhibit N

Fiscal Year	Annual Required Contribution	Percentage Contributed
2000	245,858	84%
2001	267,109	88%
2002	305,659	116%
2003	332,581	110%
2004	359,209	117%
2005	409,880	106%

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, 2004
Actuarial cost method	Projected unit credit
Amortization method	Level percent of pay closed
Remaining amortization period at December 31, 2004	26 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	7.25%
Projected salary increases *	5.0% to 9.8% per year
* Includes inflation at	3.75%
Cost-of-living adjustments	Not included



Combining and Individual Fund Statements

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 2,484,217	\$ 9,252,954	\$ 3,739,666	\$ 15,476,837
Property taxes receivable (net)	34,798	-	-	34,798
Accounts receivable (net)	325,647	-	1,346	326,993
Cash and investments, restricted	147,266	-	4,803,333	4,950,599
Total assets	<u>\$ 2,991,928</u>	<u>\$ 9,252,954</u>	<u>\$ 8,544,345</u>	<u>\$ 20,789,227</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 133,360	\$ -	\$ 28,189	\$ 161,549
Deferred revenue	34,798	-	-	34,798
Unearned revenue	16,693	-	-	16,693
Liabilities payable from restricted assets	24,260	-	1,691,046	1,715,306
Total liabilities	<u>209,111</u>	<u>-</u>	<u>1,719,235</u>	<u>1,928,346</u>
FUND BALANCES				
Reserved for encumbrances	443,496	-	2,366,189	2,809,685
Reserved by State statute	325,647	-	1,346	326,993
Reserved for drug enforcement	123,006	-	-	123,006
Unreserved				
Designated for subsequent years' expenditures	148,499	9,252,954	4,457,575	13,859,028
Designated for special purpose	116,548	-	-	116,548
Undesignated	1,625,621	-	-	1,625,621
Total fund balances	<u>2,782,817</u>	<u>9,252,954</u>	<u>6,825,110</u>	<u>18,860,881</u>
Total liabilities and fund balances	<u>\$ 2,991,928</u>	<u>\$ 9,252,954</u>	<u>\$ 8,544,345</u>	<u>\$ 20,789,227</u>

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

For the Year Ended June 30, 2005

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
REVENUES				
Ad valorem taxes	\$ 1,503,866	\$ -	\$ -	\$ 1,503,866
Local option sales tax	480,566	-	-	480,566
Other taxes and licenses	1,036,458	-	-	1,036,458
Intergovernmental	361,846	-	-	361,846
Permits and fees	1,389,002	-	-	1,389,002
Investment earnings	55,160	-	340,692	395,852
Miscellaneous	10,710	-	-	10,710
Total revenues	<u>4,837,608</u>	<u>-</u>	<u>340,692</u>	<u>5,178,300</u>
EXPENDITURES				
Current:				
Public safety	4,480,298	-	-	4,480,298
Capital outlay:				
General government	-	-	5,368,467	5,368,467
Public safety	-	-	60,077	60,077
Economic and physical development	-	-	2,789,138	2,789,138
Cultural and recreational	-	-	537,070	537,070
Education	-	-	10,141,130	10,141,130
Total expenditures	<u>4,480,298</u>	<u>-</u>	<u>18,895,882</u>	<u>23,376,180</u>
Excess (deficiency) of revenues over (under) expenditures	<u>357,310</u>	<u>-</u>	<u>(18,555,190)</u>	<u>(18,197,880)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	8,336,524	6,071,472	14,407,996
Transfers to other funds	-	-	(794,841)	(794,841)
Proceeds from general obligation bonds	-	-	1,735,000	1,735,000
Total other financing sources (uses)	<u>-</u>	<u>8,336,524</u>	<u>7,011,631</u>	<u>15,348,155</u>
Net change in fund balances	357,310	8,336,524	(11,543,559)	(2,849,725)
FUND BALANCES				
Beginning	2,425,507	916,430	18,368,669	21,710,606
Ending	<u>\$ 2,782,817</u>	<u>\$ 9,252,954</u>	<u>\$ 6,825,110</u>	<u>\$ 18,860,881</u>

Combining Balance Sheet
Nonmajor Special Revenue Funds
 June 30, 2005

	Hemby Bridge Fire District Fund	Stallings Fire District Fund	Wesley Chapel Fire District Fund	Fee Supported Fire Districts Fund	Emergency Telephone System Fund	General Special Revenue Fund	Total Nonmajor Special Revenue Funds
ASSETS							
Cash and investments	\$ 46,307	\$ 116,438	\$ 19,084	\$ 50,922	\$ 2,251,466	\$ -	\$ 2,484,217
Property taxes receivable (net)	14,040	16,589	4,169	-	-	-	34,798
Accounts receivable (net)	51,904	53,130	33,085	-	101,011	86,517	325,647
Cash and investments, restricted	-	-	-	-	-	147,266	147,266
Total assets	<u>\$ 112,251</u>	<u>\$ 186,157</u>	<u>\$ 56,338</u>	<u>\$ 50,922</u>	<u>\$ 2,352,477</u>	<u>\$ 233,783</u>	<u>\$ 2,991,928</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 1,086	\$ 132,274	\$ -	\$ 133,360
Deferred revenue	14,040	16,589	4,169	-	-	-	34,798
Unearned revenue	5,746	9,068	1,879	-	-	-	16,693
Liabilities payable from restricted assets	-	-	-	-	-	24,260	24,260
Total liabilities	<u>19,786</u>	<u>25,657</u>	<u>6,048</u>	<u>1,086</u>	<u>132,274</u>	<u>24,260</u>	<u>209,111</u>
FUND BALANCES							
Reserved for encumbrances	-	-	-	-	443,496	-	443,496
Reserved by State statute	51,904	53,130	33,085	-	101,011	86,517	325,647
Reserved for drug enforcement	-	-	-	-	-	123,006	123,006
Unreserved							
Designated for subsequent years' expenditures	22,836	94,313	31,350	-	-	-	148,499
Designated for special purpose	-	-	-	-	116,548	-	116,548
Undesignated	17,725	13,057	(14,145)	49,836	1,559,148	-	1,625,621
Total fund balances	<u>92,465</u>	<u>160,500</u>	<u>50,290</u>	<u>49,836</u>	<u>2,220,203</u>	<u>209,523</u>	<u>2,782,817</u>
Total liabilities and fund balances	<u>\$ 112,251</u>	<u>\$ 186,157</u>	<u>\$ 56,338</u>	<u>\$ 50,922</u>	<u>\$ 2,352,477</u>	<u>\$ 233,783</u>	<u>\$ 2,991,928</u>

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

For the Year Ended June 30, 2005

	Hemby Bridge Fire District Fund	Stallings Fire District Fund	Wesley Chapel Fire District Fund	Fee Supported Fire Districts Fund	Emergency Telephone System Fund	General Special Revenue Fund	Total Nonmajor Special Revenue Funds
REVENUES							
Ad valorem taxes	\$ 561,780	\$ 590,113	\$ 351,973	\$ -	\$ -	\$ -	\$ 1,503,866
Local option sales tax	181,365	178,416	120,785	-	-	-	480,566
Other taxes and licenses	-	-	-	-	1,036,458	-	1,036,458
Intergovernmental	-	-	-	-	-	361,846	361,846
Permits and fees	-	-	-	1,389,002	-	-	1,389,002
Investment earnings	-	-	-	-	52,186	2,974	55,160
Miscellaneous	-	-	-	-	-	10,710	10,710
Total revenues	<u>743,145</u>	<u>768,529</u>	<u>472,758</u>	<u>1,389,002</u>	<u>1,088,644</u>	<u>375,530</u>	<u>4,837,608</u>
EXPENDITURES							
Current:							
Public safety	<u>718,400</u>	<u>651,584</u>	<u>422,380</u>	<u>1,348,521</u>	<u>983,990</u>	<u>355,423</u>	<u>4,480,298</u>
Excess of revenues over expenditures	24,745	116,945	50,378	40,481	104,654	20,107	357,310
FUND BALANCES							
Beginning	<u>67,720</u>	<u>43,555</u>	<u>(88)</u>	<u>9,355</u>	<u>2,115,549</u>	<u>189,416</u>	<u>2,425,507</u>
Ending	<u>\$ 92,465</u>	<u>\$ 160,500</u>	<u>\$ 50,290</u>	<u>\$ 49,836</u>	<u>\$ 2,220,203</u>	<u>\$ 209,523</u>	<u>\$ 2,782,817</u>

Combining Balance Sheet
Nonmajor Capital Project Funds

June 30, 2005

	General Capital Project Fund	Library Capital Reserve Fund	Library Capital Project Fund	School Bond Fund-58	Total Nonmajor Capital Project Funds
ASSETS					
Cash and investments	\$ 3,483,486	\$ 142,275	\$ 113,905	\$ -	\$ 3,739,666
Accounts receivable (net)	193	1,153	-	-	1,346
Cash and investments, restricted	4,800,948	-	-	2,385	4,803,333
Total assets	<u>\$ 8,284,627</u>	<u>\$ 143,428</u>	<u>\$ 113,905</u>	<u>\$ 2,385</u>	<u>\$ 8,544,345</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 19,098	\$ -	\$ 9,091	\$ -	\$ 28,189
Liabilities payable from restricted assets	1,691,046	-	-	-	1,691,046
Total liabilities	<u>1,710,144</u>	<u>-</u>	<u>9,091</u>	<u>-</u>	<u>1,719,235</u>
FUND BALANCES					
Reserved for encumbrances	2,312,930	-	53,259	-	2,366,189
Reserved by State statute	193	1,153	-	-	1,346
Unreserved					
Designated for subsequent years' expenditures	4,261,360	142,275	51,555	2,385	4,457,575
Total fund balances	<u>6,574,483</u>	<u>143,428</u>	<u>104,814</u>	<u>2,385</u>	<u>6,825,110</u>
Total liabilities and fund balances	<u>\$ 8,284,627</u>	<u>\$ 143,428</u>	<u>\$ 113,905</u>	<u>\$ 2,385</u>	<u>\$ 8,544,345</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Capital Project Funds

For the Year Ended June 30, 2005

	General Capital Project Fund	Library Capital Reserve Fund	Library Capital Project Fund	School Bond Fund-58	Total Nonmajor Capital Project Funds
REVENUES					
Investment earnings	\$ 335,015	\$ 3,292	\$ -	\$ 2,385	\$ 340,692
EXPENDITURES					
Capital outlay:					
General government	5,368,467	-	-	-	5,368,467
Public safety	60,077	-	-	-	60,077
Economic and physical development	2,789,138	-	-	-	2,789,138
Cultural and recreational	525,663	-	11,407	-	537,070
Education	9,658,416	-	-	482,714	10,141,130
Total expenditures	<u>18,401,761</u>	<u>-</u>	<u>11,407</u>	<u>482,714</u>	<u>18,895,882</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(18,066,746)</u>	<u>3,292</u>	<u>(11,407)</u>	<u>(480,329)</u>	<u>(18,555,190)</u>
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	6,071,472	-	-	-	6,071,472
Transfers to other funds	(794,841)	-	-	-	(794,841)
Proceeds from general obligation bonds	1,735,000	-	-	-	1,735,000
Total other financing sources (uses)	<u>7,011,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,011,631</u>
Net change in fund balances	(11,055,115)	3,292	(11,407)	(480,329)	(11,543,559)
FUND BALANCES					
Beginning	17,629,598	140,136	116,221	482,714	18,368,669
Ending	<u>\$ 6,574,483</u>	<u>\$ 143,428</u>	<u>\$ 104,814</u>	<u>\$ 2,385</u>	<u>\$ 6,825,110</u>

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

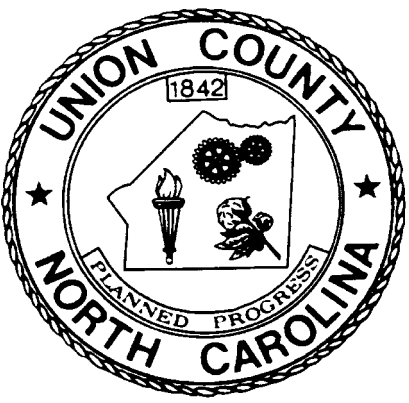
June 30, 2005

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
ASSETS				
Current assets:				
Cash and investments	\$ 858,856	\$ 2,197,557	\$ 121,730	\$ 3,178,143
Accounts receivable (net)	103,837	17,815	987	122,639
Total current assets	<u>962,693</u>	<u>2,215,372</u>	<u>122,717</u>	<u>3,300,782</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	27,271	19,193	-	46,464
Workers' compensation claims payable	-	39,983	-	39,983
Health care benefits payable	649,769	-	-	649,769
Total current liabilities	<u>677,040</u>	<u>59,176</u>	<u>-</u>	<u>736,216</u>
NET ASSETS				
Unrestricted	<u>\$ 285,653</u>	<u>\$ 2,156,196</u>	<u>\$ 122,717</u>	<u>\$ 2,564,566</u>

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

For the Year Ended June 30, 2005

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
OPERATING REVENUES				
Interfund charges and employee contributions	\$ 5,637,592	\$ -	\$ 702,350	\$ 6,339,942
OPERATING EXPENSES				
Operating expenses	628,126	102,978	-	731,104
Workers' compensation claims	-	185,842	-	185,842
Health benefit claims and premiums	4,696,429	-	-	4,696,429
Property and casualty claims and premiums	-	-	669,288	669,288
Total operating expenses	<u>5,324,555</u>	<u>288,820</u>	<u>669,288</u>	<u>6,282,663</u>
Operating income (loss)	313,037	(288,820)	33,062	57,279
NONOPERATING REVENUES				
Investment earnings	<u>14,474</u>	<u>51,014</u>	<u>2,843</u>	<u>68,331</u>
Change in net assets	327,511	(237,806)	35,905	125,610
NET ASSETS				
Beginning	(41,858)	2,394,002	86,812	2,438,956
Ending	<u>\$ 285,653</u>	<u>\$ 2,156,196</u>	<u>\$ 122,717</u>	<u>\$ 2,564,566</u>



**Combining Statement of Cash Flows
Internal Service Funds**

For the Year Ended June 30, 2005

	Health Benefits Fund	Workers' Compensation Fund	Property and Casualty Fund	Total
OPERATING ACTIVITIES				
Cash received from customers for services	\$ 5,768,861	\$ (10,592)	\$ 701,363	\$ 6,459,632
Cash paid for goods and services	(5,092,308)	(308,646)	(669,288)	(6,070,242)
Net cash provided (used) by operating activities	<u>676,553</u>	<u>(319,238)</u>	<u>32,075</u>	<u>389,390</u>
INVESTING ACTIVITIES				
Investment earnings	<u>14,474</u>	<u>51,014</u>	<u>2,843</u>	<u>68,331</u>
Net increase (decrease) in cash and investments	691,027	(268,224)	34,918	457,721
CASH AND INVESTMENTS				
Beginning of year	<u>167,829</u>	<u>2,465,781</u>	<u>86,812</u>	<u>2,720,422</u>
End of year	<u>\$ 858,856</u>	<u>\$ 2,197,557</u>	<u>\$ 121,730</u>	<u>\$ 3,178,143</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	<u>\$ 313,037</u>	<u>\$ (288,820)</u>	<u>\$ 33,062</u>	<u>\$ 57,279</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	131,269	(10,592)	(987)	119,690
Increase (decrease) in accounts payable and accrued liabilities	232,247	(19,826)	-	212,421
Total adjustments	<u>363,516</u>	<u>(30,418)</u>	<u>(987)</u>	<u>332,111</u>
Net cash provided (used) by operating activities	<u>\$ 676,553</u>	<u>\$ (319,238)</u>	<u>\$ 32,075</u>	<u>\$ 389,390</u>

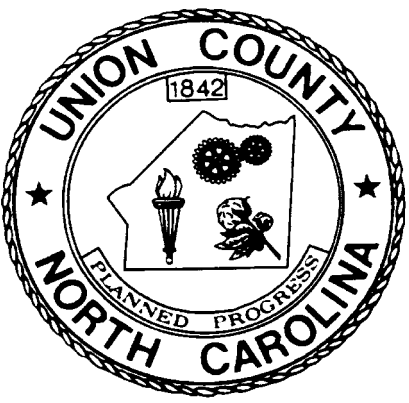
Union County, North Carolina

Combining Statement of Fiduciary Assets and Liabilities - Agency Funds
 June 30, 2005

	Social Services Fund	Fines and Forfeitures Fund	Jail Inmate Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 48,559	\$ 96,719	\$ 29,366
Property taxes receivable (net)	-	-	-
Accounts receivable (net)	-	107,762	-
Total assets	<u>\$ 48,559</u>	<u>\$ 204,481</u>	<u>\$ 29,366</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ 204,481	\$ -
Due to program participants	48,559	-	29,366
Total liabilities	<u>\$ 48,559</u>	<u>\$ 204,481</u>	<u>\$ 29,366</u>

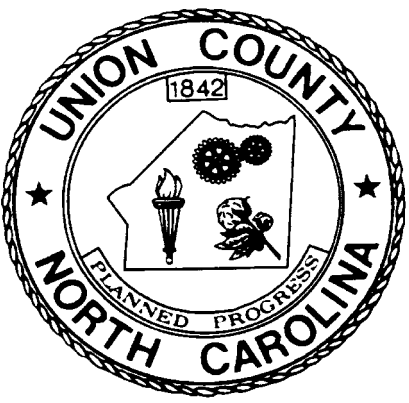
Schedule 10

Monroe School District Fund	Union County School District Fund	Municipal Tax Collection Fund	Gross Rental Receipts Tax Fund	Totals
\$ 23,976	\$ 153,856	\$ 205,300	\$ 677	\$ 558,453
52,801	249,521	-	-	302,322
104,639	786,819	-	-	999,220
<u>\$ 181,416</u>	<u>\$ 1,190,196</u>	<u>\$ 205,300</u>	<u>\$ 677</u>	<u>\$ 1,859,995</u>
\$ 181,416	\$ 1,190,196	\$ 205,300	\$ 677	\$ 1,782,070
-	-	-	-	77,925
<u>\$ 181,416</u>	<u>\$ 1,190,196</u>	<u>\$ 205,300</u>	<u>\$ 677</u>	<u>\$ 1,859,995</u>



General Fund

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



**General Fund
Comparative Balance Sheets
June 30, 2005 and 2004**

	June 30, 2005	June 30, 2004
ASSETS		
Cash and investments	\$ 63,299,538	\$ 59,894,095
Property taxes receivable (net)	2,091,153	1,793,384
Accounts receivable (net)	9,893,078	9,319,925
Inventories	33,491	44,352
Cash and investments, restricted	3,072	3,048
Total assets	<u>\$ 75,320,332</u>	<u>\$ 71,054,804</u>
LIABILITES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,162,462	\$ 4,483,240
Deferred revenue	2,091,153	1,793,384
Unearned revenue	806,295	720,847
Deposits	3,862,936	3,695,015
Total liabilities	<u>10,922,846</u>	<u>10,692,486</u>
FUND BALANCE		
Reserved for encumbrances	558,752	1,310,337
Reserved by State statute	9,926,569	9,364,277
Unreserved		
Designated for subsequent year's expenditures	6,842,748	5,210,653
Designated for special purpose	1,574,523	57,334
Undesignated	45,494,894	44,419,717
Total fund balance	<u>64,397,486</u>	<u>60,362,318</u>
Total liabilities and fund balance	<u>\$ 75,320,332</u>	<u>\$ 71,054,804</u>

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

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	2005		Variance Positive (Negative)	2004
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 67,322,783	\$ 69,333,521	\$ 2,010,738	\$ 56,004,211
Prior years' levy	1,225,000	1,459,728	234,728	1,218,533
Animal taxes, penalties and interest	483,599	510,411	26,812	476,317
Total	69,031,382	71,303,660	2,272,278	57,699,061
Local option sales tax	22,861,906	24,850,749	1,988,843	21,821,598
Other taxes and licenses	1,813,000	2,421,248	608,248	1,944,321
Intergovernmental	18,880,926	17,940,152	(940,774)	16,205,773
Permits and fees	6,555,050	8,516,173	1,961,123	7,136,493
Sales and services	3,598,287	3,561,745	(36,542)	3,434,662
Investment earnings	933,977	1,946,602	1,012,625	415,901
Miscellaneous	2,363,713	2,784,086	420,373	4,303,984
Total revenues	126,038,241	133,324,415	7,286,174	112,961,793
EXPENDITURES				
General Government				
Board of Commissioners	392,034	280,472	111,562	248,298
Central Administration	638,438	555,643	82,795	586,343
County Dues and Memberships	95,304	93,667	1,637	134,814
Internal Audit	79,064	76,399	2,665	74,698
Legal	268,032	267,327	705	259,226
Personnel	444,115	436,712	7,403	442,834
Finance	779,691	744,655	35,036	782,711
Tax Administration	2,974,401	2,806,571	167,830	2,853,924
Court Facilities	2,111,602	1,986,972	124,630	1,792,811
Elections	761,302	696,769	64,533	513,071
Register of Deeds	875,072	870,669	4,403	836,813
Information Systems	1,712,219	1,457,420	254,799	1,524,406
G.I.S. Department	404,691	326,679	78,012	303,758
General Services	1,826,364	1,605,612	220,752	896,123
Total General Government	13,362,329	12,205,567	1,156,762	11,249,830
Public Safety				
Law Enforcement	14,148,433	13,509,098	639,335	11,897,960
Communications	1,635,394	1,438,368	197,026	1,177,211
Homeland Security	436,269	364,179	72,090	291,570
Fire Services	1,054,816	980,091	74,725	909,073
Inspection	2,077,960	2,053,769	24,191	1,955,120
Medical Examiner	48,000	39,425	8,575	35,300
Emergency Medical Services	3,664,793	3,664,554	239	3,303,566
Animal Control	484,131	410,390	73,741	423,763
Juvenile Detention	125,000	89,680	35,320	75,840
Total Public Safety	23,674,796	22,549,554	1,125,242	20,069,403

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, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	2005		Variance Positive (Negative)	2004
	Final Budget	Actual		Actual
EXPENDITURES (Continued)				
Economic and Physical Development				
Planning	\$ 421,572	\$ 334,590	\$ 86,982	\$ 311,012
Economic Development Commission	460,720	319,501	141,219	435,783
Cooperative Extension Service	356,125	273,812	82,313	258,852
Soil Conservation	152,610	108,553	44,057	145,636
Forest Management	41,538	37,326	4,212	32,358
<i>Total Economic and Physical Development</i>	<u>1,432,565</u>	<u>1,073,782</u>	<u>358,783</u>	<u>1,183,641</u>
Human Services				
Health	5,976,735	5,686,772	289,963	5,417,736
Mental Health	639,112	638,830	282	635,083
Social Services	23,513,300	22,789,029	724,271	20,691,842
Other Human Services				
JCPC - Programs	408,619	371,091	37,528	410,473
Disproportionate Minority Counselor	102,500	37,591	64,909	-
Turning Point	25,000	25,000	-	25,000
Transportation and Nutrition	1,264,890	1,045,912	218,978	1,033,078
Charlotte Area Transportation	72,863	47,736	25,127	75,898
Veterans' Service	208,188	200,910	7,278	177,950
UDI (Sheltered Workshop)	26,500	26,500	-	26,500
Community Action	76,338	76,338	-	76,338
Council on Aging	264,282	271,014	(6,732)	265,837
Community Shelter	10,000	10,000	-	10,000
Criminal Justice Partnership	100,816	61,126	39,690	-
Other Human Services	6,280	5,280	1,000	-
<i>Total Human Services</i>	<u>32,695,423</u>	<u>31,293,129</u>	<u>1,402,294</u>	<u>28,845,735</u>
Cultural and Recreational				
Library	3,420,230	3,376,360	43,870	3,172,914
Parks and Recreation	1,565,384	1,438,667	126,717	1,908,498
Arts Council	45,000	45,000	-	45,000
Historical Properties	5,000	5,000	-	5,000
Union Symphony Orchestra League	-	-	-	1,000
A. J. Historical Foundation	5,000	5,000	-	5,000
<i>Total Cultural and Recreational</i>	<u>5,040,614</u>	<u>4,870,027</u>	<u>170,587</u>	<u>5,137,412</u>
Education				
Public Schools - current expense	25,617,925	25,617,925	-	22,908,030
Public Schools - capital outlay	68	67	1	2,671
Public Schools - education planning	48,410	48,410	-	92,500
Subtotal	<u>25,666,403</u>	<u>25,666,402</u>	<u>1</u>	<u>23,003,201</u>
Community College	6,500	6,171	329	1,291,686
Community College - operations	765,865	765,865	-	667,000
Literacy Efforts	2,000	2,000	-	2,000
<i>Total Education</i>	<u>26,440,768</u>	<u>26,440,438</u>	<u>330</u>	<u>24,963,887</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, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	2005		Variance Positive (Negative)	2004
	Final Budget	Actual		Actual
EXPENDITURES (Continued)				
Debt Service				
School Debt Service				
Principal retirement	\$ 7,463,321	\$ 7,463,320	\$ 1	\$ 7,315,218
Interest and fees	7,123,136	7,123,137	(1)	6,397,809
Total	<u>14,586,457</u>	<u>14,586,457</u>	<u>-</u>	<u>13,713,027</u>
General Debt Service				
Principal retirement	1,264,477	1,264,476	1	1,182,203
Interest and fees	1,261,358	1,261,355	3	1,191,297
Total	<u>2,525,835</u>	<u>2,525,831</u>	<u>4</u>	<u>2,373,500</u>
<i>Total Debt Service</i>	<u>17,112,292</u>	<u>17,112,288</u>	<u>4</u>	<u>16,086,527</u>
Contingency	187,628	-	187,628	-
Nondepartmental	8,792	-	8,792	-
Total expenditures	<u>119,955,207</u>	<u>115,544,785</u>	<u>4,410,422</u>	<u>107,536,435</u>
Revenues over expenditures	<u>6,083,034</u>	<u>17,779,630</u>	<u>11,696,596</u>	<u>5,425,358</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds:				
Detention Facility Debt Service Fund	-	794,841	794,841	-
School Bond Fund - 55	-	-	-	44,084
School Bond Fund - 58	-	-	-	19,299
Transfers to other funds:				
General Special Revenue Fund	-	-	-	(8,000)
General Capital Project Fund	(6,071,539)	(6,071,472)	67	(6,563,736)
Stormwater Operating Fund	(132,495)	(131,307)	1,188	(108,406)
Debt Service Fund	(8,336,524)	(8,336,524)	-	(916,430)
Proceeds from installment financing debt	194,000	-	(194,000)	306,170
Proceeds from refunding general obligation bonds	21,630,000	21,630,000	-	15,294,474
Payments to refunded bonds escrow agents	(21,630,000)	(21,630,000)	-	(15,138,229)
Total other financing sources (uses)	<u>(14,346,558)</u>	<u>(13,744,462)</u>	<u>602,096</u>	<u>(7,070,774)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(8,263,524)</u>	<u>4,035,168</u>	<u>12,298,692</u>	<u>(1,645,416)</u>
APPROPRIATED FUND BALANCE	<u>8,263,524</u>	<u>-</u>	<u>(8,263,524)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance under (under) expenditures and other financing uses	<u>\$ -</u>	<u>4,035,168</u>	<u>\$ 4,035,168</u>	<u>(1,645,416)</u>
FUND BALANCE				
Beginning		60,362,318		62,007,734
Ending		<u>\$ 64,397,486</u>		<u>\$ 60,362,318</u>

Special Revenue Funds

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

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

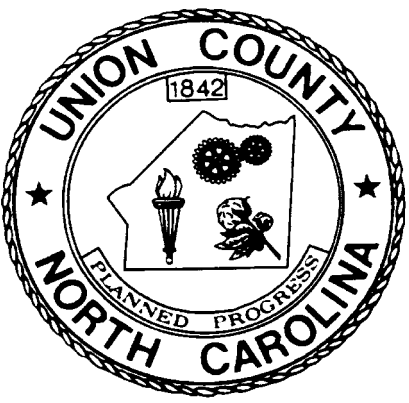
Stallings Fire District Fund - This fund accounts for the ad valorem tax levies of this fire district in Union County.

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, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	2005		Variance	2004
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 543,060	\$ 554,387	\$ 11,327	\$ 396,756
Prior years' levy	4,605	5,480	875	5,315
Penalties and interest	1,305	1,913	608	1,584
Total	<u>548,970</u>	<u>561,780</u>	<u>12,810</u>	<u>403,655</u>
Local option sales tax	<u>154,832</u>	<u>181,365</u>	<u>26,533</u>	<u>146,908</u>
Total revenues	703,802	743,145	39,343	550,563
EXPENDITURES				
Current				
Public Safety	<u>718,400</u>	<u>718,400</u>	-	<u>557,400</u>
Revenues over (under) expenditures	(14,598)	24,745	39,343	(6,837)
APPROPRIATED FUND BALANCE	<u>14,598</u>	<u>-</u>	<u>(14,598)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	24,745	<u>\$ 24,745</u>	(6,837)
FUND BALANCE				
Beginning of year - July 1		<u>67,720</u>		<u>74,557</u>
End of year - June 30		<u>\$ 92,465</u>		<u>\$ 67,720</u>

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

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	2005		Variance Positive (Negative)	2004
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 490,694	\$ 582,175	\$ 91,481	\$ 387,163
Prior years' levy	3,720	5,496	1,776	4,999
Penalties and interest	2,295	2,442	147	2,753
Total	<u>496,709</u>	<u>590,113</u>	<u>93,404</u>	<u>394,915</u>
Local option sales tax	<u>149,916</u>	<u>178,416</u>	<u>28,500</u>	<u>144,446</u>
Total revenues	646,625	768,529	121,904	539,361
EXPENDITURES				
Current				
Public Safety	<u>651,585</u>	<u>651,584</u>	<u>1</u>	<u>606,626</u>
Revenues over (under) expenditures	(4,960)	116,945	121,905	(67,265)
APPROPRIATED FUND BALANCE	<u>4,960</u>	<u>-</u>	<u>(4,960)</u>	<u>-</u>
Revenues and appropriated fund balance over (under) expenditures	<u>\$ -</u>	116,945	<u>\$ 116,945</u>	(67,265)
FUND BALANCE				
Beginning of year - July 1		<u>43,555</u>		<u>110,820</u>
End of year - June 30		<u>\$ 160,500</u>		<u>\$ 43,555</u>

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

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	2005		Variance Positive (Negative)	2004
	Final Budget	Actual		Actual
REVENUES				
Ad valorem taxes				
Current year levy	\$ 311,787	\$ 347,414	\$ 35,627	\$ 286,557
Prior years' levy	3,500	3,518	18	-
Penalties and interest	705	1,041	336	951
Total	<u>315,992</u>	<u>351,973</u>	<u>35,981</u>	<u>287,508</u>
Local option sales tax	<u>106,388</u>	<u>120,785</u>	<u>14,397</u>	<u>-</u>
Total revenues	422,380	472,758	50,378	287,508
EXPENDITURES				
Current				
Public Safety	<u>422,380</u>	<u>422,380</u>	<u>-</u>	<u>287,596</u>
Revenues over (under) expenditures	<u>\$ -</u>	50,378	<u>\$ 50,378</u>	(88)
FUND BALANCE				
Beginning of year - July 1		<u>(88)</u>		<u>-</u>
End of year - June 30		<u>\$ 50,290</u>		<u>\$ (88)</u>

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

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	2005		Variance Positive (Negative)	2004
	Final Budget	Actual		Actual
REVENUES				
Permits and fees	\$ 1,349,326	\$ 1,389,002	\$ 39,676	\$ 1,316,792
EXPENDITURES				
Current				
Public Safety	1,349,326	1,348,521	805	1,342,512
Revenues over (under) expenditures	<u>\$ -</u>	40,481	<u>\$ 40,481</u>	(25,720)
FUND BALANCE				
Beginning of year - July 1		9,355		35,075
End of year - June 30		<u>\$ 49,836</u>		<u>\$ 9,355</u>

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

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

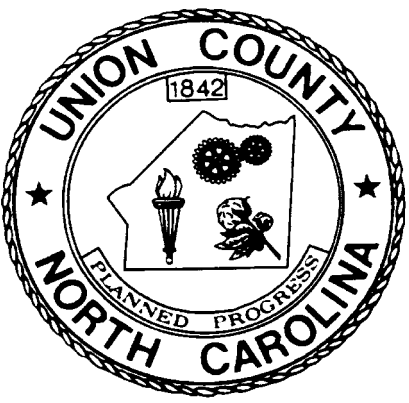
	2005		Variance	2004
	Final Budget	Actual	Positive (Negative)	Actual
REVENUES				
Other taxes and licenses				
911 system subscriber fees	\$ 983,000	\$ 1,036,458	\$ 53,458	\$ 985,205
Investment earnings	41,411	52,186	10,775	13,661
Total revenues	1,024,411	1,088,644	64,233	998,866
EXPENDITURES				
Current				
Public Safety	1,897,543	983,990	913,553	917,704
Revenues over (under) expenditures	(873,132)	104,654	977,786	81,162
APPROPRIATED FUND BALANCE	<u>873,132</u>	<u>-</u>	<u>(873,132)</u>	<u>-</u>
Revenues and appropriated fund balance over expenditures	<u>\$ -</u>	104,654	<u>\$ 104,654</u>	81,162
FUND BALANCE				
Beginning of year - July 1		<u>2,115,549</u>		<u>2,034,387</u>
End of year - June 30		<u>\$ 2,220,203</u>		<u>\$ 2,115,549</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, 2005

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Intergovernmental	\$ 890,316	\$ 112,155	\$ 361,846	\$ 474,001	\$ (416,315)
Investment earnings	1,066	2,094	2,974	5,068	4,002
Miscellaneous	5,350	5,349	10,710	16,059	10,709
Total revenues	896,732	119,598	375,530	495,128	(401,604)
EXPENDITURES					
Current					
Public Safety					
Law Enforcement-federal forfeited prop.	102,553	8,336	4,410	12,746	89,807
Law Enforcement-controlled sub. tax	111,988	22,614	15,424	38,038	73,950
Law Enforcement-domestic violence	192,000	49,550	92,780	142,330	49,670
Law Enforcement-2003 LLEBG	-	-	17,910	17,910	(17,910)
Homeland Security-FY03 U.S. grant	380,683	-	205,301	205,301	175,382
Homeland Security-FY04 U.S. grant	247,326	-	19,598	19,598	227,728
Homeland Security-urban area initiative	-	-	-	-	-
Homeland Security-FY05 CERT grant	12,500	-	-	-	12,500
Total expenditures	1,047,050	80,500	355,423	435,923	611,127
Revenues over (under) expenditures	(150,318)	39,098	20,107	59,205	209,523
OTHER FINANCING SOURCES					
Transfers in					
General Fund	150,318	150,318	-	150,318	-
Revenues and other financing sources over expenditures	\$ -	\$ 189,416	20,107	\$ 209,523	\$ 209,523
FUND BALANCE					
Beginning of year - July 1			189,416		
End of year - June 30			\$ 209,523		

Debt Service Fund

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

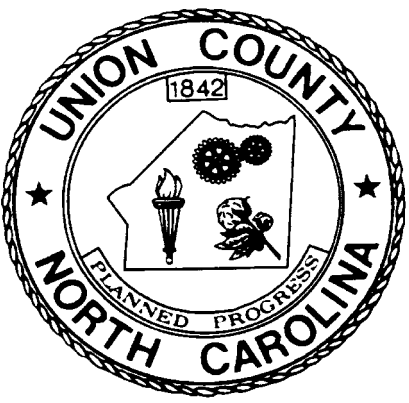


Debt Service Fund
Schedule of Revenues and Changes
in Fund Balance

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	<u>2005</u>	<u>2004</u>
OTHER FINANCING SOURCES		
Transfers in		
General Fund	\$ 8,336,524	\$ 916,430
FUND BALANCE		
Beginning of year - July 1	<u>916,430</u>	<u>-</u>
End of year - June 30	<u>\$ 9,252,954</u>	<u>\$ 916,430</u>



Capital Project Funds

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

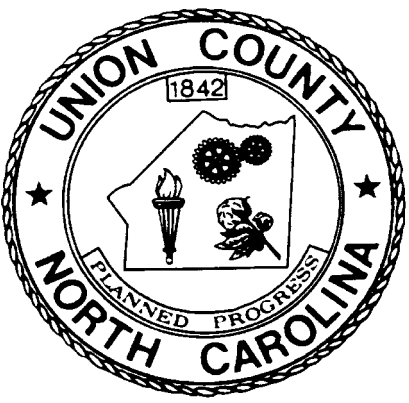
General Capital Project Fund - This fund accounts for various capital improvement projects that will be financed from General Fund resources and installment financing(s).

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

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

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

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



General Capital Project Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
From Inception and for the Year Ended June 30, 2005

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Other taxes and licenses	\$ 121,336	\$ -	\$ -	\$ -	\$ (121,336)
Intergovernmental	1,200,000	250,000	-	250,000	(950,000)
Investment earnings	-	231,648	335,015	566,663	566,663
Miscellaneous	120,000	120,000	-	120,000	-
Total revenues	1,441,336	601,648	335,015	936,663	(504,673)
EXPENDITURES					
Capital outlay					
General Government					
Judicial Center	15,957,496	8,982,912	5,368,467	14,351,379	1,606,117
Public Safety					
Law Enforcement-Jail Software	164,518	159,618	-	159,618	4,900
Law Enforcement-Animal Shelter	1,677,700	-	54,722	54,722	1,622,978
Law Enforcement-Jail Expansion	-	-	5,355	5,355	(5,355)
Economic and Physical Development					
Agricultural/One-Stop Permit Center	5,528,835	221,795	2,789,138	3,010,933	2,517,902
Cultural and Recreation					
Parks & Recreation-2004 PARTF Grant	500,000	76,541	414,876	491,417	8,583
Parks & Recreation-Potential Grant	140,000	-	42,304	42,304	97,696
Cane Creek Park-Festival Area	60,000	59,594	-	59,594	406
Parks & Recreation-J. Helms Park Ph.1	550,000	5,000	-	5,000	545,000
Parks & Recreation-FY2005	500,000	-	68,483	68,483	431,517
Parks & Recreation-J. Helms Park Ph.2	500,000	-	-	-	500,000
Education					
School Capital Outlay-FY2002 Roll	764,300	764,300	-	764,300	-
School Capital Outlay-FY2003 Allocation	2,800,000	2,800,000	3,394	2,803,394	(3,394)
School Capital Outlay-Fairview Elem	258,363	48,837	-	48,837	209,526
School Capital Outlay-W. Bickett Elem	8,514,353	8,051,171	(34,195)	8,016,976	497,377
School Capital Outlay-FY2004 Allocation	4,027,314	3,005,387	881,690	3,887,077	140,237
School Capital Outlay-Brewer Renov/Expan	2,012,000	-	1,232,259	1,232,259	779,741
SPCC-Old Charlotte Hwy	2,299,264	2,258,468	25,460	2,283,928	15,336
SPCC-West Continuing Education Center	2,291,430	1,003,126	1,174,988	2,178,114	113,316
School Capital Outlay-FY2005 Allocation	7,459,825	-	6,374,820	6,374,820	1,085,005
Debt Service					
Debt Issuance	805,224	789,009	-	789,009	16,215
Total expenditures	56,810,622	28,225,758	18,401,761	46,627,519	10,183,103
Revenues under expenditures	(55,369,286)	(27,624,110)	(18,066,746)	(45,690,856)	9,678,430
OTHER FINANCING SOURCES (USES)					
Transfers in					
General Fund	16,259,656	10,286,554	6,071,472	16,358,026	98,370
Emergency Telephone System Fund	66,000	66,000	-	66,000	-
Transfers out					
General Fund	(1,000,000)	-	(794,841)	(794,841)	205,159
Proceeds from general obligation bonds	5,237,500	-	1,735,000	1,735,000	(3,502,500)
Proceeds from installment financing debt	34,806,130	34,901,154	-	34,901,154	95,024
Total other financing sources (uses)	55,369,286	45,253,708	7,011,631	52,265,339	(3,103,947)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 17,629,598	(11,055,115)	\$ 6,574,483	\$ 6,574,483
FUND BALANCE					
Beginning of year - July 1			17,629,598		
End of year - June 30			\$ 6,574,483		

Library Capital Reserve Fund
Schedule of Revenues and Changes
in Fund Balance

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	<u>2005</u>	<u>2004</u>
REVENUES		
Investment earnings	\$ 3,292	\$ 955
FUND BALANCE		
Beginning of year - July 1	<u>140,136</u>	<u>139,181</u>
End of year - June 30	<u>\$ 143,428</u>	<u>\$ 140,136</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, 2005

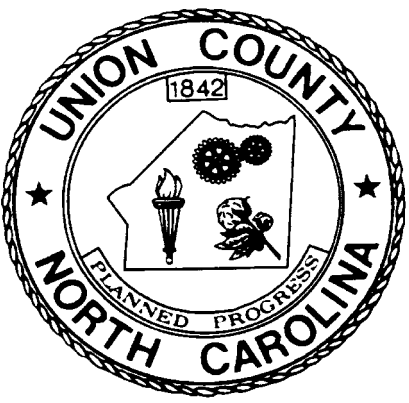
	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Intergovernmental	\$ 868,040	\$ 868,040	\$ -	\$ 868,040	\$ -
Miscellaneous	550,741	550,741	-	550,741	-
Total revenues	1,418,781	1,418,781	-	1,418,781	-
EXPENDITURES					
Capital outlay					
Cultural and Recreation					
Monroe Library	4,612,675	4,573,726	-	4,573,726	38,949
Union West Library	1,805,744	1,755,452	11,407	1,766,859	38,885
Marshville	1,535,462	1,509,226	-	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	8,116,935	11,407	8,128,342	104,814
Revenues under expenditures	(6,814,375)	(6,698,154)	(11,407)	(6,709,561)	104,814
OTHER FINANCING SOURCES					
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	\$ -	\$ 116,221	(11,407)	\$ 104,814	\$ 104,814
FUND BALANCE					
Beginning of year - July 1			116,221		
End of year - June 30			\$ 104,814		

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, 2005

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Investment earnings	\$ 1,363,308	\$ 1,357,002	\$ 128,286	\$ 1,485,288	\$ 121,980
EXPENDITURES					
Capital outlay					
Education					
Forest Hills Cluster	1,827,941	1,770,296	2,235	1,772,531	55,410
Monroe Cluster	528,939	524,035	(820)	523,215	5,724
Parkwood Cluster	5,025,242	3,834,375	1,166,988	5,001,363	23,879
Piedmont Cluster	924,382	850,997	5,502	856,499	67,883
Sun Valley Cluster	1,795,474	1,758,404	16,760	1,775,164	20,310
Weddington Cluster	132,516	76,198	56,318	132,516	-
New ES#1-Piedmont Area	9,157,692	7,913,983	1,021,923	8,935,906	221,786
New ES#2-Parkwood Area	10,673,272	125,295	8,545,060	8,670,355	2,002,917
New ES#3-Sun Valley Area	9,600,012	8,806,298	507,947	9,314,245	285,767
New ES#4-Weddington Area / Marvin	7,882,388	7,882,876	(488)	7,882,388	-
New MS-Piedmont/Sun Valley Area	15,750,322	4,744,540	7,748,397	12,492,937	3,257,385
New HS-Piedmont/Sun Valley Area	32,681,738	12,593,982	15,161,128	27,755,110	4,926,628
New Career Center	22,195,307	132,561	15,594,521	15,727,082	6,468,225
New Elementary School E	11,557,494	-	8,003,438	8,003,438	3,554,056
New Elementary School F	500,000	-	3,464	3,464	496,536
New Elementary School G	500,000	-	149	149	499,851
New Middle School B	1,716,511	-	1,151,564	1,151,564	564,947
High School B	2,699,767	-	1,953,548	1,953,548	746,219
Gym Project-Forest Hills/Piedmont	955,000	-	217,300	217,300	737,700
Gym Project-Monroe/Parkwood/SunValley	1,280,000	-	87,375	87,375	1,192,625
Brewer Drive Renovation	506,883	-	22,602	22,602	484,281
Land costs	6,600,009	1,800,000	4,800,009	6,600,009	-
Contingency / inflation	1,065,216	-	-	-	1,065,216
School administrative costs	1,129,441	27,616	754,084	781,700	347,741
Debt Service					
Debt Issuance	249,500	96,986	236,080	333,066	(83,566)
Total expenditures	146,935,046	52,938,442	67,055,084	119,993,526	26,941,520
Revenues under expenditures	(145,571,738)	(51,581,440)	(66,926,798)	(118,508,238)	27,063,500
OTHER FINANCING SOURCES (USES)					
Transfers out					
General Fund	(1,363,308)	(1,357,002)	-	(1,357,002)	6,306
Proceeds from general obligation bonds	146,935,046	30,000,000	138,265,000	168,265,000	21,329,954
Total other financing sources (uses)	145,571,738	28,642,998	138,265,000	166,907,998	21,336,260
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (22,938,442)	71,338,202	\$ 48,399,760	\$ 48,399,760
FUND BALANCE					
Beginning of year - July 1			(22,938,442)		
End of year - June 30			\$ 48,399,760		

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, 2005

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Investment earnings	\$ 2,387,488	\$ 2,374,338	\$ 2,385	\$ 2,376,723	\$ (10,765)
EXPENDITURES					
Capital outlay					
Education					
Forest Hills Cluster	10,820,404	10,820,404	-	10,820,404	-
Monroe Cluster	7,450,741	7,446,140	4,600	7,450,740	1
Parkwood Cluster	8,370,516	8,365,106	5,410	8,370,516	-
Piedmont Cluster	11,826,695	11,807,179	19,515	11,826,694	1
Sun Valley Cluster	9,360,399	9,355,468	4,932	9,360,400	(1)
Weddington Cluster	3,671,316	3,600,729	70,588	3,671,317	(1)
Piedmont / Sun Valley Cluster	1,093,778	716,109	377,669	1,093,778	-
Debt Service					
Debt Issuance	106,151	106,151	-	106,151	-
Total expenditures	52,700,000	52,217,286	482,714	52,700,000	-
Revenues under expenditures	(50,312,512)	(49,842,948)	(480,329)	(50,323,277)	(10,765)
OTHER FINANCING SOURCES (USES)					
Transfers in					
General Fund	1,184,579	1,184,578	-	1,184,578	(1)
Transfers out					
General Fund	(3,572,067)	(3,558,916)	-	(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	50,325,662	-	50,325,662	13,150
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 482,714	(480,329)	\$ 2,385	\$ 2,385
FUND BALANCE					
Beginning of year - July 1			482,714		
End of year - June 30			\$ 2,385		



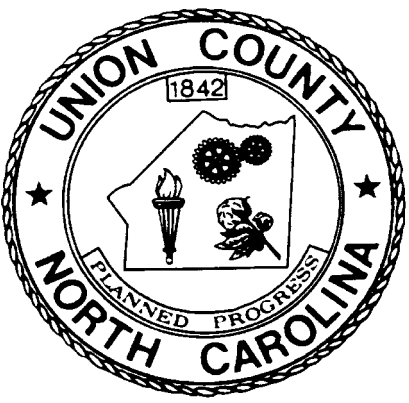
Enterprise Funds

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

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

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

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, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	2005		Variance Positive (Negative)	2004
	Final Budget	Actual		Actual
REVENUES				
Operating revenues				
Water sales	\$ 7,600,000	\$ 9,167,694	\$ 1,567,694	\$ 8,181,615
Sewer sales	6,740,000	7,817,795	1,077,795	6,848,691
Other operating revenues	537,330	746,300	208,970	679,632
Total	<u>14,877,330</u>	<u>17,731,789</u>	<u>2,854,459</u>	<u>15,709,938</u>
Nonoperating revenues				
Investment earnings	791,824	1,147,802	355,978	373,378
Proceeds from sale of fixed assets	-	401,642	401,642	25,480
Intergovernmental	-	-	-	115,000
Total	<u>791,824</u>	<u>1,549,444</u>	<u>757,620</u>	<u>513,858</u>
Total revenues	<u>15,669,154</u>	<u>19,281,233</u>	<u>3,612,079</u>	<u>16,223,796</u>
EXPENDITURES				
Administration	1,167,748	1,091,187	76,561	989,511
Water	5,177,788	4,614,711	563,077	4,657,407
Sewer-county customers	3,921,778	4,092,999	(171,221)	4,106,658
Sewer-Marshville/Monroe	800,897	760,664	40,233	765,435
Nondepartmental	751,783	-	751,783	-
Debt Service				
General obligation bonds - principal	2,971,978	2,971,977	1	2,968,779
Revenue bonds - principal	1,570,000	1,570,000	-	1,515,000
State sanitary loan - principal	233,697	233,696	1	233,697
Interest and fees	2,921,446	2,913,613	7,833	3,070,777
Total expenditures	<u>19,517,115</u>	<u>18,248,847</u>	<u>1,268,268</u>	<u>18,307,264</u>
Revenues over (under) expenditures	<u>(3,847,961)</u>	<u>1,032,386</u>	<u>4,880,347</u>	<u>(2,083,468)</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds:				
Water and Sewer Fund	(10,000,000)	(10,000,000)	-	(12,218,168)
Capital contributions - cash	5,260,000	9,364,313	4,104,313	6,838,614
Proceeds from refunding general obligation bonds	-	-	-	3,373,260
Payments to refunded bonds escrow agent	-	-	-	(3,338,799)
Total other financing sources (uses)	<u>(4,740,000)</u>	<u>(635,687)</u>	<u>4,104,313</u>	<u>(5,345,093)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(8,587,961)</u>	<u>396,699</u>	<u>8,984,660</u>	<u>(7,428,561)</u>
APPROPRIATED FUND BALANCE				
	<u>8,587,961</u>	<u>-</u>	<u>(8,587,961)</u>	<u>-</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 396,699</u>	<u>\$ 396,699</u>	<u>\$ (7,428,561)</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, 2005

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
REVENUES					
Nonoperating revenues					
Intergovernmental	\$ 1,996,768	\$ 35,468	-	\$ 35,468	\$ (1,961,300)
Investment earnings	75,122	60,252	14,866	75,118	(4)
Developer contributions	64,547	64,547	-	64,547	-
Total revenues	<u>2,136,437</u>	<u>160,267</u>	<u>14,866</u>	<u>175,133</u>	<u>(1,961,304)</u>
EXPENDITURES					
Administration capital outlay					
Public Works Renovation	499,300	12,571	11,000	23,571	475,729
SCADA System Improvements	850,000	-	516,496	516,496	333,504
Master Plan Update	139,577	-	67,366	67,366	72,211
Contributed Capital	25,000	-	14,801	14,801	10,199
Water and Sewer Capital Outlay					
Misc. Sewer Rehab I & I	115,000	-	-	-	115,000
Misc. Waterline Replacement	372,750	-	-	-	372,750
Bickett Ridge	21,000	-	19,564	19,564	1,436
Water capital outlay					
Expand CRWTP 18MGD	7,224,528	6,965,408	115,390	7,080,798	143,730
Rocky River WTP	118,094	83,515	16,711	100,226	17,868
CRWTP Reservoir Expansion	2,667,500	-	-	-	2,667,500
CRWTP Expansion	165,000	-	-	-	165,000
Northern Union County Water	137,500	-	-	-	137,500
Stallings Tank	455,104	455,104	-	455,104	-
Stallings Area Water Lines	660,715	660,564	151	660,715	-
Water Main to Sims Road	5,384,335	5,262,482	119,256	5,381,738	2,597
Sims Tank & Pump Station	1,454,177	1,450,540	3,637	1,454,177	-
Water Main County Wide	14,315,881	715,724	194,625	910,349	13,405,532
North County Tank Farm	352,769	-	1,798	1,798	350,971
Anson Water Improvements	1,785	1,785	-	1,785	-
Waxhaw Marvin Improvements	321,206	318,290	-	318,290	2,916
Waxhaw Marvin Generator	151,875	151,875	-	151,875	-
Auto Meter Read	2,552,589	20,051	679,195	699,246	1,853,343
Altan South Lines	2,620,017	1,794,706	684,039	2,478,745	141,272
Northwest Tank	24,689	15,914	-	15,914	8,775
NC218 Goose Creek Crossing	200,330	5,824	-	5,824	194,506
Hemby Bridge Crossing	1,338	1,070	(1,070)	-	1,338
Self Help Program	869	869	-	869	-
Wellington Woods Self Help	34,696	34,696	-	34,696	-
Helms Road Line Self Help	65,313	65,313	-	65,313	-
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	107,589	104,696	-	104,696	2,893
NC218 Water Line	1,993,635	134,480	1,642,154	1,776,634	217,001
Indian Trail Water Line Relocation	691	691	-	691	-
J. Frank Moser Rd Self Help Program	27,338	4,400	22,938	27,338	-
Watkins Rd Pump Station	2,698,675	53,583	15,307	68,890	2,629,785
County Wide Phase II	314,895	78,244	140,413	218,657	96,238
County Wide Phase III	253,040	-	65,760	65,760	187,280
Roanoke Church Rd Self Help Program	35,125	4,920	-	4,920	30,205
Brett Dr Self Help Program	10,108	2,680	7,428	10,108	-
Providence Woods Self Help Program	80,725	-	14,417	14,417	66,308
Mt Pleasant Church Rd Self Help Program	65,925	-	15,531	15,531	50,394
Bulk Water Stations	150,133	-	-	-	150,133
Madison Ridge Low Pressure Study	565,950	-	4,715	4,715	561,235

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, 2005

(continued)

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total To Date	
EXPENDITURES (continued)					
Water capital outlay (continued)					
Secrest SC/IT Rd Water Main	3,080,000	-	75,343	75,343	3,004,657
Cuthbertson Road Water Line	615,450	-	-	-	615,450
Dodge City Water	303,600	-	-	-	303,600
Sewer capital outlay					
East Side Improvements	2,713,000	-	-	-	2,713,000
Expand 12 Mile Creek 6MGD	17,906,370	418,609	72,336	490,945	17,415,425
Hunley Creek Off Line	2,109,959	117,344	79,621	196,965	1,912,994
Crooked Creek Lab Expansion and UV	961,937	804,683	91,602	896,285	65,652
IBT Permitting	56,221	27,579	-	27,579	28,642
Rocky River WWTP-Future	6,823,809	223,792	51,256	275,048	6,548,761
Sheafer Cost Validation	24,709	24,709	-	24,709	-
Tallwood UV Improvements	96,046	-	91,472	91,472	4,574
Clear Creek Trunk Sewer	1,874,500	-	-	-	1,874,500
12M Creek Beneficial Re-Use	1,777,650	-	21,500	21,500	1,756,150
Future 12M Creek WWTP Expansion	55,000	-	-	-	55,000
Sewer Miscellaneous Projects	1,777	1,777	-	1,777	-
Little 12 Mile Creek Sewer	1,278,285	1,074,922	193,004	1,267,926	10,359
Blythe Creek Sewer	1,684,471	1,681,007	3,465	1,684,472	(1)
Parkwood School	422,364	419,022	-	419,022	3,342
West Union School	467,836	14,729	1,359	16,088	451,748
Marvin Branch	66,930	60,130	7,570	67,700	(770)
Crooked Creek I and I	15,000	15,000	-	15,000	-
Waxhaw Server Rehabilitation	1,217,578	22,443	985,013	1,007,456	210,122
Phase 1 Sewer Improvements	232,696	171,545	85	171,630	61,066
Crooked Creek Interceptor-Contract 4	275,845	275,844	-	275,844	1
Crooked Creek Interceptor-Contract 5	16,434	16,434	-	16,434	-
Crooked Creek Interceptor-Contract 6	76,984	64,117	12,867	76,984	-
Upper Price Mill	593	593	-	593	-
West Fork 12 Mile Creek	7,990	7,990	-	7,990	-
Sewer Mapping and Hydraulic Model	338,946	-	119,035	119,035	219,911
I and I Reduction	1,550,951	74,415	1,413,625	1,488,040	62,911
Connect Diversion Force Main	100,000	-	32,906	32,906	67,094
Meadows Mobile Home Park Improv.	328,316	-	-	-	328,316
Update Sewer Master Plan	113,272	-	22,210	22,210	91,062
Total expenditures	<u>93,892,985</u>	<u>23,962,689</u>	<u>7,645,891</u>	<u>31,608,580</u>	<u>62,284,405</u>
Revenues under expenditures	<u>(91,756,548)</u>	<u>(23,802,422)</u>	<u>(7,631,025)</u>	<u>(31,433,447)</u>	<u>60,323,101</u>
OTHER FINANCING SOURCES					
Transfers from other funds:					
Water and Sewer Capital Reserve Fund	187,656	187,656	-	187,656	-
School Capital Bond Fund 55	467,836	-	-	-	(467,836)
Water and Sewer Fund	39,718,168	12,218,168	10,000,000	22,218,168	(17,500,000)
Capital contributions - cash	2,296,389	-	-	-	(2,296,389)
Proceeds from bonds	49,086,499	27,420,980	-	27,420,980	(21,665,519)
Total other financing sources	<u>91,756,548</u>	<u>39,826,804</u>	<u>10,000,000</u>	<u>49,826,804</u>	<u>(41,929,744)</u>
Revenues and other financing sources over expenditures	<u>\$ -</u>	<u>\$ 16,024,382</u>	<u>2,368,975</u>	<u>\$ 18,393,357</u>	<u>\$ 18,393,357</u>
FUND BALANCE					
Beginning of year - July 1			<u>16,024,382</u>		
End of year - June 30			<u>\$ 18,393,357</u>		

Water and Sewer Capital Reserve Fund

Schedule of Revenues-

Non-GAAP

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	<u>2005</u>	<u>2004</u>
REVENUES		
Investment earnings	\$ -	\$ 109
OTHER FINANCING USES		
Transfers to other funds:		
Water and Sewer Capital Project Fund	<u>-</u>	<u>(187,656)</u>
Revenues under other financing uses	<u>\$ -</u>	<u>\$ (187,547)</u>

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

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	2005	2004
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ 396,699	\$ (7,428,561)
Water and Sewer Capital Reserve Fund	-	(187,547)
Water and Sewer Capital Project Fund	2,368,975	1,952,884
Total	<u>2,765,674</u>	<u>(5,663,224)</u>
Reconciling items		
Amortization of G.O. bond and Revenue bond defeasance	(366,655)	(390,185)
Amortization of G.O. and Revenue bond issuance costs	(63,278)	(62,440)
Amortization of G.O. and Revenue bond premium	34,381	29,120
Amortization of G.O. bond gain on refunding	7,990	7,990
Amortization of Revenue bond discount	(11,220)	(11,220)
G.O. bond and Revenue bond proceeds	-	(3,303,196)
G.O. bond and Revenue bond proceeds - interest	8,084	(8,084)
G.O. bond and Revenue bond premium	-	(61,980)
G.O. bond and Revenue bond defeasance	-	3,338,799
G.O. bond and Revenue bond issuance costs	1,572	19,457
Capitalized interest	210,923	964,746
Payment of debt principal	4,775,673	4,717,476
Increase in compensated absences payable	(8,867)	(23,074)
Decrease in interest expense accrual	25,545	27,069
Net interest expense incurred due to debt refunding	-	(2,237)
Increase in inventories	439,848	102,784
Increase in allowance for uncollectible accounts	(50,144)	(193,136)
Capital outlay	7,397,753	11,332,573
Loss on investment in joint venture	(379,580)	(94,052)
Gain on disposal of fixed assets	(516,703)	(48,348)
Capital contributions	13,600,879	12,476,798
Depreciation	(5,537,330)	(4,468,498)
Total	<u>19,568,871</u>	<u>24,350,362</u>
Change in net assets	<u>\$ 22,334,545</u>	<u>\$ 18,687,138</u>

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

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	2005			2004
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Operating revenues				
Solid waste charges	\$ 2,669,000	\$ 2,916,267	\$ 247,267	\$ 2,620,319
Disposal fees	173,000	200,383	27,383	183,135
Other operating revenues	7,020	8,463	1,443	4,643
Total	<u>2,849,020</u>	<u>3,125,113</u>	<u>276,093</u>	<u>2,808,097</u>
Nonoperating revenues				
Investment earnings	<u>46,122</u>	<u>66,938</u>	<u>20,816</u>	<u>15,679</u>
Total revenues	<u>2,895,142</u>	<u>3,192,051</u>	<u>296,909</u>	<u>2,823,776</u>
EXPENDITURES				
Administration	93,306	87,967	5,339	123,164
Solid waste landfill	3,097,905	2,779,700	318,205	2,645,912
Nondepartmental	<u>265,392</u>	<u>-</u>	<u>265,392</u>	<u>-</u>
Total expenditures	<u>3,456,603</u>	<u>2,867,667</u>	<u>588,936</u>	<u>2,769,076</u>
Revenues over (under) expenditures	(561,461)	324,384	885,845	54,700
OTHER FINANCING SOURCES				
Transfers in				
Solid Waste Capital Reserve Fund	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	(311,461)	574,384	885,845	54,700
APPROPRIATED FUND BALANCE				
Revenues, other financing sources and appropriated fund balance over expenditures	<u>311,461</u>	<u>-</u>	<u>(311,461)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 574,384</u>	<u>\$ 574,384</u>	<u>\$ 54,700</u>

Solid Waste Capital Reserve Fund

Schedule of Revenues -

Non-GAAP

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	<u>2005</u>	<u>2004</u>
REVENUES		
Investment earnings	\$ 102,705	\$ 30,696
OTHER FINANCING USES		
Transfers to other funds:		
Solid Waste Operating Fund	<u>(250,000)</u>	<u>-</u>
Revenues over (under) other financing uses	<u>\$ (147,295)</u>	<u>\$ 30,696</u>

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

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

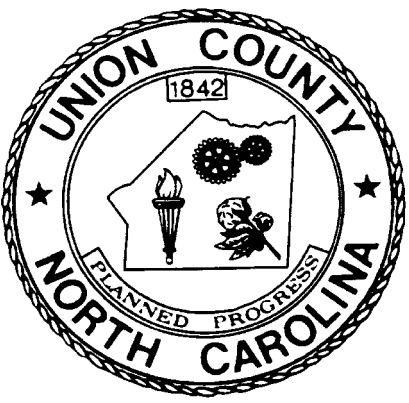
	2005	2004
Revenues and other financing sources over (under) expenditures and other financing uses		
Operating Fund	\$ 574,384	\$ 54,700
Capital Reserve Fund	(147,295)	30,696
Total	<u>427,089</u>	<u>85,396</u>
Reconciling items		
(Increase) decrease in compensated absences payable	15,642	(24,993)
(Increase) decrease in accrued landfill postclosure care costs	(58,008)	197,029
Capital outlay	1,191	135,988
Depreciation	(153,428)	(195,641)
Loss on disposal of capital asset	(23,677)	(1,525)
Total	<u>(218,280)</u>	<u>110,858</u>
Change in net assets	<u>\$ 208,809</u>	<u>\$ 196,254</u>

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

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	2005			2004
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES				
Administration	\$ 199,020	\$ 101,307	\$ 97,713	\$ 64,206
OTHER FINANCING SOURCES				
Transfers in				
General Fund	<u>154,820</u>	<u>131,307</u>	<u>(23,513)</u>	<u>108,406</u>
Other financing sources over over (under) expenditures	(44,200)	30,000	74,200	44,200
APPROPRIATED FUND BALANCE	<u>44,200</u>	<u>-</u>	<u>(44,200)</u>	<u>-</u>
Other financing sources and appropriated fund balance over expenditures	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 44,200</u>



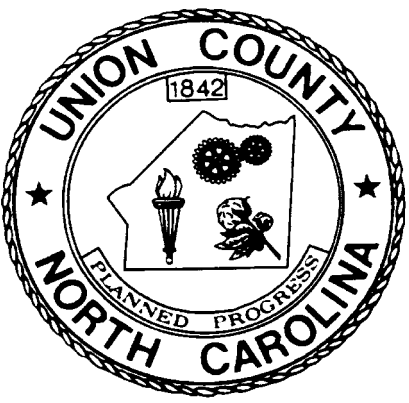
Internal Service Funds

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

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

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

Property and Casualty Fund - This fund accounts for amounts from individual departments to pay property and casualty claims and premiums.



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

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	<u>2005</u>	<u>2004</u>
REVENUES		
Operating revenues		
Interfund charges and employee contributions	\$ 5,637,592	\$ 4,651,303
Insurance reimbursement	-	4,600
Total	<u>5,637,592</u>	<u>4,655,903</u>
Nonoperating revenues		
Investment earnings	<u>14,474</u>	<u>4,563</u>
Total revenues	<u>5,652,066</u>	<u>4,660,466</u>
EXPENDITURES		
Operating expenditures		
Health benefit claims and premiums	4,567,729	4,127,379
Other operating expenditures	<u>628,126</u>	<u>655,897</u>
Total expenditures	<u>5,195,855</u>	<u>4,783,276</u>
Revenues over (under) expenditures	<u>\$ 456,211</u>	<u>\$ (122,810)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis		
Revenues over (under) expenditures	\$ 456,211	\$ (122,810)
Reconciling items:		
Increase in health benefit claims payable	<u>(128,700)</u>	<u>(423,000)</u>
Change in net assets	<u>\$ 327,511</u>	<u>\$ (545,810)</u>

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

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

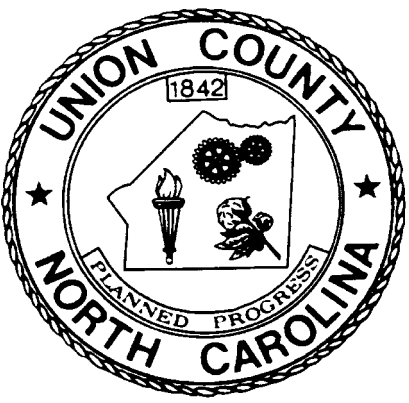
	2005	2004
REVENUES		
Operating revenues		
Insurance reimbursement	\$ -	\$ 169,096
Nonoperating revenues		
Investment earnings	51,014	17,667
Total revenues	<u>51,014</u>	<u>186,763</u>
EXPENDITURES		
Operating expenditures		
Workers' compensation claims	217,449	558,578
Other operating expenditures	102,978	125,586
Total expenditures	<u>320,427</u>	<u>684,164</u>
Revenues under expenditures	<u>\$ (269,413)</u>	<u>\$ (497,401)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis		
Revenues under expenditures	\$ (269,413)	\$ (497,401)
Reconciling items:		
Decrease in workers' compensation claims payable	31,607	266,242
Loss on disposal of capital assets	-	(10,760)
Change in net assets	<u>\$ (237,806)</u>	<u>\$ (241,919)</u>

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

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	<u>2005</u>	<u>2004</u>
REVENUES		
Operating revenues		
Interfund charges	\$ 702,350	\$ -
Insurance reimbursement	-	86,812
Total	<u>702,350</u>	<u>86,812</u>
Nonoperating revenues		
Investment earnings	<u>2,843</u>	<u>-</u>
Total revenues	705,193	86,812
EXPENDITURES		
Operating expenditures		
Property and casualty claims and premiums	<u>669,288</u>	<u>-</u>
Revenues over expenditures	<u>\$ 35,905</u>	<u>\$ 86,812</u>



Fiduciary Funds

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

Pension Trust Fund

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

Agency Funds

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

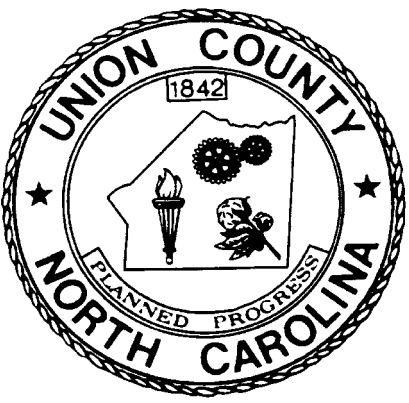
Fines and Forfeitures Fund - This fund accounts for fines and forfeitures collected by the county that are required to be remitted to the Union County Public Schools Board of Education.

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

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

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

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



Special Separation Allowance Fund
Schedule of Revenues, Expenses and Changes in
Fiduciary Net Assets - Pension Trust Fund

For the Year Ended June 30, 2005

With Comparative Actual Amounts for the Year Ended June 30, 2004

	<u>2005</u>	<u>2004</u>
REVENUES		
Operating revenues		
Employer contributions	\$ 430,743	\$ 419,405
Investment earnings	29,296	8,865
Total revenues	<u>460,039</u>	<u>428,270</u>
EXPENSES		
Operating expenses		
Employee benefits	<u>525,833</u>	<u>455,376</u>
Revenues under expenses	(65,794)	(27,106)
NET ASSETS		
Beginning of year-July 1	<u>1,323,719</u>	<u>1,350,825</u>
End of year-June 30	<u><u>\$ 1,257,925</u></u>	<u><u>\$ 1,323,719</u></u>

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

For the Year Ended June 30, 2005

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
SOCIAL SERVICES				
ASSETS				
Cash and investments	\$ 57,124	\$ 326,151	\$ 334,716	\$ 48,559
LIABILITIES				
Due to program participants	\$ 57,124	\$ 326,151	\$ 334,716	\$ 48,559
FINES AND FORFEITURES				
ASSETS				
Cash and investments	\$ -	\$ 1,121,375	\$ 1,024,656	\$ 96,719
Accounts receivable (net)	70,150	107,762	70,150	107,762
Total assets	\$ 70,150	\$ 1,229,137	\$ 1,094,806	\$ 204,481
LIABILITIES				
Accounts payable and accrued liabilities	\$ 70,150	\$ 1,255,706	\$ 1,121,375	\$ 204,481
JAIL INMATE FUND				
ASSETS				
Cash and investments	\$ 29,089	\$ 388,179	\$ 387,902	\$ 29,366
LIABILITIES				
Due to program participants	\$ 29,089	\$ 388,179	\$ 387,902	\$ 29,366
MONROE SCHOOL DISTRICT				
ASSETS				
Cash and investments	\$ 21,484	\$ 1,504,845	\$ 1,502,353	\$ 23,976
Property taxes receivable (net)	48,328	1,116,532	1,112,059	52,801
Accounts receivable (net)	126,046	146,254	167,661	104,639
Total assets	\$ 195,858	\$ 2,767,631	\$ 2,782,073	\$ 181,416
LIABILITIES				
Accounts payable and accrued liabilities	\$ 195,858	\$ 4,312,091	\$ 4,326,533	\$ 181,416
UNION COUNTY SCHOOL DISTRICT				
ASSETS				
Cash and investments	\$ 99,899	\$ 11,325,720	\$ 11,271,763	\$ 153,856
Property taxes receivable (net)	206,956	8,694,231	8,651,666	249,521
Accounts receivable (net)	796,841	1,068,849	1,078,871	786,819
Total assets	\$ 1,103,696	\$ 21,088,800	\$ 21,002,300	\$ 1,190,196
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,103,696	\$ 32,244,073	\$ 32,157,573	\$ 1,190,196

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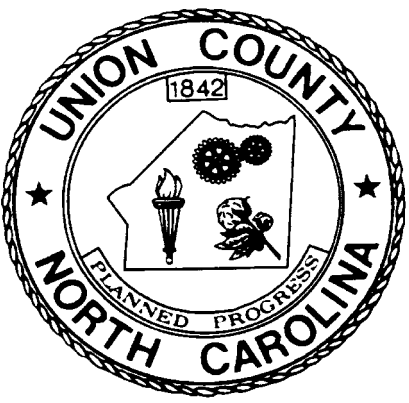
Agency Funds

(continued)

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2005

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
MUNICIPAL TAX COLLECTION				
ASSETS				
Cash and investments	\$ 170,017	\$ 1,727,477	\$ 1,692,194	\$ 205,300
LIABILITIES				
Accounts payable and accrued liabilities	\$ 170,017	\$ 3,432,619	\$ 3,397,336	\$ 205,300
GROSS RENTAL RECEIPTS TAX FUND				
ASSETS				
Cash and investments	\$ 527	\$ 57,832	\$ 57,682	\$ 677
LIABILITIES				
Accounts payable and accrued liabilities	\$ 527	\$ 66,776	\$ 66,626	\$ 677
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and investments	\$ 378,140	\$ 16,451,579	\$ 16,271,266	\$ 558,453
Property taxes receivable (net)	255,284	9,810,763	9,763,725	302,322
Accounts receivable (net)	993,037	1,322,865	1,316,682	999,220
Total assets	\$ 1,626,461	\$ 27,585,207	\$ 27,351,673	\$ 1,859,995
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,540,248	\$ 41,311,265	\$ 41,069,443	\$ 1,782,070
Due to program participants	86,213	714,330	722,618	77,925
Total liabilities	\$ 1,626,461	\$ 42,025,595	\$ 41,792,061	\$ 1,859,995



Additional Financial Data

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, 2005

Schedule 38

Fiscal Year	Uncollected Balance June 30, 2004	Additions and Adjustments	Collections and Credits	Uncollected Balance June 30, 2005
2005-2006	\$ -	\$ 12,070	\$ 6,474	\$ 5,596
2004-2005	92,449	70,485,233	68,927,427	1,650,255
2003-2004	1,414,210	55,411	1,063,743	405,878
2002-2003	352,726	58,260	187,817	223,169
2001-2002	199,074	76,248	120,801	154,521
2000-2001	75,344	3,317	22,465	56,196
1999-2000	56,581	1,327	11,264	46,644
1998-1999	32,681	-	2,067	30,614
1997-1998	20,453	-	1,355	19,098
1996-1997	16,407	(1,100)	1,093	14,214
1995-1996	15,857	(295)	948	14,614
1994-1995	16,130	-	16,130	-
	<u>\$ 2,291,912</u>	<u>\$ 70,690,471</u>	<u>\$ 70,361,584</u>	<u>2,620,799</u>

Plus: Uncollected 2004-2005 ad valorem taxes receivable on annually registered vehicles	58,772
Less: Allowance for uncollectible ad valorem taxes receivable	<u>(588,418)</u>
Ad valorem taxes receivable (net)	<u>\$ 2,091,153</u>

Reconciliation with revenues	
Taxes - ad valorem	<u>\$ 71,303,660</u>

Reconciling items	
2005 tax prepayments	6,474
Write-offs per statute of limitations and of small amounts	15,345
Waive Tax Bills less than \$5.00	3,338
Refunds	50,987
Recognition of previously collected 2003-2004 ad valorem taxes on annually registered vehicles	115,576
Collections in advance	(655,607)
Interest and advertising cost recovery	(398,267)
Foreclosure fees and overpayments	(5,578)
Collections on written off motor vehicle amounts	(62,959)
Animal Taxes	<u>(11,385)</u>
Total reconciling items	<u>(942,076)</u>

Total collections and credits	<u>\$ 70,361,584</u>
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Union County, North Carolina
Analysis of Current Tax Levy
County-wide Levy
For the Year Ended June 30, 2005

Schedule 39

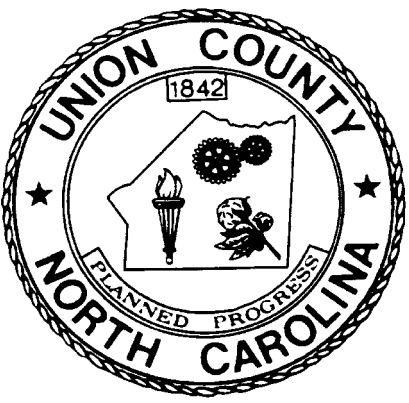
	County-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property excluding Registered Motor	Registered Motor Vehicles
Original Levy					
Property taxed at current year's rate	\$12,657,180,288	0.5250	\$ 66,448,204	\$ 62,381,851	\$ 4,066,353
Motor vehicles taxed at prior year's rate	466,566,988	0.5300	2,413,975	-	2,413,975
Motor vehicles taxed at prior year's rate	359,188	0.4705	1,690	-	1,690
Late listing			81,867	81,867	-
Total	<u>13,124,106,464</u>		<u>68,945,736</u>	<u>62,463,718</u>	<u>6,482,018</u>
Discoveries					
Property taxed at current year's rate	349,924,534	0.5250	1,836,324	1,836,324	-
Late listing	-		8,171	8,171	-
Total	<u>349,924,534</u>		<u>1,844,495</u>	<u>1,844,495</u>	<u>-</u>
Abatements					
Property taxed at current year's rate	55,986,455	0.5250	282,701	204,548	78,153
Motor vehicles taxed at prior year's rate	14,364,831	0.5300	62,001	-	62,001
Motor vehicles taxed at prior year's rate	55,334	0.4705	391	-	391
Late listing	-		4,414	4,414	-
Total	<u>70,406,620</u>		<u>349,507</u>	<u>208,962</u>	<u>140,545</u>
Total property valuation	<u>\$13,403,624,378</u>				
Net levy			70,440,724	64,099,251	6,341,473
Add: Prior years' discoveries			4,050	4,050	-
Add: Refunds			40,219	40,219	-
Add: Write-off's of small amounts			240	-	240
Total additions and adjustments for 2004-2005			70,485,233	64,143,520	6,341,713
Add: Uncollected taxes at June 30, 2004			92,449	51,063	41,386
Less: Uncollected taxes at June 30, 2005			(1,650,255)	(1,063,792)	(586,463)
Total collections and credits for 2004-2005			<u>\$ 68,927,427</u>	<u>\$ 63,130,791</u>	<u>\$ 5,796,636</u>
Percent current year collected			<u>97.79%</u>	<u>98.42%</u>	<u>91.40%</u>

SECONDARY MARKET DISCLOSURES

	County-wide		
	Property Valuation	Rate	Amount of Levy
Assessed valuation			
Assessment ratio	100%		
Real property	\$11,093,092,348		
Personal property	855,270,804		
Public service companies	244,639,487		
	<u>12,193,002,639</u>	0.5250	\$ 64,099,251
Personal property-motor vehicles	758,115,728	0.5250	3,988,200
Personal property-motor vehicles	452,202,157	0.5300	2,351,973
Personal property-motor vehicles	303,854	0.4705	1,300
Total	<u>\$13,403,624,378</u>		<u>\$ 70,440,724</u>

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, 2005:

School districts	\$ 9,389,342
Fire protection districts	<u>1,516,683</u>
Total	<u>\$ 10,906,025</u>



Statistical Section

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

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

Fiscal Year Ended June 30	General Government	Public Safety	Economic and Physical Development	Human Services	Education
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
2005	12,205,567	22,549,554	1,073,782	31,293,129	26,440,438

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
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
2005	71,303,660	24,850,749	2,421,248	17,940,152	8,516,173

Table 1

<u>Cultural and Recreational</u>	<u>Debt Service</u>	<u>Total</u>
\$ 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
4,870,027	17,112,288	115,544,785

Table 2

<u>Sales and Services</u>	<u>Investment Earnings</u>	<u>Miscellan- eous</u>	<u>Total</u>
\$ 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
3,561,745	1,946,602	2,784,086	133,324,415

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
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
2005	2004	70,485,233	68,927,427	97.8%	1,412,338

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
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
2005	2004	11,093,092	2,065,893	244,639	13,403,624

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

Table 3

<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections To Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
\$ 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%
70,339,765	99.8%	2,620,799	3.7%

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								
		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
1996	1995	\$.6600	\$.070	\$.070	\$.0290	\$ -	\$.0208	\$.7590	\$.7300	\$.7445
1997	1996	.6600	.070	.070	.0211	-	.0208	.7511	.7300	.7406
1998	1997	.6600	.070	.070	.0211	-	.0208	.7511	.7300	.7406
1999	1998	.6600	.070	.070	.0363	-	.0332	.7663	.7300	.7482
2000	1999	.6600	.070	.070	.0346	-	.0240	.7646	.7300	.7473
2001	2000	.4705	.059	.059	.0211	-	.0063	.5506	.5295	.5401
2002	2001	.4705	.070	.070	.0276	-	.0277	.5682	.5405	.5544
2003	2002	.4705	.070	.070	.0376	-	.0342	.5747	.5405	.5576
2004	2003	.5300	.070	.070	.0360	.0170	.0392	.6392	.6000	.6196
2005	2004	.5250	.070	.070	.0427	.0140	.0729	.6442	.5950	.6196

Note: Tax years 2000 and 2004 were revaluation years. Rates provided by Union County Tax Assessor

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

Table 6

Fiscal Year Ended June 30	Assessed Value (000 omitted)	Gross General Bonded Debt	Less Debt Payable from Enterprise Revenues	Net General Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Population (1)	Net General Bonded Debt Per Capita
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%	125,668	1,022.22
2002	9,477,687	144,994,000	22,992,386	122,001,614	1.29%	131,852	925.29
2003	10,169,868	135,648,000	20,011,722	115,636,278	1.14%	138,807	833.07
2004	10,770,780	127,136,800	17,185,963	109,950,837	1.02%	144,736	759.66
2005	13,403,624	259,469,300	14,213,986	245,255,314	1.83%	151,847	1,615.15

(1) Source: North Carolina State Demographic Unit

Table 5

Overlapping Taxes Levied by Municipalities

City of Monroe	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	Village of Lake Park
\$.45	\$ -	\$ -	\$.49	\$ -	\$ -	\$.32	\$.02	\$.47	\$ -	\$.09	\$ -	\$.10	\$ -	\$.025	\$.15
.50	-	-	.43	-	-	.38	.02	.47	-	.09	-	.10	-	.025	.15
.50	-	-	.43	-	-	.38	.02	.47	-	.09	-	.10	-	.025	.12
.55	.20	-	.43	-	-	.38	.02	.47	-	.11	-	.10	-	.025	.12
.55	.20	.02	.43	.04	-	.38	.02	.47	.02	.12	-	.10	.02	.025	.12
.50	.20	.02	.38	.03	-	.32	.02	.37	.02	.10	-	.08	.02	.025	.09
.50	.20	.02	.38	.03	-	.32	.02	.37	.02	.10	-	.08	.02	.025	.18
.50	.20	.05	.38	.03	-	.40	.05	.37	.02	.14	.02	.08	.02	.052	.18
.50	.20	.05	.38	.03	.275	.36	.04	.37	.02	.16	.02	.08	.02	.052	.22
.48	.20	.03	.38	.03	.275	.36	.04	.34	.02	.25	.02	.08	.02	.052	.22

Union County, North Carolina
Computation of Legal Debt Margin
 June 30, 2005

Table 7

Assessed value of taxable property		\$ 13,403,624,378
		x .08
		<hr/>
Debt limit - 8 percent of assessed value		1,072,289,950
Gross debt		
General obligation debt	\$ 259,469,300	
General obligation debt authorized and unissued	110,730,000	
Certificates of Participation	39,410,000	
Installment Financing	243,898	
NC Clean Water Revolving Loan	2,804,360	
	<hr/>	
	412,657,558	
Less: Water bonds issued and outstanding	(9,308,774)	
Sewer bonds issued and outstanding	(4,905,212)	
NC Clean Water Revolving Loan	(2,804,360)	
	<hr/>	
Total amount of debt applicable to debt limit		<hr/> 395,639,212
Legal debt margin		<hr/> <hr/> \$ 676,650,738

**Ratio of Annual Debt Service Expenditures for General Bonded Debt
to Total General Fund Expenditures**

Last Ten Fiscal Years

Fiscal Year Ended June 30	Principal	Interest on Bonds	Total Debt Service	Total General Fund Expenditures	Ratio of Debt Service to Total General Expenditures
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%
2005	6,475,523	6,264,253	12,739,776 (2)	115,544,785	11.03%

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

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

Union County, North Carolina
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	
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
2005	28,258,771	10,426,862	17,831,909	5,261,847	23,093,756

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 FY2005

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 Tests</u>	
				<u>Adj. Net Rev / Adj. Dbt. Svc.</u>	<u>Net Rev / Total Dbt. Svc.</u>
\$ -	-	\$ 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>Subordinate Debt Service</u>		<u>Adj. Total Debt Service + 20% Senior Debt</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
3,487,927	4,136,339	7,624,266	8,306,711	2.78	2.34

Union County, North Carolina
Demographic Statistics
 Last Ten Fiscal Years

Table 10

Fiscal Year Ended June 30	Population (1)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)	Retail Sales (5) (000's Omitted)
1996	100,520	\$ 20,667	18,080	2.6%	\$ 991,135
1997	105,123	21,936	18,838	2.8%	1,106,300
1998	109,787	23,486	19,646	2.5%	1,109,397
1999	114,780	24,827	20,504	2.1%	1,210,670
2000	120,677	26,171	21,602	3.0%	1,304,253
2001	125,668	27,613	22,875	4.1%	1,370,180
2002	131,852	26,868	24,868	5.4%	1,409,840
2003	138,807	26,778	25,830	5.6%	1,425,656
2004	144,736	Not Available	27,031	4.9%	1,458,866
2005	151,847	Not Available	28,815	4.5%	1,537,435

- 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 year is estimated by the School System.
 - (4) North Carolina Employment Security Commission
 - (5) North Carolina Department of Revenue
 The amount shown for the 2005 fiscal year is for July 2004-May 2005.

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)
1996	323	\$ 23,067	1,785	\$ 144,372	\$ 722,908	\$ 863,938	\$ 3,865,127
1997	407	71,083	2,525	178,539	768,906	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
2005	498	146,370	4,678	687,386	1,343,386	1,625,571	11,778,053

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, 2005

Table 12

Taxpayer	Type of Business	2004 Assessed Valuation	Percentage of Total Assessed Valuation
Charlotte Pipe & Foundry Company	Plastics	\$ 113,082,701	0.84%
Union Electric Membership Corporation	Utility	63,614,916	0.47%
Duke Power Company	Utility	53,414,289	0.40%
Teledyne/ALLVAC	Metals	51,689,024	0.39%
Tyson Foods / Holly Farms	Poultry	46,481,620	0.35%
Verizon South Inc.	Utility	38,420,783	0.29%
Alltel Carolina Inc.	Utility	33,903,914	0.25%
NC Natural Gas Corporation	Gas	32,011,232	0.24%
Pilgrim Pride	Poultry	30,289,409	0.23%
Harris Teeter	Distribution of Food	27,718,183	0.21%
Total assessed valuation of top 10 taxpayers		<u>\$ 490,626,071</u>	<u>3.66%</u>
Total county-wide assessed valuation		<u>\$ 13,403,624,378</u>	

Source: Union County Tax Assessor's Office.

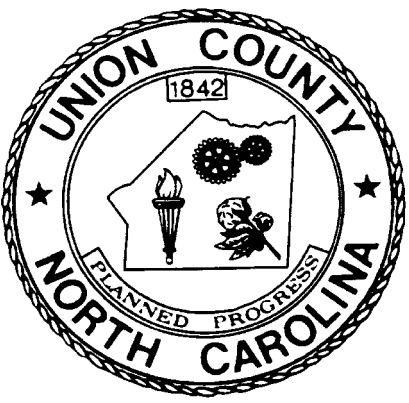
Union County, North Carolina
Miscellaneous Statistics
 June 30, 2005

Table 13

Date of establishment	1842
Form of government	Commissioner-Manager
Area in square miles	643
Miles of roads-paved (1)	1,438
Miles of roads-unpaved (1)	65
Police Protection: (2)	
Number of stations	8
Number of deputies/officers	317
Number of patrol units	245
Fire Protection: (3)	
Number of stations	18 Main, 7 sub-stations
Number of volunteer fire personnel	525
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	214,212
Employees:	
Full-time	825
Part-time	151
Education: (6)	
Number of schools	36
Number of classrooms	1,201
Number of licensed employees	2,233
Number of students	28,815
Water system: (7)	
Number of service connections	28,922
Average daily consumption in gallons	7,062,020
Miles of water mains	610
Number of fire hydrants	2,530
Sewer system: (7)	
Number of service connections	19,246
Miles of sewer mains	450

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

Compliance Section





DIXON 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, 2005, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 23, 2005. 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 23, 2005.

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.

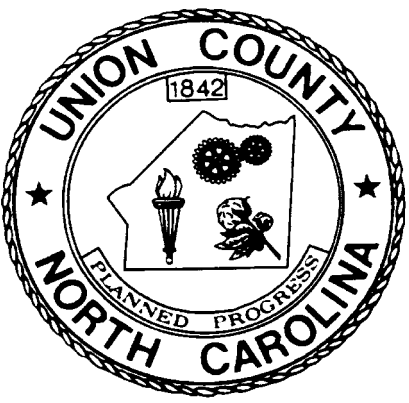
Dixon Hughes PLLC

September 23, 2005

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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, 2005. 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, 2005.

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.

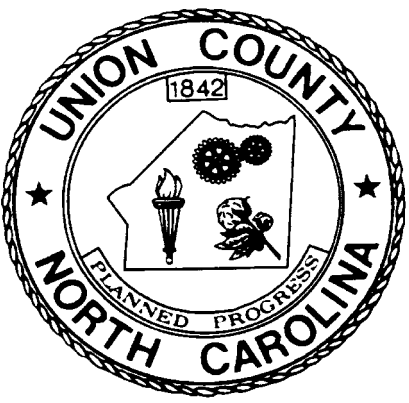
Dixon Hughes PLLC

September 23, 2005

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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, 2005. 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, 2005.

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.

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

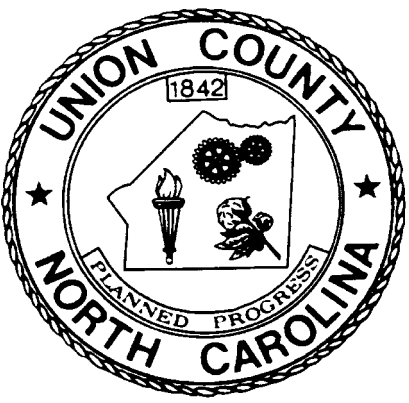
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Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major federal programs:

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

Noncompliance material to federal awards? _____ yes x no

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)? _____ yes x no

Major federal programs for Union County for the fiscal year ended June 30, 2005 were:

CFDA#	Program Name
93.778	Medicaid
10.551, 10.561	Food Stamp Cluster
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B programs: \$ 2,351,528

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

Continued on next page.

Schedule of Findings and Questioned Costs

(continued)

For the Year Ended June 30, 2005

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

State Awards

Internal control over major State programs:

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

Noncompliance material to State awards?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> 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	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
--	------------------------------	--

Major State programs for Union County for the fiscal year ended June 30, 2005 were:

<u>Program Name</u>
State / County Special Assistance for Adults

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, 2005

Section II - Financial Statement Findings

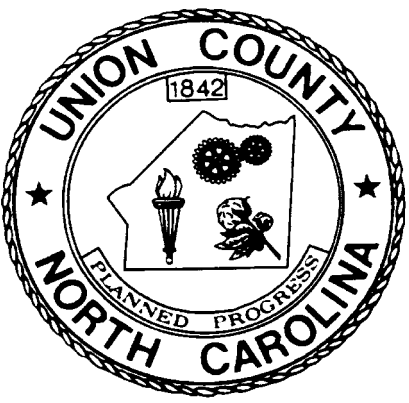
None reported.

Section III- Federal Award Findings and Questioned Costs

None reported.

Section IV - State Award Findings and Questioned Costs

None reported.



Summary Schedule for Prior Year's Audit Findings

For the Year Ended June 30, 2005

Summary of Prior Year's Audit Findings

None reported.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2005

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-Direct Benefit Pyments	10.551
State Administrative Matching Grants for the Food Stamp Program	10.561
Food Stamps Employment and Training and Dependent Care	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
Total Division of Public Health	
Passed-through N.C. Department of Agriculture:	
Emergency Food Assistance Program:	
Administrative Costs	10.568
Total U.S. Department of Agriculture	
U.S. DEPARTMENT OF JUSTICE	
Office of Justice Programs:	
Disproportionate Minority Contact Implementation	16.540

Schedule 43

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 77,354	\$ -	\$ -	\$ 77,354
	9,573,270	-	-	9,573,270
	647,881	-	646,502	1,294,383
	4,538	-	4,537	9,075
	<u>10,225,689</u>	<u>-</u>	<u>651,039</u>	<u>10,876,728</u>
1540-5403-GE	73,725	-	85,891	159,616
1540-5403-GF	135,077	-	-	135,077
1540-5404-GE	44,680	-	-	44,680
1540-5404-GF	80,108	-	-	80,108
1540-5405-GE	3,801	-	-	3,801
1540-5405-GF	13,902	-	-	13,902
1540-5409-GE	5,483	-	-	5,483
1540-5409-GF	9,873	-	-	9,873
	<u>2,156,793</u>	<u>-</u>	<u>-</u>	<u>2,156,793</u>
	<u>2,523,442</u>	<u>-</u>	<u>85,891</u>	<u>2,609,333</u>
	4,059	-	1	4,060
	<u>12,830,544</u>	<u>-</u>	<u>736,931</u>	<u>13,567,475</u>
090-1-03-010-AJ311	37,590	-	-	37,590

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2005

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
U.S. DEPARTMENT OF JUSTICE (CONTINUED)	
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	
U.S. DEPARTMENT OF HOMELAND SECURITY	
Passed-through N. C. Department of Crime Control and Public Safety:	
Division of Emergency Management:	
Emergency Management Assistance	97.042
Terrorism Grant	97.004
Hazard Mitigation Grant	97.038
Homeland Security	16.607
Homeland Security	97.004
Homeland Security	97.004
Citizens Emergency Response Team (CERT)	83.565
Total U.S. Department of Homeland Security	
U.S. DEPARTMENT OF TRANSPORTATION	
Federal Transit Administration:	
Passed-through N. C. Department of Transportation:	
Department of Transportation:	
Formula Grants for Other than Urbanized Areas	20.509
Formula Grants for Other than Urbanized Areas	20.509
Total U.S. Department of Transportation	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
Administration of Aging:	
Division of Aging and Adult Services:	
Passed-through Centralina Council of Governments:	
Aging Cluster:	
Nutrition Program for the Elderly	93.053
Social Services Block Grant-In Home Aide	93.667
Special Programs for the Aging-Title III B	
Grants for Supportive Services and Senior Center	93.044
Special Programs for the Aging-Title III C	
Nutrition Services	93.045
Total Aging Cluster	

Schedule 43
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
090-1-03-001-AX-296	\$ 84,739	\$ -	\$ -	\$ 84,739
090-1-03-002-AK-461	71,868	-	23,956	95,824
	<u>194,197</u>	<u>-</u>	<u>23,956</u>	<u>218,153</u>
EMGP-2003-37179	29,397	-	167,434	196,831
DOJ-02-047	694	-	-	694
HMGP-1448-0006	11,250	-	3,750	15,000
HS-TE3-1090	98,502	-	(81)	98,421
HS-MU3-2090	196,315	-	8,985	205,300
2004-GE-T4-0014-1090	19,598	-	-	19,598
MOU061604	35,679	-	11,096	46,775
	<u>391,435</u>	<u>-</u>	<u>191,184</u>	<u>582,619</u>
05-CT-089 Admin	82,178	5,136	15,408	102,722
05-CT-089 Capital	60,436	5,769	9,340	75,545
	<u>142,614</u>	<u>10,905</u>	<u>24,748</u>	<u>178,267</u>
	37,361	-	-	37,361
	25,488	730	-	26,218
	161,870	9,550	-	171,420
	124,825	7,299	-	132,124
	<u>349,544</u>	<u>17,579</u>	<u>-</u>	<u>367,123</u>

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2005

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)	
Administration for Children and Families:	
Division of Social Services:	
Passed-through N.C. Department of Health and Human Services:	
Foster Care and Adoption Cluster: (Note 3)	
Adoption/Foster Care	N/A
Title IV-E Optional Administration	93.658
Title IV-E Foster Care	93.658
IV-E Child Protective Services	93.658
IV-E Waiver	93.658
IV-E Adoption Subsidy and Vendor-Direct Benefit Payments	93.659
Total Foster Care and Adoption Cluster (Note 3)	
TANF Domestic Violence	93.558
Work First Administration	93.558
Work First Service	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
Adolescent Parenting	93.645
LINKS	93.674
Division of Aging and Adult Services:	
SSBG - In Home Services Fund	93.667
SSBG - In Home Services Over 60	93.667
SSBG - Adult Day Care	93.667
SSBG Other Services and Training	93.667
Total Division of Aging and Adult Services	
Division of Child Development:	
Subsidized Child Care Cluster: (Note 3)	
TANF Child Care	93.558
Child Care Development Fund -Discretionary	93.575
Child Care Development Fund-Mandatory	93.596
Child Care Development Fund-Administration	93.596

Schedule 43
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 55,019	\$ -	\$ 343	\$ 55,362
	115,303	-	115,303	230,606
	102,583	18,105	40,928	161,616
	302,707	120,629	182,078	605,414
	96,845	48,422	48,422	193,689
	229,434	67,408	67,408	364,250
	<u>901,891</u>	<u>254,564</u>	<u>454,482</u>	<u>1,610,937</u>
	19,707	-	-	19,707
	278,461	-	199,581	478,042
	1,363,929	-	1,905,316	3,269,245
	1,298,526	-	2,805	1,301,331
	(275)	(75)	(75)	(425)
	5,571	-	-	5,571
	21,833	-	-	21,833
	148,591	-	-	148,591
	182,741	-	-	182,741
	55,780	15,338	3,255	74,373
	41,372	22,530	24,154	88,056
	7,372	1,843	-	9,215
	219,092	-	31,298	250,390
	12,768	-	1,824	14,592
	44,239	32,415	10,951	87,605
	123,029	68,025	63,684	254,738
	<u>399,128</u>	<u>100,440</u>	<u>107,757</u>	<u>607,325</u>
	494,929	-	-	494,929
	1,668,360	-	-	1,668,360
	771,967	-	-	771,967
	213,667	-	-	213,667

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2005

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:	
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-State	N/A
Child Care Development -Smart Start TANF	N/A
Child Care State Maintenance of Effort	N/A
More At Four-State	N/A
Total Subsidized Child Care Cluster (Note 3)	
Centers for Medicare and Medicaid Services:	
Passed-through N.C. Department of Health and Human Services:	
Division of Social Services:	
Administration:	
State Children's Insurance Program-N.C. Health Choice	93.767
Medical Transportation Service	93.778
Medical Assistance Expansion	93.778
Medical Assistance Administration	93.778
Adult Care Home Case Management/Special	93.778
Total Division of Social Services	
Division of Medical Assistance:	
Direct Benefit Payments:	
State Children's Insurance Program-N.C. Health Choice	93.767
Medical Assistance Program	93.778
Total Centers for Medicare and Medicaid Services	
Total U.S. Department of Health and Human Services: Division of Social Services	
Centers for Disease Control	
Passed-through N.C. Department of Health and Human Services:	
Division of Public Health:	
Preventive Health and Health Services Block Grant	93.991
Breast & Cervical Cancer	93.919
Breast & Cervical Wise Woman Project	93.919
Child Service Coordination	93.994
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
	\$ 468,581	\$ 269,983	\$ -	\$ 738,564
	16,306	-	-	16,306
	-	125,720	-	125,720
	-	357,376	-	357,376
	-	53,246	-	53,246
	-	67,887	-	67,887
	-	642,365	-	642,365
	-	573,411	-	573,411
	-	96,413	-	96,413
	<u>3,633,810</u>	<u>2,186,401</u>	<u>-</u>	<u>5,820,211</u>
	98,816	7,490	26,384	132,690
	422	209	37	668
	17,557	17,557	-	35,114
	1,179,729	-	1,179,728	2,359,457
	59,000	34,412	24,588	118,000
	<u>15,458,548</u>	<u>4,876,570</u>	<u>4,523,996</u>	<u>24,859,114</u>
	2,066,085	906,699	-	2,972,784
	52,228,016	24,907,276	4,306,220	81,441,512
	<u>71,108,173</u>	<u>30,750,213</u>	<u>10,060,953</u>	<u>111,919,339</u>
	64,008,062	28,454,684	8,234,232	100,696,978
1551-5503-PH	14,989	-	116,541	131,530
1551-5452-EK	22,000	-	42,741	64,741
1551-5465-JV	18,265	-	14,139	32,404
1531-5318-AP	38,599	-	174,187	212,786
1561-2680-ET	2,060	-	(469)	1,591
1561-2680-EU	3,894	-	-	3,894
1561-2681-ET	21,900	-	-	21,900

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2005

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)	
Centers for Disease Control:	
Passed-through N.C. Department of Health and Human Services:	
Division of Public Health:	
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
Bioterrorism Grant	93.283
HRSA Bioterrorism Grant	93.283
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:	
Environmental Health	N/A
TANF-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	
Election Assistance for Individuals with Disabilities:	
Supplemental Technology Grant	39.011
HAVA Accessibility	93.617
No Excuse One Stop Voting	93.617
Technology Grant	93.617
2005 No-Contact List Maintenance Cost Statistics	93.617
Total Election Assistance for Individuals with Disabilities	
Total U. S. 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
1561-2681-EU	\$ 13,447	\$ -	\$ -	\$ 13,447
1561-2686-ET	1,487	-	-	1,487
1561-2686-EU	1,772	-	-	1,772
1561-2687-ET	1,918	-	-	1,918
1561-2687-EU	2,253	-	-	2,253
1562-2688-ET	5,775	-	-	5,775
1563-2680-ET	431	-	-	431
1563-2681-ET	6,451	-	-	6,451
1563-2686-ET	359	-	-	359
1563-2687-ET	378	-	-	378
1563-2688-ET	1,612	-	-	1,612
1511-1565-FH	30,698	-	-	30,698
1570-6024-EJ	21,721	-	185,165	206,886
	<u>210,009</u>	<u>-</u>	<u>532,304</u>	<u>742,313</u>
1575-5767-S4	144	-	-	144
1511-5151-T2	12,115	-	-	12,115
1505-5735-AP	65,537	-	480,812	546,349
1511-6014-FP	3,413	-	-	3,413
1511-6015-FP	43,671	-	-	43,671
1505-5740-AP	46,174	-	923,357	969,531
1505-5745-AP	37,237	-	724,099	761,336
1535-5351-AP	951	-	-	951
	<u>209,242</u>	<u>-</u>	<u>2,128,268</u>	<u>2,337,510</u>
2005	2,944	-	-	2,944
400023	(8,401)	-	-	(8,401)
2005	14,251	-	-	14,251
2005	14,817	-	-	14,817
UNIA05	3,693	-	-	3,693
	<u>27,304</u>	<u>-</u>	<u>-</u>	<u>27,304</u>
	<u>64,804,161</u>	<u>28,472,263</u>	<u>10,894,804</u>	<u>104,171,228</u>

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2005

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
U.S. DEPARTMENT OF EDUCATION Passed-through State Department of Cultural Resources: State Library Program	45.310
Total federal awards	
STATE AWARDS:	
N.C. DEPARTMENT OF CULTURAL RESOURCES Division of State Library: State Aid to Public Libraries	N/A
N.C. DEPARTMENT OF CORRECTIONS Division of Community Corrections: Criminal Justice Partnership Program	N/A
N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed-through North Carolina Partnership for Children, Incorporated	N/A
Division of Aging and Adult Services:	
Division of Social Services:	
90% State Funds - Access	N/A
90% State Funds - In-Home Services	N/A
90% State Funds - Congregate Nutrition	N/A
90% State Funds - Home Delivered Meals	N/A
Other Division of Social Services Programs:	
AFDC/TANF Incentives/Program Integrity	N/A
LINKS	N/A
DCD Smart Start	N/A
Share The Warmth	N/A
State Adult Protective Services	N/A
State Aid to Counties	N/A
SSGB - County Funded	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
Communicable Disease	N/A

Schedule 43
(Continued)

Pass-Through Grantor's Number	Federal (Direct and Pass-Through) Expenditures	State Expenditures	Local Expenditures	Total Expenditures
	\$ 21,331	\$ -	\$ 1,943	\$ 23,274
	78,384,282	28,483,168	11,873,566	118,741,016
	-	179,737	3,356,973	3,536,710
	-	61,126	-	61,126
	-	90,184	-	90,184
	-	64,907	-	64,907
	-	152,746	-	152,746
	-	29,715	-	29,715
	-	31,085	-	31,085
	-	158	-	158
	-	619	-	619
	-	113,629	-	113,629
	-	2,799	-	2,799
	-	36,935	105,692	142,627
	-	72,633	-	72,633
	-	-	1,855,505	1,855,505
	-	12,231	6,765	18,996
	-	53,152	53,076	106,228
	-	207,410	36,454	243,864
	-	806,337	806,336	1,612,673
	-	1,584,356	2,863,828	4,448,184
1410-4110-00	-	38,388	504,178	542,566
1451-4510-00	-	7,416	397,831	405,247

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2005

Grantor/Pass Through Grantor/Program Title	Federal CFDA Number
N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)	
Division of Public Health:	
Child Hood Lead Poisoning	N/A
Communicable Disease-Tuberculosis	N/A
Communicable Disease-Aids	N/A
Environmental Health	N/A
Environmental Health	N/A
Environmental Health	N/A
Maternal Health	N/A
Risk Reduction/Health Promotion	N/A
Tuberculosis	N/A
Total Division of Public Health	
Total N.C. Department of Health and Human Services	
N.C. DEPARTMENT OF PUBLIC INSTRUCTION	
Public School Building Capital Fund	N/A
N.C. DEPARTMENT OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION	
Juvenile Crime Prevention Council	N/A
Positive Impact	N/A
United Family Services	N/A
Shelter Care	N/A
Community Support Services	N/A
Total Department of Juvenile Justice and Delinquency Prevention	
N.C. DEPARTMENT OF TRANSPORTATION	
Elderly and Disabled Transportation Assistance:	
Public Transportation	
Public Transportation	
Rural Operating Assistance Program (ROAP)	
ROAP Elderly and Disabled Transportation Assistance	
ROAP Rural General Public Program	
ROAP Work First Transitional - Employment	
Total N.C. Department of Transportation	
N.C. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES	
Division of Soil and Water Conservation:	
Soil and Water Conservation	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
4760	-	3,500	2,881	6,381
1451-4551-00	-	3,810	-	3,810
1461-4536-BN	-	12,500	-	12,500
4751-485	-	2,458	1,545,672	1,548,130
4751-776	-	16,848	-	16,848
4752-573	-	1,262	-	1,262
1505-5746-00	-	60,293	-	60,293
1551-5503-00	-	6,022	-	6,022
1451-4554-00	-	1,033	619	1,652
	-	153,530	2,451,181	2,604,711
	-	1,828,070	5,315,009	7,143,079
	-	1,469,609	-	1,469,609
290000	-	7,835	1	7,836
290001	-	196,040	-	196,040
290018	-	30,092	-	30,092
290011	-	21,419	1	21,420
290016	-	43,834	1	43,835
	-	299,220	3	299,223
DOT-10	-	518	57	575
DOT-14	-	18,797	2,088	20,885
	-	-	-	-
DOT-16CL	-	66,424	-	66,424
DOT-16CL	-	58,676	-	58,676
DOT-16CL	-	16,404	-	16,404
	-	160,819	2,145	162,964
	-	19,650	88,905	108,555
	-	2,000	198,836	200,836
	-	4,020,231	8,961,871	12,982,102
	\$ 78,384,282	\$ 32,503,399	\$ 20,835,437	\$ 131,723,118

Continued on next page.

Union County, North Carolina
Schedule of Expenditures of Federal and State Awards
 For the Year Ended June 30, 2005

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
N.C. DEPARTMENT OF HUMAN RESOURCES		
Department of Juvenile Justice and Delinquency Prevention		
Juvenile Crime Prevention Council	290000	7,835
Positive Impact	290001	196,040
United Family Services	290018	30,092
Shelter Care	290011	21,419
Community Support Services	290016	43,834
		\$ 299,220

3. The following are clustered by the N.C. Department of Health and Human Services and are treated separately for the State audit requirement purposes:

Subsidized Child Care and Foster Care and Adoption